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REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT- FOURTH SESSION

NINTH REPORT OF THE SPECIAL FUNDS ACCOUNTS COMMITTEE

**AUDITED FINANCIAL STATEMENTS FOR THE NATIONAL
GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND
FOR CONSTITUENCIES IN KIAMBU COUNTY**

Directorate of Committee Services
The National Assembly
NAIROBI FEBRUARY, 2020

THE NATIONAL ASSEMBLY PARLIAMENTARY COMPLEX	
DATE: 25 Feb 2020	
TUESDAY	
TABLED BY:	Hon. Azeke Kwasie (MP Bamber)
WITNESSED BY:	Lemuna Masay

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ABBREVIATIONS AND ACRONYMS

BQ	Bill of Quantities
CDF	Constituencies Development Fund
CDFC	Constituency Development Funds Committee
CoK	Constitution of Kenya, 2010
FAM	Fund Account Manager
FY	Financial Year
GDP	Gross Domestic Product
GOK	Government of Kenya
IPSAS	International Public Sector Accounting Standards
KENAO	Kenya National Audit Office
KeRRA	Kenya Rural Roads Authority
LSO	Local Service Orders
MDA	Ministries, Departments and Agencies
MP	Member of Parliament
NGCDF	National Government Constituencies Development Fund
PMC	Project Management Committee
PSASB	Public Sector Accounting Standards Board

ANNEXURES

Annexure 1 Committee Minutes

Article 95 (4) (c) of the Constitution of Kenya gives the National Assembly powers to oversight over national revenue and its expenditure. In fulfillment of these constitutional provisions, the National Assembly Standing Orders has established Committees whose mandate is to examine reports of the Auditor-General to ascertain whether public funds have been utilized in a lawful, authorized, effective, efficient, economical and transparent manner.

The committee is mandated under standing order 205A to among others examine reports of the Auditor-General for the National Government Constituencies Development Fund (NG-CDF) for the 290 Constituencies in Kenya. Upon establishment, the Committee received a backlog of reports of the Auditor General on financial statements of Constituencies which date back to 2013/14 financial year which had not been examined by the Eleventh Parliament.

Based on the fact that each of the 290 constituencies is audited independently, the Committee adopted a strategy of examining these reports for the three financial years concurrently. In addition, the Committee examines reports of all constituencies per each County. So far, the Committee has been able to dispense with reports of thirty six Constituencies in three counties being Nairobi, Kisumu and Kiambu.

This report contains observations, findings and recommendations arising from examination of thirty six (36) reports of the Auditor General for the National Government Constituencies Development Fund for the twelve (12) constituencies in Kiambu County for financial years 2013/2014, 2014/2015 and 2015/2016. The Committee held a total of fourteen (14) sittings during which it received both written and oral evidence from the Fund Account Managers on audit queries raised by the Auditor-General. Minutes of the Committee's meetings are annexed to this report.

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

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

May I also extend my appreciation to my fellow Honourable Members of the Committee whose immense contributions and dedication to duty has enabled the Committee finalize with this report. Finally, I thank the sitting honourable Members of this House representing the twelve

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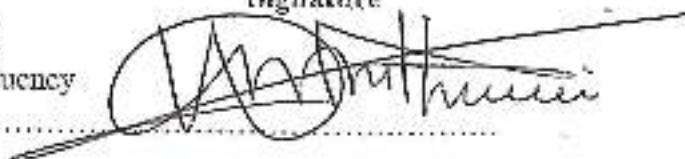
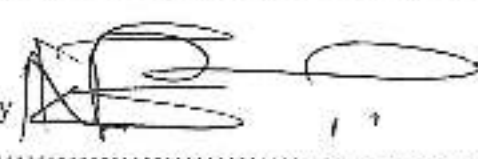

Constituencies in Kiambu County who made time to attend and participate in Committee deliberations during consideration of reports of their Constituencies.

On behalf of the Special Funds Accounts Committee, and pursuant to Standing Order 199(6), it is my pleasant duty and honour to present to the House the report on audited financial statements for the National Government Constituencies Development Fund for the twelve (12) Constituencies in Kiambu County for financial years 2013/2014, 2014/2015 and 2015/2016.





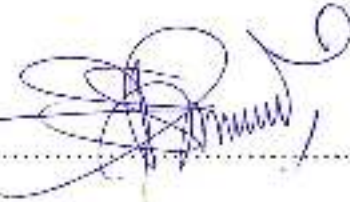


THE HON. KATHURI MURUNGI, MP
CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

PDF Compressor Free Version ADOPTION LIST

Pursuant to Standing Order 199, we the undersigned Members of the Special Funds Accounts Committee of the National Assembly do hereby append our signatures to adopt this Report.

- Signature
1. Hon. Kathuri Murungi, M.P. (Chairperson)
Member of Parliament for South Imenti Constituency
Independent Member 
 2. Hon. William Kamaren Chepkut, M.P. (Vice-Chairperson)
Member of Parliament for Ainabkoi Constituency
Independent Member.....
 3. Hon. Alfred Agoi Masadia, M.P.
Member of Parliament for Sabatia Constituency
Amani National Congress Party.....
 4. Hon. Dennitah Ghazi, HSC, M.P.
Nominated Member (representing persons with disabilities)
Orange Democratic Movement Party.....
 5. Hon. Mark Lomunokol, M.P.
Member of Parliament for Kacheliba Constituency
Party of Development and Reforms.....
 6. Hon. Shakeel Shabbir, M.P.
Member of Parliament for Kisumu Town East Constituency
Independent Member.....
 7. Hon. Erastus Kivasu Nzioka, M.P.
Member of Parliament for Mbooni Constituency
New Democrats Party..... 
 8. Hon. Esther M. Passaris, M.P.
Member of Parliament for Nairobi City County
Orange Democratic Movement Party.....
 9. Hon. Geoffrey Omuse, M.P.
Member of Parliament for Teso South Constituency
Orange Democratic Movement Party..... 

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10. Hon. Irene M. Kasalu, M.P.
Member of Parliament for Kitui County
Wiper Democratic Party..... 
11. Hon. James Kanau Wamacukuru, M.P.
Member of Parliament for Kabete Constituency
Jubilee Party..... 
12. Hon. Jared Okelo, M.P.
Member of Parliament for Nyando Constituency
Orange Democratic Movement Party 
13. Hon. Justus Gesito Mugali, M.P.
Member of Parliament for Shinyalu Constituency
Orange Democratic Movement Party
14. Hon. Marwa Maisori Kitayama, M.P.
Member of Parliament for Kuria East Constituency
Jubilee Party..... 
15. Hon. Muhammed M. Ali, M.P.
Member of Parliament of Nyali Constituency
Independent Member.....
16. Hon. Mwanibu M. Mabongah, M.P.
Member of Parliament for Bumula Constituency
Independent Member..... 
17. Hon. Rehema DidaJaldesa, M.P.
Member of Parliament for Isiolo County
Jubilee Party..... 
18. Hon. Mohamed Ali Lokiru, M.P.
Member of Parliament for Turkana East Constituency
Orange Democratic Movement Party 
19. Hon. Abdi Koropu Tepo, M.P.
Member of Parliament for Isiolo South Constituency
Kenya Patriots Party

CHAPTER ONE

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1.0 PREFACE

1.1 Establishment and Mandate of Special Funds Accounts Committee

1. The Special Funds Accounts Committees established pursuant to Article 124 of the Constitution and the National Assembly Standing Order 205A.
2. The Committee is mandated to examine the audited accounts, laid before the House, of the Equalization Fund, the Political Parties Fund, the Judiciary Fund, the National Government Constituencies Development Fund and such other Fund established by law as the Speaker may direct.

1.2 Guiding Principles

3. In execution of its mandate, the Committee was guided by principles on public finance management as provided in the Constitution of Kenya 2010, Public Finance Management Act, 2012 as well as established customs, traditions, practices and usages. The Public Finance Management principles require public money to be used in a prudent and responsible manner and that on direct personal liability.

1.2.1 Constitutional Principles on Public Finance

4. Article 201 provides for the fundamental principles that "...shall guide all aspects of public finance in the Republic..." These principles are, inter alia-
 - (i) openness and accountability, including public participation in financial matters;
 - (ii) prudent and responsible use of public money; and
 - (iii) responsible financial management and clear fiscal reporting.

1.2.2 Direct Personal Liability

5. Article 226(5) of the Constitution provides that "*If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not*".

6. It is on this basis that each Fund Account Manager being the accounting officer of the NG-CDF is held directly and personally liable for any loss of public funds under their watch.

1.2.3 Obligations of Accounting Officers

7. Section 68 (1) of the Public Finance Management Act, 2012 provides, inter alia, that- "*An accounting officer for a national government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the Fund Account Manager are used in a way that is lawful and authorized, and effective, efficient, economical and transparent.*"

1 | *The Ninth Report of the Special Funds Accounts Committee on audited financial statements for the National Government Constituencies Development Fund for constituencies in Kiambu County for the Financial Years 2013/2014, 2014/2015 and 2015/2016*

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8. This provision obligated Fund Account Managers as accounting officers in the constituencies to appear before the Special Funds Accounts Committee to respond to audit queries raised by the Auditor-General.

1.3 Committee Membership

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Chairperson

Hon. Kathuri Murungi, M.P.
Member for South Imenti Constituency

Independent Member

Vice-Chairperson

Hon. William Kamuren Chepkut, M.P.
Member for Ainabkoi Constituency

Independent Member

Members

Hon. Alfred Agoi Masadia, M.P.
Member for Sabaria Constituency
Amani National Congress Party

Hon. Dennitah Ghati, HSC, M.P.
Nominated Member (representing Persons
with Disabilities)
Orange Democratic Movement Party

Hon. Mark Lomunokoi, M.P.
Member for Kacheliba Constituency
Party of Development and Reforms

Hon. Shakeel Shabbir, M.P.
Member for Kisumu Town East Constituency
Independent Member

Hon. Erastus Kivasu Nziuka, M.P.
Member for Mbooni Constituency
New Democrats Party

Hon. Esther M. Passaris, M.P.
Member for Nairobi County
Orange Democratic Movement Party

Hon. Geoffrey Omuse, M.P.
Member for Teso South Constituency
Orange Democratic Movement Party

Hon. Irene M. Kasala, M.P.
Member for Kitui County
Wiper Democratic Party

Hon. James Kamau Wamachuku, M.P.
Member for Kabeto Constituency
Jubilee Party

Hon. Jared Okelo, M.P.
Member for Nyando Constituency
Orange Democratic Movement Party

Hon. Justus Gesito Mugali, M.P.
Member for Shinyalu Constituency
Orange Democratic Movement Party

Hon. Marwa Maisori Kitayama, M.P.
Member of Parliament for Kuria East
Constituency
Jubilee Party

Hon. Mohamed M. Ali, M.P.
Member for Nyali Constituency
Independent Member

Hon. Mwambu M. Mabongah, M.P.
Member for Bumula Constituency
Independent Member

Hon. Rehema Dida Jaldesa, M.P.
Member for Isiolo County
Jubilee Party

Hon. Mohamed Ali Lokiri, M.P.
Member for Turkana East Constituency
Orange Democratic Movement Party

Hon. Abdi Koropu Tepo, M.P.
Member for Isiolo South Constituency
Kenya Patriots Party

1.4 Committee Secretariat

Ms. Lucy Kimathi
Principal Clerk Assistant II

Ms. Hellen Ekadeli
Second Clerk Assistant

Ms. Clarah Kimeli
Senior Legal Counsel

Mr. Josphat Bundelich
Senior Serjeant- at- Arms

Ms. Clare Kidombo
Research Officer II

Ms Catherine Burure
Fiscal Analyst II

Ms. Deborah Mupusi
Media Relations officer II

Ms. Naserian Kaaro
Serjeant-at- Arms

Ms. Fatuma Abdi
Audio Officer II

2.0 INTRODUCTION

2.1 National Government Constituencies Development Fund

9. The Constituency Development Fund (CDF) was set up in 2003 through the Constituency Development Fund Act (2003) sponsored by the then Ol Kalou Member of Parliament and former Senator for Nyandarua County, Hon. Muriuki Karue, MP.
10. The Fund comprised an annual budgetary allocation equivalent to 2.5% of the Government's ordinary revenue and was aimed at controlling the imbalances in regional development occasioned by partisan politics.
11. Since it was introduced, the Constituency Development Fund has made a significant impact, with various Constituency Development Fund projects being implemented throughout the country. The success of the model of the Constituency Development Fund has been linked to the bottom-up approach to development which requires public participation and the decentralization of resources which go directly to the local level.
12. In a bid to align the CDF with the Constitution of Kenya, 2010, Parliament passed the National Government Constituencies Development Fund (NG-CDF) Act, 2015. The NG-CDF is a national fund that comprises of monies of an amount of not less than 2.5% of all the national government's share of revenue as divided by the annual Division of Revenue Act enacted pursuant to Article 218 of the Constitution.

2.2 Examination of Audited Financial Statements for the National Government Constituencies Development Fund

13. In order to examine the audited accounts of the two hundred and ten (210) Constituencies, the Committee adopted a strategy of scrutinizing financial statements of each Constituency for 2013/14, 2014/15 and 2015/16 financial years concurrently.
14. The Committee also resolved to complete examining reports of Auditor General of Constituencies per County with Kiambu being the third County to complete, having cleared with Nairobi and Kisumu Counties.
15. The report contains observations, findings and recommendations arising from examination of thirty six (36) reports of the Auditor-General for the NG-CDF for financial years 2013/14, 2014/15 and 2015/16 for the following twelve (12) Constituencies in Kiambu County–

5 | *The Ninth Report of the Special Funds Accounts Committee on audited financial statements for the National Government Constituencies Development Fund for constituencies in Kiambu County for the Financial Years 2013/2014, 2014/2015 and 2015/2016*

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- (1) Gatundu South Constituency;
- (2) Gatundu North Constituency;
- (3) Juja Constituency;
- (4) Thika Town Constituency;
- (5) Ruiru Constituency;
- (6) Githunguri Constituency;
- (7) Kiambu Town Constituency;
- (8) Kiambaa Constituency;
- (9) Kabete Constituency;
- (10) Kikuyu Constituency;
- (11) Limuru Constituency; and
- (12) Lari Constituency.

3.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR GATUNDU SOUTH CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16 FINANCIAL YEARS

16. Ms. Cynthia Robi, the current Fund Account Manager appeared before the Committee on 21st May, 2019 to respond to the audit queries raised in the report of the Auditor-General for Gatundu South Constituency for the Financial Years 2013/14, 2014/15 and 2015/16. She was accompanied by:

- (i) Mr. Evans Machira Fund Account Manager from February 2013- August 2014);
- (ii) Mr. Kenneth Lemcin (Fund Account Manager from August 2014 - February 2016);
- (iii) Mr. David Murungi (Fund Account Manager from March 2016- January 2017);
- (iv) Mr. James Kimani (NG-CDF Chairman- Gatundu South);
- (v) Ms. Elizabeth Kitundu, Programme Manager, NGCDF Board; and
- (vi) Ms. Beatrice Olien, NG-CDF Board.

3.1 AUDIT QUERIES IN FINANCIAL YEAR 2013/2014

The Auditor General flagged out three audit queries during examination of the 2013/2014 Financial Statements of Gatundu South Constituency relating to accuracy and completeness of financial statements, statement of receipts and payments and other matters (Irregular Awarding of Projects Contracts, Irregular re-allocation of Funds)

3.1.1 ACCURACY AND COMPLETENESS OF FINANCIAL STATEMENTS

17. The financial statements presented for audit for the year ended 30 June 2014, did not include the statement of cash flows as required by IPSAS. Further, the summary statement of the appropriation reflected utilization difference of Kshs. 11,664,792.00 to the final budget which was not accurately computed. In addition, no notes to the financial statements explaining the material differences between the budget and actual expenditure amounts were provided. In the circumstances, the accuracy and completeness of the financial statements as at 30 June 2014 could not be confirmed.

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Management Response

18. Mr. Evans Machira, the Fund Account Manager stated that cash flow statement was erroneously not attached to the financial statement. The financial statement is now amended to include the statement of cash flow statement. The inaccuracies in budget utilization difference of Ksh. 11, 664,792.00 were due to omission of figures of budget adjustments in the summary statement of appropriation.

Committee Observation

19. The Committee observed that-

- (i) the Fund Account Manager did not comply with the International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and
- (ii) the Fund Account Manager had submitted the revised cash flow statement as amended summary statement of appropriation. These were verified to be corrected by the Office of the Auditor General and the matter therefore stands resolved.

3.1.2 STATEMENT OF RECEIPTS AND PAYMENTS

20. The statement of receipts and payment in the financial statement presented reflects total receipts and payments balances of Kshs. 105,464,964 and Kshs. 78,634,628 respectively. However, ledger and schedules availed for audit indicates total receipts of Kshs.105, 679,239.85 hence unexplained variance of Kshs 214,275 and total payments of Kshs.78, 848,812.61 hence unexplained variance of Kshs 214,184 totaling to an unreconciled total variance of Kshs. 428,460.46. In the circumstances, the accuracy of statement of receipts and payments balances of Kshs. 105,464,964.00 and Kshs. 78,634,628.00 reflected in the financial statement for the year ended 30 June 2014 could not be confirmed.

Management Response

21. Mr. Evans Machira, the Fund Account Manager averred that the statement of receipts and payments in the financial statement captured the correct amount for receipts (Kshs. 105, 464,964) and payments (Kshs. 78, 634,628 respectively). However, the amounts in the ledgers and schedules for both items, erroneously included an amount of Kshs. 214,276, which was the cashbook opening balance on 1 July, 2013 and that inflated both the receipts and payments.

Committee Observation

22. The Committee observed that the correct statement of receipts and payments and a copy of the cashbook extract were submitted and verified by the Office of the Auditor General and the matter hence stands resolved.

3.1.3 OTHER MATTERS

(a) Irregular Awarding of Projects Contracts

23. The Gatundu CDF awarded 12 project contracts for renovation of classrooms in various primary schools at a cost of Kshs. 16,300,000.000 through floating of quotations. However, it was observed that the individual projects values exceeded Kshs. 500,000 which is the threshold for open tender as stipulated by the Public Procurement and Disposal Act, 2005 and its 2006 Regulation. Further, the project tender evaluation report made available for Audit verification had not been signed and not show the ratings of each person doing the evaluation as required under section 16 (8) of Public Procurement and Disposal Regulations. In addition, no proper expenditure returns showing the actual expenditure incurred in each project were filled.
24. In the circumstances, the CDF management was in breach of the CDF Act, 2013 Public Procurement and Disposal Act 2005 and the Regulation of 2006. Further, no certificate of practical completion from Public Works Department, site/evaluation committee minutes or architectural designs was made available to support the project implementation.

Management Response

25. Mr. Evans Machira, the Fund Account Manager stated that the projects were implemented by Project management committee through request for quotation. The management regretted that the Project Management Committees (PMCs) used the request for quotations to implement the project. Since then, the NG-CDF committee has continuously trained the PMCs. PMCs had not filed expenditure returns with the CDF office at the time of audit. However, the expenditure returns have since been availed to the auditors for review.
26. The Fund Account Manager further stated that since the above works were renovations, no architectural designs were required. The certificates of practical completion from public works have since been availed to the auditor for review.

Committee Observations

27. The Committee observed that-
- (i) the Fund Account Manager provided to the Office of the Auditor General site/evaluation committee minutes, certificates of completion and payment vouchers expenditure returns for the 12 schools which included, Ituru Primary School, Uecké Primary School, Kirangi Primary School, Kagumbini Primary School, Gathiru Primary School, Thaara Primary School, Ndundu Primary School, Handege Primary School, Mutomo Primary School, Ikuma Primary School, Kimunyu Primary School, Munyuini Primary School;
 - (ii) the Office of the Auditor General had conducted physical verification of the classrooms and confirmed their completion hence the matter stands resolved;

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- (iii) the Project Management Committee breached the Constituency Development Fund Act, 2013, the Public Procurement and Disposal Act, 2005 and the Regulations of 2006 for the use of request of quotations instead of open tendering for projects exceeding Kshs. 500,000.

(b) Irregular re-allocation of Funds

28. The Gatundu South CDF Committee reallocated Ksh.10, 094,207 to fund various emergency and security projects in the constituency during the year under review. However, no approval from the Constituencies Development Fund Board authorizing such reallocation was availed for audit verification. The committee was therefore in breach of the law.

Management Response

29. Mr. Evans Machira, the Fund Account Manager stated that CDF Committee concluded that the stated projects required emergency funding during the financial year under review. It was agreed by the committee that under the prevailing circumstances the projects were emergency in nature. Copies of the committee minutes approving the emergency projects were provided for verification. As regard to the security projects, there was an approved budget of Kshs 5,351,140 as per the approved codelist. The Ksh. 4,743,067 was for emergency as per the prevailing circumstances. Minutes of the meeting approving the emergency projects were submitted to the auditors for review.

Committee Observations

30. The Committee observed that -
- (i) the Fund Account Manager provided copies of the Constituencies Development Fund Committee minutes approving the emergency projects worth Kshs 4,743,067 and a project code list for audit review to the Office of the Auditor General;
 - (ii) the Constituency did not adhere to section 10 of the Constituencies Development Fund Act, 2013 regarding the threshold on the use of the Emergency Fund. It was noted that construction is not an emergency but rather an indication of poor planning;
 - (iii) there is lack of coordination between the National Government Constituencies Development Fund Board and the supervision of Accounting Officers with regard to the approval of projects, reallocation of funds to other projects by the Board and the approval of National Government Constituencies Development Fund Board; and
 - (iv) the high turnover of Accounting Officers may have been a major cause of mismanagement of projects at the Constituency.

COMMITTEE RECOMMENDATIONS

31. The Committee recommends, THAT-

- (i) The National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who re-allocated emergency funds in contravention of the then section 10(2) of the Constituencies Development Fund Act, 2013;

- (ii) **The National Government Constituencies Development Fund Board issues guidelines on the use of emergency funds to align emergency spending with the National Government Constituencies Development Fund Act, 2015; and**
- (iii) **The National Government Constituencies Development Fund Board ensures that the Accounting Officers comply with provisions of section 6(2) and section 8 of the National Government Constituencies Development Fund Act, 2015 on reallocation of funds and the use of emergency funds.**

AUDIT QUERIES IN THE FINANCIAL YEAR 2014/ 2015

32. The Auditor General raised six audit queries during examination of the 2014/2015 Financial Statements of Gatundu South Constituency.

3.1.4 CASH AND BANK BALANCES

33. The statement of assets as at 30th June 2015 reflects bank balance of Kshs. 20,167,861. However, the cash book balance as at the same date had a balance of Kshs. 20,198,263, resulting in unreconciled difference of Kshs. 30,402. Further a review of bank reconciliation statement revealed that included in the list of unrepresented cheques of Kshs. 2,033,468.80, is an amount of Kshs. 323,974 in respect of cheques that were already stale as at 30th June 2015, and therefore cannot be presented to the bank for payment.
34. However, no reason was provided for not reversing them in the cashbook. In the circumstances, the accuracy of cash and bank balance of Kshs. 20,167,861 as at 30 June, 2015 could not be confirmed.

Management Response

35. Mr. Kenneth Lemein, the Constituency Fund Account Manager submitted that the unreconciled difference of Kshs. 30,402 was prior year adjustment which was cashbook undercast for the year ending 30th June, 2014. The unrepresented cheques were due to cheques on transit which were bursaries to various institutions. The stale cheques were reversed and replaced and the cashbook presented to the auditor for review.

Committee Observations

36. **The Committee observed that the unrepresented cheques had been reversed and replaced in the cashbook. This has since been verified by the Auditor General. The matter therefore stands resolved.**

3.1.5 IRREGULAR PROCUREMENT OF CONTRACTOR FOR ERECTION AND COMPLETION OF A PERIMETER WALL AT KIMUNYU STADIUM

37. During the year under review, Gatundu South Constituency, through restricted tendering awarded contract for the erection and completion of a perimeter wall at Kimunyu Stadium to the lowest evaluated tender at a sum of Kshs. 11,996,328. However, records indicates that

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five (5) contractors were invited to bid instead of at least ten persons/ bidders selected from the annual pre-qualified list of registered tenderers as stipulated in section 53 (3) of the Public Procurement and Disposal Regulations, 2006.

38. Further, the contract sum of Kshs. 11,996,328 exceeded the prescribed minimum of Kshs. 4,000,000 for Class C entities in the first schedule of the regulations, and therefore national open tender should have been used. No justification was provided for the disregarding the law. In the circumstances, it has not been possible to confirm whether value for money was realized from this expenditure.

Management Response

39. Mr. Kenneth Lemein, the Fund Account Manager submitted that the Constituencies Development Fund Committee invited tenders by posting Notice of tender in all public notice boards in the constituency. Only five bidders returned the tender documents. Further, the Committee invited pre-qualified contractors in the constituency as way of endeavoring to confer economic benefits to the people of the constituency.

Committee Observations

40. **The Committee observed that the award of the tender of contract sum of Kshs. 11,996,328 did not meet the requirements for restricted tendering as provided under section 73 (2) of the Public Procurement and Disposal Act, 2005 and Regulation 54 (3) of the Public Procurement Regulations, 2006.**

Committee Recommendations

41. **The Committee recommends that the Fund Account Manager ensures compliance with provisions of Public Procurement and Asset Disposal Act, 2015 and Public Procurement Regulations, 2006.**

3.1.6 OTHER MATTERS

(a) Overall Budget Performance

42. The overall budget analysis is as follows-

Description	Rolled over 2013/2014 budget	Budgeted for 2014/2015	Total Budgeted 2014/2015	Actual Expenditure	Over/(Under) Expenditure	Actual as % Budget
Employees' Salaries		1,572,000	1,572,000	1,511,769	-60,231	96
Goods and services		1,900,000	1,900,000	1,672,302	-227,698	88
Purchase of Computers		200,000	200,000	102,000	-98,000	51
Purchase of furniture/equipment		303,360	303,360	157,360	-146,000	52

Construction/Refurbishment of Buildings				595,447	595,447	100
NSSF		9,600	9,600	21,600	12,000	225
Committee Allowances		1,800,000	1,800,000	3,966,000	2,166,000	220
Monitoring & Evaluation		2,892,495	2,892,495	2,538,500	-353,995	88
Constituency Audit		500,000	500,000	-	-500,000	0
Emergency		5,400,259	5,400,259	6,495,264	1,095,005	120
Sports		1,868,414	1,868,414	1,868,414	-	100
Kimuyu Stadium		10,000,000	10,000,000	10,000,000	-	100
Environment		1,928,330	1,928,330	1,928,330	-	100
Bursary		24,104,117	24,104,117	21,483,804	-2,620,313	89
2112 Primary Schools	9,200,000	20,187,931	29,387,931	27,687,931	-1,700,000	94
Secondary Schools	3,038,532	4,100,000	7,138,532	5,638,532	-1,500,000	79
Tertiary Education	-	150,000	150,000	150,000	-	100
Security	2,500,000	3,000,000	5,500,000	3,000,000	-2,500,000	55
Youth Centers	-	8,000,000	8,000,000		-8,000,000	0
BodaBoda Shades		4,000,000	4,000,000	4,000,000	-	100
Health	6,482,759	1,000,000	7,482,759	7,482,759	-	100
Total	21,221,291	92,916,506	114,137,797	100,300,012	-13,837,785	88

43. The above analysis indicates that the approved budget for Gatundu South CDF, for 2014/2015 financial year was Kshs. 114,137,797, including rolled over balance of Kshs. 21,221,291 for projects approved in 2013/2014. The CDF incurred actual expenditure of Kshs. 100,300,012 resulting in an overall under expenditure of Kshs.13, 837,785.32 or 12% of the approved budget. However, the CDF incurred the highest over expenditure on committee expenses and exceeded the approved budget of Kshs. 1,800,000 by Kshs.2, 116,000 or 120% above the budget. No evidence was provided indicating that there was prior approval by the CDF Board as required by the CDF Act, 2013. No reason was provided for this anomaly.

Management Response

44. Mr. Kenneth Lemain, the Fund Account Manager submitted that the analysis of funds rolled over from FY 2013/14 to 2014/15 was erroneous as there were balances for committee expense by the close of FY 2013/2014. The summary statement of appropriation for the year ended 30th June 2015 show a budget of Kshs. 4,000,000 and not 1,800,000.00. Committee expense combines Admin Committee, M&E committee and capacity building (Kshs. 1,800,000, 1,200,000, & 1,000,000) respectively. The rollover funds for committee expenses for the financial year 2013/2014 are Kshs. 2,729,648. Hence a final budget of Kshs. 6,729,646 against actual expenditure of Kshs. 6,504,500 which is 97.7% of budget utilization, therefore the funds were spent correctly and there was no reallocation of funds to administration. A copy of the code list for the year and summary statement of appropriation was availed to the auditor for review.

Committee Observations

45. The Committee observed that the copy of the codelist for the year and the summary for the statement of appropriation had been availed and verified by the Auditor General and the matter stands resolved.

3.1.7 CDF PROJECTS IMPLEMENTATION

46. During the year under review, Gatundu South CDF had allocated a total of Kshs. 73,587,552 to implement sixty nine (69) projects which included an amount of Kshs.21, 221,291 for 18 rolled over projects implemented in FY 2014/2015. The CDF utilized a total of Kshs. 60,387,552 on the projects as follows:

Project Name	No. of budgeted projects			Budget Amount	Actual Expenditure	No. of Projects Implemented	No. of projects not Implemented	% level of Implementation
	2013/14	2014/15	Total	Kshs.	Kshs.			
Environment		8	8	1,928,330	1,928,330	8		100
Education - Primary	9	24	33	29,387,931	27,687,931	32	2	90
Education - Secondary	5	3	8	7,138,532	6,138,532	8		86
Education - Tertiary		1	1	150,000	150,000	1		100
Health	2	1	3	7,482,759	7,482,759	3		100
Security	2	1	3	5,500,000	3,000,000	2	1	55
Youth Centers		4	4	8,000,000	-		4	0
BodaBoda Shades		8	8	4,000,000	4,000,000	8		100
Stadium		1	1	10,000,000	10,000,000	1		100
Total(Kshs.)	18	51	69	73,587,552	60,387,552	61	7	82

47. The above analysis shows that out of the sixty nine (69) approved sixty one (61) projects were complete; one (1) project was ongoing while seven (7) projects had not been implemented as at 30 June 2015. No reason was provided for failure to implement all the planned projects.

Management Response

48. Mr. Kenneth Lemein, the Fund Account Manager stated that during the financial year, there was some CDFC reallocation of funds requests which delayed from the Board, hence

impeding implementation of the projects by the close of the financial year. Reallocation Approvals dated on 9th July 2015 for 4 Youth Centers, 2 Primary schools and 1 security were provided. Gachoka Police Post and Kiamugu Primary School were implemented in the succeeding financial year.

Committee Observations

49. **The Committee observed that the relevant documentation in regard to the projects was presented and verified by the Office of the Auditor General. The matter therefore stands resolved.**

3.1.8 CONSTRUCTION OF CLASSROOM-WAMITAA PRIMARY SCHOOL

50. Records indicate that during the year under review, the CDF Committee awarded contract for renovation of six classrooms at Wamitaa Primary School at a sum of Kshs. 1,009,750. The scope of works included painting of the roof, plastering and painting walls, upgrading the veranda and repairing cracks on the floors. A physical verification carried out in March 2016 however, revealed that the contractor did shoddy works on the floors as big cracks had emerged and the entire floor was peeling off.

51. Further, the veranda was about 50% complete while the completed sections had cracks due to poor workmanship. No actions appear to have been taken by the CDF Committee to compel the contractor to correct the defects noted. In the circumstances, the public may not have realized value for money incurred on this project.

Management Response

52. Mr. Kenneth Lemein, the Fund Manager informed that the CDF Committee and Public Works Officer followed up the contractor who went back to the site and re-did the works. The inspection report was availed to the auditor for review.

Committee Observations

53. **The Committee observed that the inspection report was availed and physical verification was done by the Office of the Auditor General to confirm that defects noted as a result of poor workmanship during the audit had been corrected. The matter therefore stands resolved.**

Committee Recommendation

54. **The Committee recommends that the Fund Account Manager ensures that relevant Government Departments are involved during project implementation in line with the provisions of Section 36(1) of the NGCDF Act, 2015.**

3.1.9 UNUTILIZED ADMINISTRATION POLICE POST AT GACHOKA

55. Available records indicate that construction of Gachoka AP Post allocated a total of Kshs.1, 500,000 in 2013/2014 was completed in 2014/2015. However, the facility was not in use due

to what the project management attributed to as failure by the Ministry of Interior and Coordination of National Government to post officers to the station to serve the community. It would appear that the amount of Kshs. 1,500,000 spent on this project would go to waste unless the post is put into use.

Management Response

56. Mr. Kenneth Lemein, the Fund Manager informed the committee that the Construction of the Gachoka AP Post was due to public demand as contained in a Ward report for public participation. At the time of Audit, the Administration Police Post was under-utilized, however the District Administration Police Commander (DAPC) promised to bring staff to occupy it. The project was officially handed over by the NGCDF Committee and commissioned by the County Commissioner Kiambu and Representative from the security headquarters.

Committee Observations

57. **The Committee observed that –**

- (i) **the Ward report was availed for verification and physical verification was done by the Office of the Auditor General to confirm that the Administrative Police Post was actually handed over to County Commissioner of Kiambu. The matter therefore stands resolved; and**
- (ii) **there is need for NGCDF Committees to ensure consultation with relevant Ministries or Government Departments to ensure that projects are well utilised. In this query, the management may have failed to plan with the concerned Ministry in order to have officers allocated to the Police Post on time.**

Committee Recommendation

58. **The Committee recommends that the NG-CDF Board should ensure consultation with the Ministry of Interior and Coordination of National Government at the project approval phase to ensure that officers can be deployed to the station.**

3.2 AUDIT QUERIES IN THE FINANCIAL YEAR 2015/2016

The Auditor General raised four audit queries during examination of the 2015/16 Financial Statements of Gatundu South Constituency.

3.2.1 TRANSFERS FROM NG-CDF BOARD

59. The statement of receipts and payments for the year ended 30 June 2016 reflects receipts from NG-CDF Board of Kshs.105, 080,933. However, the summary statement of appropriation; recurrent and development combined indicate actual receipts of Kshs.125,279,196 during the year under review resulting in unreconciled and unexplained variance of Kshs.20,198,263.

Consequently, the accuracy and completeness of transfers from NG-CDF Board of Kshs. 105,080,933 for the year ended 30 June 2016 could not be confirmed.

Management Response

60. Mr. David Murungi, the Fund Account Manager submitted that the transfers from the Board are Ksh. 105,080,933 as per the statement of receipts and payments. The Kshs. 125,779,196.45 indicated in the summary statement of appropriation recurrent and development combined is made up of transfers from the Board of Ksh. 105,080,933 plus Ksh. 20,167,861.05 balance b/f as at 1st July 2015 and prior year adjustment of 30,402. Further, NG CDF uses IPSAS Cash basis of accounting where actual receipts are reported on the income statement in the period in which the cash is received in the account of CDF.

Committee Observations

61. The Committee observed that the correct statement of receipts and payments was presented and verified by the Office of the Auditor General and therefore the matter stands resolved.

3.2.2 UNACCOUNTED FOR DISBURSEMENT TO PROJECT MANAGEMENT COMMITTEES

62. The statement of receipts and payments for the year ended 30 June 2016 reflects transfers to other government units of Kshs. 61,845,840 and other grants and transfers of an amount of Kshs. 24, 637,900 in respect of project implementation. However, out of these payments, an amount of Kshs. 29, 661,050 to various projects were not supported with expenditure returns and records. As a result, the accuracy and propriety of the Kshs. 29,661,050 disbursed during the year to the projects' bank accounts could not be confirmed.

Management Response

63. Mr. David Murungi, the Fund Account Manager submitted that the expenditure returns for projects amounting to Kshs. 29, 661,050 had been availed to the auditor for review.

Committee Observations

64. The Committee observed that expenditure returns for the projects had been submitted and verified by the Office of the Auditor General and therefore the matter stands resolved.

3.2.3 IRREGULAR SPORTS EXPENDITURE

65. Included in note 7 to the financial statements on other grants and payments, is an amount of Kshs. 596,800 spent on sports projects. The amount was paid to a Nairobi based firm for supply of 107 Mikasa balls and 30 pieces of goal post nets. Records indicate that requests for quotation were floated and opened and evaluated on 10 December 2015. However, the supplier delivered the supplies on 9 December 2015, a day before the quotations were opened

and evaluated. Further, a Local Purchase Order (LSO) number 0719997 was issued to the supplier on 14th December, 2015 after the delivery of the items. In addition, no documents. In view of the above anomalies, the propriety of the expenditure of K.shs.596, 800 incurred on sports during the year ended 30th June, 2016 could not be confirmed.

Management Response

66. Mr. David Murungi submitted that the management agreed that as regards the issue raised by auditors. This matter proved to be an emergency issue that needed immediate action since the tournament was to be held on 12th December 2015 (Jamhuri Day) and therefore the Committee had no choice but to source the kits from a pre-qualified supplier, who would deliver in time. Further documentary evidence is a payment voucher dated 23 December 2015 as well a distribution list.

Committee Observations

67. The Committee observed that –
- (i) proper procurement procedures were not followed on the purchase of the sports equipment contrary to provisions of the Public Procurement and Disposal Act, 2005; and
 - (ii) the documentary evidence on the distribution of the sports equipment was provided and verified by the Office of the Auditor General and therefore the matter was resolved.

Committee Recommendation

68. The Committee recommends that the Fund Account Manager ensures compliance with provisions of Public Procurement and Asset Disposal Act, 2015 and Public Procurement Regulations, 2006.

3.2.4 OTHER MATTERS

(a) Construction of Kigaa Administration Police (AP) Post

69. Constituencies Development Fund Board vide a letter reference CDF BOARD/GATUNDU SOUTH/VOI..1/31 dated 11 August 2015, approved reallocation of funds totaling to K.shs. 3,000,000 from Karatu Health Centre, and Ng'enda AP Post to Kigaa AP Post for construction of four(4) AP housing units, a holding room, customer care bay, armory, a gate and fencing. Records indicate that three (3) bidders submitted bids for the works.

70. However, tender opening minutes, tender evaluation report, tender award minutes, notification for the award of tender and a signed contract agreement expenditure documents including invoice, certificate of completion, payment vouchers and bank statements for the project were not presented for audit review. Further, a physical verification carried out in February 2017 revealed that the ceiling of the AP housing units was hanging loosely and there were visible cracks on the walls, an indication of poor workmanship and inadequate supervisor. In the

circumstances, the propriety and value for money on Ksh.3, 000,000 incurred on the project could not be confirmed.

Management Response

71. Mr. David Murungi, the Fund Account Manager stated that relevant documents were availed to the auditor for review. The documents include - Tender opening minutes, Evaluation report, Awards minutes, Acceptance letter, Signed Contract Agreement, Completion certificate, Invoice. The AP post was completed and inspected, certified by the works officer, and a completion certificate issued. The contractor was summoned to go back to the site and repair the ceiling and the cracks on the wall.

Committee Observations

72. **The Committee observed that the relevant documentation for the contract had been provided and verified by the Office of the Auditor General and therefore the matter stands resolved.**

(b) Construction of Gathage Police Patrol Base

73. The Constituencies Development Fund Board vide a letter reference CDF BOARD/GATUNDU SOUTH/VOL.1/31 DATED 11 August 2015, approved reallocation of funds totaling to Khs.3,000,000 from Gicheru Primary School and Kiamugo Primary school to the construction of Gathage Police Patrol Base. The funds for construction of 4 AP housing units. A holding room, customer care bay, armory, gating and fencing was disbursed to the project on 4 November 2015. Records made available for audit review revealed that tenders for the construction works were invited vide a notice dated 17 November 2015 and out of five firms who quoted for the works, the tender was awarded to a Nairobi based firm. However, all the bids submitted for evaluation were incomplete and lacked important details such as dates, completed confidential business questionnaire and the bidders details and therefore all should have been non responsive.

74. Further, a certificate of registration with the National Construction Authority (NCA) for the winning bidder indicated that the company was registered as a civil engineering water works contractor category NCA 8 dealing with borehole drilling, equipping and servicing and not a building or civil works contractor. Further, the tender evaluation was done on 15 December 2015 as per unsigned evaluation report provided.

75. It was however noted that on 23 December, 2015 (7 calendar days after evaluation) a final certificate of completion was issued by the District works officer Gatundu. This is considered impractical given the scope of works for the project including substructures, superstructures, and walling, roofing, finishes, septic tank plumbing and electrical works and could not have been substantially completed within a period of seven (7) days. Consequently, the propriety

and validity of the expenditure of Kshs.3, 000,000 disbursed to Gathage Police Patrol Base during the year could not be confirmed.

Management Response

76. Mr. David Murungi, the Fund Account Manager submitted that the CDF Committee agreed to the issue of failure to adhere to the procurement procedures as raised by the auditors. Construction of Gathage Police Patrol Base was deemed as an emergency by the PMC because Gathage town is surrounded by coffee plantations and therefore the level of insecurity is very high with daytime robberies. The community had been raising funds to pay rent for the police officers to reside within Gathage Town.
77. However, it was reached a point the community could no longer afford to pay rent for the police officers and hence the landlord threatened to evict them hence subjecting the residences of Gathage to danger of being attacked as it was approaching the festive season (December). The Committee deeming this to be an emergency therefore intervened by proposing for the construction of Gathage Police Patrol Base. Community minutes and CDFC minutes resolving to urgently attend to the matter were provided to the auditors.

Committee Observations

78. The Committee observed-
- (i) that Physical verification of the project was done on 4 April, 2019 by the Office of the Auditor General revealed that Gathage Police Patrol Base was serving the community at large, however;
 - (ii) that there was breach of section 74(1) of the Public Procurement and Asset Disposal Act, 2005 by using direct procurement for the construction of police patrol bases. The project did not qualify as an emergency project since it required reallocation of funds and approval by the Board. The matter therefore stands unresolved.

Committee Recommendation

79. **The Committee recommends that the Fund Account Manager ensures compliance with provisions of Public Procurement and Asset Disposal Act, 2015.**

(c) Gatitu Health Centre Project

80. Examination of records indicates that during financial year 2015/2016, Gatundu South CDF Committee disbursed Ksh.500, 000 to Gatitu Health Centre for construction of septic tank, toilets, fencing and gating. Requests for quotation were floated for the project out of which three bids were received. However, all the bid documents were not dated and it was therefore not possible to establish when the procurement was done. Further, the winning bidder was registered by National Construction Authority as a civil Engineering Water Works Contractor under category NCA-8 to undertake borehole drilling, equipping and servicing and therefore not a building works contractor. Despite the above anomalies, the winning bidder was paid a

to KShs. 400,000 of 11th January 2016 through a bank transfer. In view of the above, the propriety of expenditure on the project could not be confirmed.

Management Response

81. The Fund Account Manager stated that the tender opening committee realized the bid documents were not dated after opening and decided to proceed and rely on the date of opening tender minutes which was done on 11th January, 2016. The management acknowledged that the company was registered under category NCA-8 but was awarded the contract as it was also registered under AGPO as a way to promote women and the youth.

Committee Observations

82. **The Committee observed that the relevant documentation including the minutes for the tender opening were availed and verified by the Office of the Auditor General. The matter therefore stands resolved.**

(d) Unsupported Expenditure on Purchase of Land for Kiamugo Primary School

83. Records presented for audit showed that on 10 July 2015, Gatundu South CDF disbursed Kshs.2, 500,000 to Kiamugo Primary School for purchase of piece of land. However, no official search document and title deed was made available for audit review. Under the circumstances, it has not been possible to confirm how the money was spent and accounted for.

Management Response

84. Mr. David Murungi, the Fund Account Manager stated that as indicated Kshs. 2,500,000.00 was disbursed to Kimugo Primary School to purchase land which was owned by a church. An official search was undertaken on 25th May, 2015, an agreement reached on 3rd July 2015, application for transfer done and the title deed to the land has been availed to the auditors.

Committee Observations

85. **The Committee observed that the official search for the land and the Title Deed for Kimugo Primary School were submitted and reviewed by the Office of the Auditor General. The matter therefore stands resolved.**

(e) Irregular Procurement of Renovation Works at Kiamwangi AP Post

86. During the year under review, Kshs.4, 400,000 was disbursed to Kiamwangi AP Post project management committee for renovation of the police post. However, the payment was irregularly charged on emergency vote without justification on why the project was urgent, unforeseen and could not be delayed without harming the public interest as prescribed under section 8 of the NG-CDF Act, 2015.

87. Further, contract for the works was awarded to M/s Egwithi Developers Ltd at contract sum of Kshs.4, 499,300 out of which provisional sums of Kshs. 400,000 relating to plumbing and

electrical works was not itemized in the bill of quantity for the bidders to quote. In addition, original form of tender, notice of tender, tender opening minutes, tender evaluation report and award minutes, signed contract agreement, and completion certificate for the project were not provided for audit verification. Consequently, the propriety of the payment to Kianwangi AP Post of Kshs.4, 400,000 could not be confirmed.

Management Response

88. The Constituency Fund Manager submitted that Kianwangi AP Post is the divisional Headquarters and hosts Assistant Deputy County Commissioner, the Senior Chief, Assistant Chief, Administration Police base commander and six officers and two community halls. The buildings were depleted, roofs raining and the floor emitting underground water. It was during the rainy season and offices became inhabitable and was the opinion of the committee that the project was urgent and required immediate intervention as per minutes of the committee and request letter from the area chief.
89. The Works Officer had itemized the sum of Kshs. 400,000.00 for electrical works Ksh. 200,000 and plumbing Ksh. 200,000. The management provided tender documents to the auditor including Original Form of Tender, Notice of Tender, Tender opening Minutes, Tender awarding minutes, signed contract agreement, certification.

Committee Observations

90. **The Committee observed that the management availed original form of tender, notice of tender, tender opening minutes, tender evaluation report award minutes, signed contract agreement, and Completion certificate for audit verification. Physical verification was also done to ensure the depleted roofs had been repaired. The matter therefore has been resolved.**

(f) Construction of Classrooms – Githunguchu Primary School

91. During the year under review, Gatundu South CDF Committee disbursed an amount of Kshs. 3,990,940 to Githunguchu Primary School project account vide payment voucher number 193 dated 8 June 2016, for construction of five (5) classrooms. The designs and bill of quantities presented by the school indicated that Kshs. 4 million would complete the project.
92. However, the bill of quantities prepared by the District Quantity Surveyor and issued by District Works Officer was revised to cover construction of three (3) classrooms. In addition, notice of tender, tender opening minutes, evaluation report, award minutes, acceptance letter and a signed contract agreement were not provided for audit verification. As at the time of this audit, the contractor for the project was paid a total of Kshs. 3,990, 038. In the circumstances, the propriety of the expenditure on the project could not be confirmed.

93. The Fund Account Manager informed the Committee that the District Quantity Surveyor advised that according to his own estimation that funds were sufficient for 3 classrooms which were undertaken and are completed and in use. The area has a steep gradient hence required a deep foundation and backfilling and leveling.

Committee Observations

94. **The Committee observed relevant documentation including notice of tender, tender opening minutes, evaluation report, awards minutes, acceptance letter and a signed contract agreement were submitted and verified by the Office of the Auditor General. Physical verification of the project was done as well. The matter therefore stands resolved.**

(g) Construction of Classrooms at Gakunju Memorial School

95. Records indicate that Gatundu South CDF had allocated Kshs.4, 000,000 for construction of four classrooms at Gakunju Memorial School. During the year under review, Kshs.1, 750,000 being first installment were disbursed to the project account on 28 January, 2016.

96. However, expenditure returns, tender documents including notice of tender, tender opening minutes, evaluation report, tender award minutes, and a signed contract agreement, certificate of completion, payment vouchers and bank statements for the project were not provided for audit verification. In the circumstances, the propriety of Kshs. 1,750,000 disbursed to the project during the year could not be confirmed.

Management Response

97. Mr. David Murungi, the Fund Account Manager informed the Committee that the project expenditure returns, notice of tender, tender opening minutes, evaluation report, tender awards minutes and a signed contract, certificate of completion, and Bank Statement have been availed to the auditors for review.

Committee Observations

98. **The Committee observed that relevant documentation including project expenditure returns, notice of tender, tender opening minutes, evaluation report, tender awards minutes, signed contract, certificate of completion, and Bank Statements were submitted and verified by the Office of the Auditor General. Physical verification of the project was done as well on 4th April, 2019. The matter therefore stands resolved.**

(h) Construction of a Laboratory Complex at Muhoho High School

99. The Gatundu South CDF allocated Kshs. 10,000,000 for construction of laboratory complex at Muhoho High School in the financial year under review. Available information indicates that the contract of the laboratory complex was awarded to M/s Numerical Strength Limited at contract sum of Kshs. 25,529,635 which is higher than the budget allocation for the project.

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Further, tender documents such as notice of tender, tender opening minutes, and evaluation report and signed contract agreement were not provided for audit verification. In addition, bill of quantities provided for audit included provisional sums totaling to Kshs.1, 800,000 which was not itemized for the bidders to quote against.

100. An Audit inspection carried out in February 2017 showed that the substructure, superstructure and roofing had been completed, although the contractor was not on site and the project appeared abandoned. Consequently, the propriety of the payment of Kshs.10, 000,000 disbursed to the school during the year could not be confirmed.

Management Response

101. Mr. David Murungi, the Fund Account Manager submitted that the construction was undertaken under co-funding with the Ministry of Education and CDF. The CDF was to fund Ksh. 10,000,000.00 while the ministry was to fund Ksh. 15,529,635. The required documents were maintained by the PMCs for the submission to the ministry through the DEOs office. Notice of Tender, Tender opening minutes, Tender evaluation minutes, Tender awarding minutes and Signed Contract agreement have been availed to the Auditors. The delay in the completion of the project was due to delay in disbursement of ministry of education funds.

102. The Fund Account Manager further submitted that an extract of specialist works of Kshs. 1,800,000 have been provided in this order: Electrical works- Ksh. 500,000, Mechanical Works- Ksh. 500,000, Supply, Delivery and Installation of laboratory benches and seats- 800,000. Further according to the District works officer provisional sum for any project is itemized as the work is ongoing. During the audit period, the provisional sum was itemized as follows: Electrical works - Kshs. 317,000, Mechanical works - Kshs. 220,000. The remaining amount of Kshs. 1,263,000 is yet to be itemized since the project is incomplete and ongoing.

Committee Observations

103. The Committee observed that -
- (i) the Fund Account Manager did not adhere to Section 34(1) of the Public Procurement and Disposal Act, 2005; and
 - (ii) The documentation in this regard were provided and verified by the Office of the Auditor General. In addition, the Office of the Auditor General verified that the laboratory had been completed and was in use.

Committee Recommendation

104. The Committee recommends that the Fund Account Manager adheres to Section 60(1) of the Public Procurement and Asset Disposal Act, 2015.

- (i) Overall Budget Performance

105. **PDF Compressor Free Version** Gatundu South CDF received a total of Kshs.105,080,933 from the National Government Constituencies Development Fund Board against a budget of Kshs. 125,779,196.45. Out of the total receipts for the year, the CDF incurred total expenditure of Kshs. 94,019,948.50 equivalent to absorption rate of 75%. Although Gatundu south Constituency development committee attributed low absorption of funds to delay by NGCDF Board in releasing funds the committee should utilize resources on priority areas to improve on service delivery to the residents of the constituency.

Management Response

106. Mr. David Murungi, the Fund Account Manager informed the Committee that except for delays caused by issues of implementation like land and re-allocations, the committee endeavors to implement the projects on time to improve service delivery to the community.

Committee Observations

107. **The Committee observed that poor budget performance was occasioned by the delay in the release of exchequer by the National Treasury. However, the matter was resolved.**

CHAPTER FOUR

4.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR GATUNDU NORTH CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16

108. Mr. Jesse Mbuthia, the current Fund Account Manager appeared before the Committee on 21st May, 2019 to respond to the audit queries raised in the report of the Auditor-General for Gatundu North Constituency for the Financial Years 2013/2014, 2014/2015 and 2015/2016.

He was accompanied by:

- (i) Mr. Edwin Nyamu- Fund Acc. Manager Mukuruweini
- (ii) Ms. Cynthia Robi- Fund Acc. Manager Gatundu South
- (iii) Mr. Evans Machira- Fund Acc. Manager Wundanyi
- (iv) Ms. Elizabeth Kitundu, Programme Manager, NGCDF Board; and
- (v) Ms. Beatrice Otienu, NGCDF Board

AUDIT QUERIES IN THE FINANCIAL YEAR 2013/ 2014

The Auditor General raised three audit queries during examination of the 2013/14 Financial Statements of Gatundu North Constituency.

4.1.1 UNSUPPORTED AND INCOMPLETE FINANCIAL STATEMENT

109. The financial statement presented for audit for the year ended 30 June 2014 did not include the statement of cash flows, as required by International Public Sector Accounting Standards (IPSAS). Further, there were no trial balances in the ledgers provided for audit review to support the financial statements balance. In addition, the statement of comparative budget and actual amounts has been wrongly titled as the summary statement. In the circumstance, the completeness and accuracy of the financial statement as at 30 June 2014 could not be confirmed.

Management Response

110. Ms. Jesse Mbuthia, the Fund Account Manager submitted that the management concurred that the cash flow statement, trial balance and ledgers were not included in the Financial Statements for financial year 2013/2014. The failure to include the cash flow statement and ledgers in the financial statements was an omission. However the Cash Flow Statement and the ledgers have been availed to the auditors for review. Further the wrongly titled summary statement has since been corrected and properly titled 'Summary Statement of Appropriation'.

Committee Observations

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111. The Committee observed that the correct statement for cash flows was presented and reviewed by the auditor and therefore the matter stands resolved. However, the Committee noted that the constituency did not adhere to International Public Sector Accounting Standards (IPSAS).

Committee Recommendation

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

4.1.2 UNSUPPORTED PROJECT FUNDS

113. The summary statement of appropriation reflects balance of Kshs. 76,142,627.00 under budget utilization differences. However, no account status and schedules were availed to confirm the state of disbursed amounts totaling to Kshs. 76,142,627.00. Under the circumstances, the account status and disbursement of amount of Kshs. 76,142,627.00 as at 30 June 2014 could not be confirmed.

Management Response

114. Ms. Mbutia, the Fund Account Manager informed the Committee that what appears as unsupported project funds of Kshs. 76,142,627.00 is actually the closing balance for the year and was for the various projects listed below as extracted from the Project Implementation Status. The management provided annual expenditure returns for the financial year 2014/2015 to support the response.

Committee Observations

115. The Committee observed that the Project Implementation Status only totals to an amount of Kshs. 63,521,793. There is a variance of Kshs. 12,620,834. There was no sufficient documentation by the Constituency to support the variance of Kshs. 12, 620, 834 which is in violation of the Public Audit Act, No.34 of 2015 and the Section 68 of the Public Finance Management Act, No. 18 of 2012 on the responsibilities of the Accounting Officer. The matter therefore remains unresolved.

Committee Recommendations

116. The Committee recommends, THAT-

- (i) the Fund Account Manager provides an explanation of the variance of Kshs. 12, 620, 834 to the Cabinet Secretary of the National Treasury;
- (ii) where the Cabinet Secretary of the National Treasury is not satisfied with the explanation of the Accounting Officer, forward the issue for resolution to the NGCDF Board for administrative action pursuant to the provisions of section 74 (2) (b) of the Public Finance Management Act, No. 18 of 2012; and

- (iii) the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012 on the timely submission of documents.

4.1.3 DELAY IN IMPLEMENTATION OF PROJECTS

117. An examination of project implementation status report dated 30 June 2014, revealed that several projects which were initiated way back in the year 2003/2004 have not been completed and other have not started despite the disbursement of funds. It was found that between the period 2003/2004 and 2013/2014 disbursement totaling Kshs. 129,119,184.50 were made to the Project Management Committee (PMC) from the Constituency Development Fund to finance projects under Education, Health, Water, Security etc. However, no evidence has been provided on the action being taken by the management to complete the projects for the community to realize the benefits from the Funds.
118. Gatundu North CDF management did not have the annual procurement policies and manual to give guidelines on procurement management. Further, the management did not provide the project implementation status for the year ended 30 June 2014 as required by CDF Act 2013. In the circumstances, the management could not confirm whether the disbursed amount was properly utilized and accounted for and the community got value for money in these projects.

Management Response

119. The Fund Account Manager stated that the projects started between the period 2003/2004 and 2013/2014 amounting to Kshs. 129,119,184.50 have been implemented and completed as per the schedule provided to the auditors. Further the list of the projects and completion certificate were provided to support the response.
120. Further the Manager confirmed that the Gatundu North CDF did not have the procurement plan to guide the implementation of the project, however this has been rectified. The CDF management has prepared a procurement plan for FY 2014/2015 which has been guiding the CDF management on the procurement matters as required by the CDF Act, 2013.

Committee Observations

121. The Committee observed that a list of 28 projects and their respective completion certificates were availed for verification by the Office of the Auditor General. However, the procurement plan for the year under review (2013/2014) was not availed for audit verification. The matter was partially resolved.

Committee Recommendations

122. The Committee recommends that the Fund Account Manager complies to the section 44 (2) (c) Public Procurement and Asset Disposal Act, 2015 on preparation of procurement plans and the Public Procurement and Disposal Regulations, 2006.

4.2 AUDIT QUERIES IN THE FINANCIAL YEAR 2014/2015

The Auditor General raised three audit queries during examination of the 2014/15 Financial Statements of Gatundu North Constituency.

4.2.1 ACCURACY OF DISBURSED FUNDS FROM THE CDF BOARD

123. The statement of receipts and payments for the year 30 June 2015 reflects receipts amounting to Kshs. 86,075,112 while records of disbursement from the CDF board indicate a total of Kshs. 110,014,587 was released to the CDF account. The variance of Kshs. 23,939,475 has not been explained. Further, the summary statement of appropriation reflects actual receipts of Kshs. 155,846,371 during the year. However, no reconciliation was provided for these three (3) different figures on receipts. In the circumstances, it has not been possible to confirm the accuracy of receipts of Kshs. 86,075,112 for the year ended 30 June 2015.

Management Response

124. Mr. Edwin Nyamu, the Fund Account Manager submitted that Gatundu North Constituency received Kshs. 86,075,112 to the CDF Account for the FY 2014/15 with Balance B/d of Kshs. 76,142,625.16 for FY 2013/2014 totaling to 162,717,737.16 as income and Kshs. 155,846,372.15 as Total Expenditure making a difference of Kshs. 6,871,365.01 as Balance c/f. The management provided the expenditure report for verification by auditors as indicated-

Date	A.I.E No.	Amount
14/11/2014	A750444	24,268,778.00
13/01/2015	A796553	14,561,266.80
16/02/2015	A796734	9,707,511.00
13/05/2015	A797119	3,500,000.00
13/05/2015	A797107	28,268,778.00
11/06/2015	A797237	5,768,778.20

Committee Observations

125. **The Committee observed that updated and correct AIEs were submitted and reviewed by the Office of the Auditor General. This has since been verified and therefore the matter stands resolved.**

4.2.2 ACQUISITION OF ASSETS

126. The statement of receipts and payments for the year ended 30 June 2015 reflects acquisition of assets expenditure of Kshs. 11,625,000. However, schedule of expenditure provided for audit indicated a total amount of Kshs. 13,125,500, resulting to a difference of Kshs. 1,500,000. It was noted that the differences relates to expenditure on purchase of land Iruri Secondary School which was excluded from these financial statements. Consequently, it has not been possible to confirm the accuracy and completeness of acquisition of assets balance of Kshs. 11,625,500 as at 30 June 2015.

Management Response

127. The Fund Account Manager stated that in the financial statement for FY 2014/2015 ended 30th June 2015, the acquisition of lands was captured as Kshs. 11,625,500 excluding Kshs. 1,500,000 for Iruri Secondary School which was included in Transfer to Secondary Schools vide chq No. 04297. This amount of Kshs. 1,500,000 was deposited in the PMC account then transferred to the owner of the land. Therefore, it was captured in the Financial Statement as Transfer to Secondary Schools as report with schedules totaling to Kshs. 34,662,085.00. The management provided documents of Iruri School PMC bank Statement and Title deed.

Committee Observations

128. **The Committee observed that the management submitted bank statements showing direct transfer of Kshs. 1,500,000 to the account of Iruri Secondary School which was reviewed and verified by the Office of the Auditor General. The matter therefore stands resolved. However, the Committee observed that the failure to provide the documentation at the time of audit contravened the Public Audit Act, 2015.**

Committee Recommendations

129. **The Committee recommends that the Constituency Fund Account Managers ensure compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012 on the timely submission of documents.**

4.2.3 UNSUPPORTED EXPENDITURE – MAKWA DISPENSARY

130. During the year under review, the CDFC disbursed a total of Kshs. 1,000,000 to Makwa Dispensary project management committee for the repair works. However, no expenditure returns, bill of quantities and other documents were made available for audit review. In the absence of expenditure returns and other relevant documents, it has not been possible to ascertain whether the allocated funds were used for the intended purpose.

Management Response

131. The Fund Account Manager confirmed that the Makwa Dispensary was implemented, paid and accounted for in the expenditure report.

Committee Observations

132. **The Committee observed that expenditure returns and bank statements confirming a payment of a total amount of Kshs. 1,000,000 to Franel Contractors Company Limited were submitted and verified to the Office of the Auditor General and therefore the matter stands resolved.**

4.2 CDF CMB MATTERS

4.1 CDF Projects Implementation

133. The CDF had allocated a total of Kshs. 154,082,239 to implement ninety seven (97) projects including FY 2013/2014 rolled over projects during the year review. The status of the project implementation is as follows-

Description	Approved projects	Budget	Actual Expenditure	No. of projects implemented	Not implemented	Actual as % of budget
Transfer to Government entities	60	93,020,000	87,325,376	51	9	94
Other grants	31	48,432,239	48,435,100	26	5	100
Acquisition of assets	6	12,630,000	11,625,000	6	0	92
Total	97	154,082,239	147,385,476	83	14	96

134. The above analysis shows that out of the total budget of Kshs. 154,082,239, the CDF utilized a total of Kshs. 147,385,476 to implement eighty three (83) projects representing 96% absorption rate. No reason was given to failure to implement the balance of fourteen (14) projects. Delay in implementation of projects affects service delivery to the residents of Gatundu North.

Management Response

135. The Fund Account Manager submitted that delay in implementation of the projects was occasioned by late disbursement of funds from the CDF Board. The management provided evidence of AIE of Two Financial Year disbursed after the FY has elapsed.

Date	A.I.E. No.	Amount
14/11/2014	4750444	24,268,778.00
13/01/2015	4796553	14,561,266.80
16/02/2015	4796734	9,707,511.00
13/05/2015	4797119	3,500,000.00
13/05/2015	4797107	28,268,778.00
11/06/2015	4797237	5,768,778.20

Committee Observations

136. **The Committee observed that the management provided evidence that the Authority to Incur Expenditure (AIE) for two financial years were submitted after the financial year thus causing the delays to implement the fourteen (14) projects. The documents were verified by the Office of the Auditor General and the matter therefore stands resolved.**

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4.3 AUDIT QUERIES IN THE FINANCIAL YEAR 2015/2016

The Auditor General raised four audit queries during examination of the 2015/16 Financial Statements of Gatundu North Constituency.

4.3.1 OVERALL BUDGET PERFORMANCE

137. During the year under review, Gatundu North NG-CDF received a total of Kshs. 106,784,345 from the National Government Constituencies Development Fund Board against a budget of Kshs. 124,155,710 resulting to shortfall in disbursements by Kshs. 17,371,365. Further, the actual expenditure for the year total Kshs. 98,089,222 representing absorption rate of 92% of actual receipts. The underutilization of the funds was attributed to delay in disbursement of funds by the NG-CDF Board.

Management Response

138. It is true that the under-utilization of the funds was attributed to the delay in disbursement of funds by the NG CDF Board. The management provided copies of the A.I.Es received during the year to the auditors.

Date	A.I.E. No.	Amount
03/09/2015	A796236	14,500,000.00
06/11/2015	A796269	10,000,000.00
30/11/2015	A796467	20,000,000.00
23/11/2015	A724219	19,000,000.00
24/12/2015	A820724	11,000,000.00
23/05/2016	A825559	25,000,000.00
03/06/2016	A825672	16,284,345.00

Committee Observations

139. The Committee observed that the correct Authority to Incur Expenditure (AIE) was provided, this was then reviewed and verified by the Auditor General and was confirmed to be correct. The matter therefore stands resolved.

4.3.2 PROJECT IMPLEMENTATION

140. During the period under review, the Gatundu north CDF spent a total of Kshs. 80,467,857 against budget figure of Kshs. 83,842,954 allocated for projects during the year as shown below-

Sector	No. of Budgeted Projects	Budget Kshs.	Actual Disbursements to Projects Kshs.	No. of Projects completed	No. not implemented	% level of implementation
Primary and sec. schools	27	65,889,689	63,489,072	17	10	63
Environment	13	1,055,687	81,207	1	12	8
Security	7	8,872,131	8,872,131	5	2	71

Acquisition of assets	1	1,055,687	1,055,687	1		100
Sports	1	1,055,687	1,055,687	1		100
Emergency	1	5,767,647	5,767,647	1		100
Total	50	83,842,954	80,467,857	26	24	52

141. The above analysis shows that, out of fifty (50) approved projects earmarked for implementation in the year, only twenty six (26) or 52% of the projects were implemented leaving twenty four (24) projects unimplemented. No explanation was provided for the under-

Management Response

142. The Fund Account Manager concurred that the project implementation analysis indicated that there were projects not implemented as at the time of audit. The management provided a copy of Reallocation approval to support reallocation of some of the projects in question for your perusal. The management explained that they implemented the Environment project by combining the tender supply of seedlings for the 12 schools into one. The management provided some completion certificates for projects completed after the Audit.

Committee Observation

143. **The Committee observed that the management provided a copy of the reallocation approval and 5 completion certificates. The management further explained that the tender was for 12 schools under environment projects. The documentary evidence was provided and verified by the Office of the Auditor General. The matter therefore stands resolved.**

4.3.3 IRREGULAR PROCUREMENT OF WORKS - NGORONGO HEALTH CENTRE

144. The statement of receipts and payments for the year ended 30 June 2016 reflects amount of Kshs. 63,489,072 in respect of transfer to other government units out of which Kshs. 10,370,870 was paid to Ngorongo Health Centre towards the upgrading of facilities to a hospital by constructing maternity wing, male wing and general ward. However, the CDFC Split the Works into Two Contracts of Kshs. 7,682,170 and Kshs 2,688,700 which were awarded to the same contractor on 7 August 2015 and 5 February 2016 respectively. No reason was provided for the splitting.

145. Further, records shows that the works were procured through request for quotations yet the value of works exceeded the Kshs. 4,000,000 threshold prescribed under class c of public procurement where CDF entities fall. Therefore the award was made contrary to section 88(h) of the Public Procurement and Disposal Regulations, 2006 and section 174 of the Public Procurement and Disposal Act, 2005. In addition, although the construction had been completed, physical verification carried out in January 2017 revealed that the building had marks of scaled cracks, while the wall had visible cracks a sign of poor

workmanship. Consequently, it could not be confirmed whether the CDF obtained value for money on the expenditure incurred on this project.

Management Response

146. Ms. Cynthia Robi, the Fund Account Manager confirmed that Ngorongo Health Centre works was Funded mainly from separate reallocations that took time before approvals. In the Financial year 2015/2016 Ngorongo Health Centre was allocated Kshs. 1,500,000 and since the funds were not sufficient, the NGCDFC reallocated funds allocated to James Njenga Primary School Kshs. 600,000 and Mbichi Primary School Kshs. 1,600,000. The management provided approvals from NGCDF Board for verification. Then the NGCDFC reallocated Kshs. 6,670,870 for completion from Technical Institute.

147. The Fund Account Manager further stated that works were procured twice in February and August 2015 through restricted tendering from a list of prequalified suppliers that was prepared through an open prequalification. i.e. The Prequalification of suppliers was invited through the Nation newspaper. The procurement was done twice due to the delays in approval of reallocation of funds to complete the project. The reallocations of the Funds to fund the works to completion was because the project was a devolved function and the NGCDF Committee desired to work to complete the project.

Committee Observation

148. **The Committee observed that the reallocation approval, prequalified contractors list and the advert were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.**

4.3.4 PURCHASE OF LAND AND CONSTRUCTION OF IRURI SECONDARY SCHOOL.

149. Included in transfer to other government units balance of Kshs. 63,489,072 in the statement of receipts and payments for the year ended 30 June 2016, is payment amounting to Kshs. 7,000,000 paid to Iruri secondary school for construction of four (4) classrooms, toilet block, front wall, new administration block and landscaping. Purchase of land on which the school is located was also financed by CDF at a cost of Kshs. 2,500,000 in 2014/2015 financial year. However, the land parcel No. Chania Mataara/S34 had not been registered in the name of the school. Further, the construction works were procured through request for quotations and out of four contractor's bidders, a local contractor was awarded the contract at a sum of Kshs. 10,498,908.

150. The contract price of Kshs. 10,498,908 exceeded the set threshold limit of Kshs. 4,000,000 as per legal notice No. 106 18 June 2013 allowed for use of requests for quotations and therefore open national tendering method should have been used as the appropriate method according to the Public Procurement and Disposal Regulations, 2013 and the Public

Procurement and Disposal Act, 2005. No explanation was provided for the failure to adhere to the procurement laws. In view of the foregoing, it was not possible to confirm the propriety of Kshs. 7,000,000 transferred to Ururi Secondary school.

Management Response

151. The Fund Account Manager concurred with the auditor that the land Parcel No. Chania Mataara/534 had not been registered in the name of the school as the process was ongoing. However the process of registering the land parcel in the name of the school has been completed and a title deed for the same acquired. The Manager further submitted that works were procured through restricted tendering from a list of prequalified suppliers that was prepared through an open prequalification. The prequalification of suppliers was invited through the Nation newspaper.

Committee Observations

152. The Committee observed that the Title Deed is in the name of the school and the prequalification of suppliers invited through the Nation Newspaper were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

4.3.5 PURCHASE OF LAND – MIIRI PRIMARY SCHOOL

153. Records available at Gatunda North CDF Office shows that an amount of Kshs. 350,000 was paid to Miiri Primary school vide payment voucher No. 56 of 9 January 2016 to clear unpaid balance in respect of purchase of land for the expansion of the school initiated in August 2012. The purchase price had been agreed at Kshs. 1,250,000 for land LR No. Ndarugu/Karatu/2085.

154. Records made available for audit review indicated that the first installment of Kshs. 900,000 was paid by the school vide bankers cheque Number 10454 of 19 May 2014 and the balance of Kshs. 350,000 was payable on or before 19 August 2014. However, the title deed kept by the school was still in the name of the vendor instead of the school's name. It was not clear why the settlement of the balance of Kshs. 350,000 took too long to settle and why the school had not initiated the transfer process despite having paid for the land. Therefore, the ownership of the land could not be confirmed.

Management Response

155. The management concurred that the payment of the Kshs. 350,000 took too long due to the delay in disbursement of funds from the Board. The management further concurred that the land Parcel LR No. Ndarugu/Karatu/2085 had not been registered in the name of the school as the process was ongoing. However the process of registering the land parcel in the name of the school has since been completed and a title deed for the same acquired. The management provided a copy of the title deed in the name of the school.

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Committee Observation

156. The Committee observed that the Title Deed was submitted and verified by the auditor general. The matter was therefore resolved.

5.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR JUJA CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16

157. Ms. Dinah Gitonga, the current Fund Account Manager appeared before the Committee on 21st May, 2019 to respond to the audit queries raised in the report of the Auditor General for Juja Constituency for the financial years 2013/2014, 2014/2015 and 2015/2016. She was accompanied by-

(i) Mr. Kenneth Kamau- Fund Acc. Manager Rongai

(ii) Mr. Aziz M Juma- Fund Acc. Manager Dagoretti North (Fund Account Manager- February 2014- February 2016)

(iii) Ms. Elizabeth Kitundu - Programme Manager, NGCDF Board; and

(iv) Ms. Beatrice Otieno NGCDF Board

158. In the examination of the financial statements of the financial year 2015/2016, due to unclear responses based on a previous management letter instead of the final certificate from the Auditor General, the current Fund Account Manager was requested to give evidence under oath. The Fund Account Manager was directed to given fresh response for the financial year 2015/2016 within seven (7) days.

5.1 AUDIT QUERIES IN THE FINANCIAL YEAR 2013/2014

The Auditor General raised three audit queries on completeness of financial statements, unsupported payments and unaccounted CDF disbursements during examination of the 2013/14 Financial Statements of Juja Constituency.

5.1.1 COMPLETENESS OF FINANCIAL STATEMENTS

159. The financial statements presented for the year ended 30 June 2014 did not include the statement of cash flows as required by International PublicSector Accounting Standards (IPSAS). In the circumstances, the completeness of the financial statements as at 30 June 2014 could not be confirmed.

Management Response

160. Mr. Kenneth Kamau, the Fund Account Manager acknowledged that the financial statements presented for the year ended 30 June 2014 statement did not include the statement of cash flows. A statement of cash flow was prepared and availed to auditors for review.

Committee Observations

161. The Committee observed that the correct statement for cash flow was prepared and availed to the auditors. This was verified and therefore the matter stands resolved.

5.1.2 UNACCOUNTED FOR CDF DISBURSEMENTS

162. Juja Constituency was split into three (3) Constituencies in 2012 and created Thika town, Juja and Ruiru Constituencies. It was however observed that after splitting, and although the three constituencies opened separate bank accounts for their respective CDF activities, the CDF account no. 1102120928 at the KCB Thika Branch operated by the former Juja CDF was not closed. Further, the amount of Kshs. 56,222,880 being the final disbursement for 2012/2013 for the larger Juja constituency and received vide AIE No.711834 on 15 July 2013 was deposited in this account.

163. However, Juja Constituency CDF did not explain or give details of how the disbursed amount of Kshs. 56,222,880 was utilized and accounted for since no expenditure schedules were made available for audit verification. Further, the bank balance in this account as at 30 June 2014 was not disclosed in the financial statements. In the circumstances, the propriety and the expenditure of Kshs. 56,222,880 received during the year under review could not be established.

Management Response

164. The Fund Account Manager submitted that Kshs. 56,222,880 being the final disbursement for 2012/2013 for the larger Juja constituency and received vide AIE No.711834. Respective constituencies utilized their allocations separately. Provided to the auditor for audit review is the schedule for breakdown of how funds were absorbed by respective constituencies and a bank statement at KCB Thika Branch as at 30th June 2014. The projects have since been implemented and are in use.

Committee Observations

165. The Committee observed that-

- (i) The Office of the Auditor General could not verify the propriety and the expenditure of Kshs. 56,222,880 transferred to the accounts of the larger Juja constituency and received vide AIE No.711834 on 15th July 2013 due to insufficient documentation. The Constituency did not provide the documents from the PMC required to verify the query; and
- (ii) There was a guideline from the NGCDF Board on the utilization of the funds. The matter remains unresolved.

Committee Recommendations

166. The Committee recommends, THAT –

- (i) the Fund Account Manager provides an explanation of the propriety and the expenditure of Kshs. 56,222,880 to the Cabinet Secretary of the National Treasury; and
- (ii) where the Cabinet Secretary of the National Treasury is not satisfied with the explanation of the Accounting Officer, forward the issue for resolution to the NGCDF Board for administrative action pursuant to the provisions of section 74 (2) (b) of the Public Finance Management Act, No. 18 of 2012.

5.1.3 UNSUPPORTED PAYMENTS

167. Included in the statement of receipts and payments balance of Kshs. 30,398,478 as at 30 June 2014 were amounts of Kshs. 1,207,530, Kshs.791,000 and Kshs. 19,520,000 in respect of use of goods and services, committee expenses and other grants and other payments respectively. However, these balances were not supported by ledgers, an attendant register or expenditure schedules. In the circumstances, the propriety of expenditure totaling to Kshs. 21, 518,530 could not be confirmed.

Management Response

168. The Fund Account Manager submitted that expenditure of Kshs.21,518,530 was scheduled as below-

<i>Amount</i>	<i>Activity</i>
450,000	Use of goods and services
1,548,530	Committee expenses (monitoring and evaluation and allowances)
6,000,000	Suja Farm Road, Weiteithie morobo road, ndarugu nyacaba road
6,000,000	Matangini AP post, Adugutha AP Post, Athi AP Post
530,000	Emergency
6,990,000	Bursary
21,518,530	

169. Provided to the auditor for audit review is annual expenditure returns and ledgers to support the expenditure of Kshs.21, 518,530.

Committee Observations

170. The Committee observed that the management provided the expenditure schedules for verification by the Auditor General and the matter therefore stands resolved.

5.2 AUDIT QUERIES IN THE FINANCIAL YEAR 2014/ 2015

The Auditor General raised the following audit queries during examination of the 2013/14 Financial Statements of Juja Constituency, where majority were carried forward from previous financial year

5.2.1 BANK BALANCE – STALE CHEQUES

171. The statement of assets as at 30 June 2015 reflects bank balance of Kshs. 2,521,401.90. However, a review of the bank reconciliation statement as at 30 June 2015 revealed that included in the unpresented cheques amounting to Kshs. 2,356,754.80 are cheques totaling Kshs. 272,643.00 which were issued between 4 April 2014 and 5 December 2014, which were already stale as at 30 June 2015 and could not be presented in the bank for payment. No justified reason was provided for the delay in reversing these cheques in the cashbook. In the circumstances, the accuracy of bank balances of KShs. 2,521,401.90 as at 30 June 2015 could be confirmed.

Management Response

172. The Fund Account Manager stated that the office has since reversed the stale cheques back in the cashbook and was later issued as bursaries to students who did not benefit in the bursary allocation. Information was provided to the auditor for review is a copy of cashbook extract. The office has since taken into consideration public sensitization on bursary cheques to ensure that cheques are taken to school immediately and acknowledgement letters brought back to the office.

Committee Observations

173. **The Committee observed that the Fund Account Manager presented a copy of the cash book extracts indicating that unpresented cheques were reversed and bank reconciliations subsequently made. The matter therefore stands resolved.**

5.2.2 BURSARY FUND

174. Included in note 8 on other grants and other payments of Kshs. 56,446,178 are bursary disbursements to secondary schools and tertiary institutions of Kshs. 19,904,646 and Kshs. 5,963,000 respectively. However, the expenditures were not supported by official receipts or acknowledgment letters from the beneficiary learning institution. Consequently, the propriety of the expenditure totaling Kshs. 25,867,646 could not be confirmed.

Management Response

175. Fund Account Manager stated that various acknowledgements and receipts for bursary funds disbursed to various institutions have been received at the CDF office though not in totality since some cheques were collected from the CDF office by the individual beneficiaries who upon being issued with receipts/acknowledgements by their respective institutions failed to submit them back to the CDF office. CDF Committee has taken measures to ensure receipts/acknowledgements by various institutions that receive CDF bursary reach the CDF

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of the Office of the Auditor General. The working office staff to personally take the cheques to the institution; Involving the principals and academic heads during issue of the bursary which they are personally given the cheques; Having the parents leave their identification cards (if the cheques is not combined) to ensure immediate taking to school.

Committee Observations

176. **The Committee observed receipts and acknowledgement letters were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.**

5.2.3 UNACCOUNTED FOR CDF DISBURSEMENTS

177. As previously reported, Juja Constituency was split into three (3) Constituencies in 2012 and creating Thika Town, Juja and Ruiru Constituencies. It was however observed that after splitting, and although the three constituencies opened separate bank accounts for their respective CDF activities, the CDF account No.1102120928 at the KCB Bank Thika Branch operated by the former Juja CDF was not closed. Further, an amount of Kshs. 56,222,880 being the final disbursement for 2012/2013 for the larger Juja Constituency and received vide AIE No. 711834 on 15 July 2013 was deposited in this account.

178. However, Juja Constituency CDF did not explain or give details of how the disbursed amount of Kshs. 56,222,880 was utilized and accounted for since no expenditure schedules were made available for audit verification. Further, the bank balance in this account as at 30 June 2014 was not disclosed in the financial statements. The CDF management did not explain how the amount of Kshs. 56,222,880 was utilized and of therefore remained unaccounted for as at 30 June 2015.

Management Response

179. The Fund Account Manager stated that Kshs. 56,222,880 being the final disbursement for FY 2012/2013 for the larger Juja Constituency and received vide AIE No.711834 for disbursements to the newly created constituencies whose bank accounts had not been operationalized. Respective constituencies utilized their allocations separately. Provided to the auditor for audit review is the schedule for breakdown of how funds were absorbed by respective constituencies and a bank statement to KCB Thika Branch as at 30th June 2014. The projects have since been implemented and are in use.

Committee Observations

180. **The Committee noted that the Constituency provided the schedule for breakdown of how funds were allocated to the Office of the Auditor General and the matter has since been resolved.**

5.2.4 UNSUPPORTED PAYMENTS

181. As similarly reported in 2013/2014 included in the statement of receipts and payments balance of Kshs. 30,398,478 as at 30 June 2014, were amounts of Kshs. 1,207,530, Kshs. 791,000 and Kshs. 19,520,000 in respect of use of goods and services, committee expenses and other grants and other payments respectively. However, these balances were not supported by ledgers, an attendant register or expenditure schedules and remained unsupported as at 30 June 2015.

Management Response

182. The Fund Account Manager submitted that the Expenditure of Kshs. 21,518,530 was scheduled as indicated below-

<i>Amount</i>	<i>Activity</i>
450,000	Use of goods and services
1,548,530	Committee expenses (monitory and evaluation and allowances)
6,000,000	Jujafarm road, Weiteikie moraba road,ndarugu nyocaba road
6,000,000	Matangini up post ,mugutha AP post, AthiAP post
530,000	Emergency
6,999,000	Bursary
21,518,530	

183. Provided to the auditor for audit review is annual expenditure returns and legers to support the expenditure of Kshs.21, 518,530.

Committee Observations

184. **The Committee observed that expenditure schedules were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.**

5.2.5 CONSTRUCTION OF AN ABLUTION BLOCK AT JUJA FARM CHIEF'S CAMP

185. During the year under review, an amount of Kshs. 800,000 was disbursed for the construction of an ablution block at Juja Farm Chief's camp. However, no certificate of completion and inspection certificates were made available for audit review. Further, physical verification carried out on this project revealed that the ablution block was incomplete despite records showing that the contractor was paid the full contract sum. In the circumstances, it has not been possible to confirm the propriety of expenditure of Kshs. 800, 000 on this project.

Management Response

186. The Fund Account Manager submitted that the ablution block at Juja Farm Chief Camp has since been complete and in use. The project file accompanied by a photograph showing the

implementation status of the project being complete and in use was provided to the auditors for review. A certificate from public works officer supporting payments that were done were also provided. The CDF Committee realized that there was poor workmanship and has since blacklisted the contractor from ever being contracted in the Constituency.

Committee Observations

187. The Committee observed, THAT –

- (i) the pictures showing the project showed that there was poor workmanship of the toilet that could not have reasonably costed the Kshs. 800,000 allocated;
- (ii) the same was observed by the Auditor General at the time of the physical verification that there was indeed poor workmanship and that the Administration Police had to spent additional funds to complete the project;
- (iii) the explanation that the land had black cotton soil and had to dig deeper into the ground did not suffice. The Committee observed that the officers who issued the completion certificate should have verified the same.

Committee Recommendation

188. The Committee recommends, THAT-

- (i) the NG-CDF Board in consultation with the County Public Works Office and the National Construction Authority assesses the structural integrity of the Juja Farm Chief Camp; and
- (ii) the National Construction Authority investigates the conduct of the contractor who undertook the project with a view of suspending or deregistering the said contractor pursuant to the National Construction Authority Act, No. 41 of 2011.

5.2.6 OTHER MATTERS

(a) Overall Budget Performance

189. Review of summary statement of appropriation revealed 54% and 80% overall budget utilization on receipts and expenditure respectively as follows:

Item	Budget-Kshs	Actual-Kshs	Difference Under – Kshs	Actual as % of Budget
Receipts	129,411,166	70,425,612	58,985,554	54%
Expenditure	129,411,166	103,414,561	25,996,605	80%

190. The above analysis, reflects actual receipts of Kshs. 70,425,612 against the budgeted amount of Kshs. 129,411,166 resulting in a shortfall of Kshs. 58,985,554 which is also undisbursed funds from the CDF Board.

191. Further, the CDF had an under expenditure of Kshs. 25,996,605 or 20% of the approved budget of Kshs. 129,411,166. The low utilization of the budget was attributed to delay in disbursement of funds by the CDF Board.

Management Response

192. The Fund Account Manager submitted that as at 30 June 2015, thirty four (34) projects were complete, seven (7) were ongoing while eleven (11) projects had not been implemented due to lengthy procurement process. The projects have since been completed and are in use.

Committee observations

193. The Committee observed that poor performance of the budget was occasioned by the late disbursement of funds by the National Treasury. The matter stands resolved.

(b) Project Implementation

194. An analysis of project implementation status as at 30 June 2015 is as follows-

Project Category	No. Budgeted Project	Budget	Actual Kshs.	No. Completed Projects	No. of ongoing Projects	No. Projects not started	% level of Implementation
Primary Schools	10	18,950,000	16,650,000	7	1	2	88
Secondary Schools	4	10,150,000	8,550,000	3	0	1	84
School Rehabilitation	1	837,931	837,931	1	0	0	100
Environment	11	1,878,016	1,878,016	11	0	0	100
Electricity	8	500,000	210,000	4	2	2	42
Security	6	9,300,000	8,500,000	4	0	2	91
Roads	5	15,000,000	9,000,000	3	0	2	60
Boda Boda Sheds	2	1,000,000	500,000	1	0	1	50
CDF Office	1	3,000,000	0	0	0	1	0
Emergency	0	5,400,259	4,200,000	0	4	0	78
Sports		1,878,016	1,878,016				100
Bursary		15,956,537	16,379,537				103
Mock/Cats		1,000,000	1,000,000				100
Total	48	85,273,759	69,583,000	34	7	11	82
Expenditure on projects for 2013/2014			24,145,437				
Total Actual expenditure 2014/2015			93,728,937				

195. The above analysis shows that Juja CDF had planned to undertake forty eight (48) development projects during the financial year 2014/2015 with an allocation of Kshs. 85,273,759 towards these projects and out of the budget allocation, an amount of Kshs. 69,583,000 was utilized representing 82% budget utilization. Rolled over projects from 2013/2014 period were also implemented at a cost of Kshs. 24,145,437.

196. As at 30 June 2015, thirty four (34) projects were complete, seven (7) were ongoing while eleven (11) projects had not been implemented. No reason was provided for failure to

implementation of the projects as planned. This adversely affects services delivery to the residents of Juja Constituency.

Management Response

197. The Fund Account Manager stated that as at 30 June 2015, thirty four (34) projects were complete, seven (7) were ongoing while eleven (11) projects had not been implemented due to lengthy procurement process. The projects have since been completed and in use.

Committee Observations

198. **The Committee observed that the Office of the Auditor General had verified the existence of the projects and that these were in use. The matter therefore stands resolved.**

5.2.7 UN-UTILIZED PROJECTS FUNDS

199. Records maintained at the CDF Office indicates that a total of Kshs. 3,200,000 was disbursed during the year to two PMCs in respect of construction of a classroom to completion at Juja Farm Secondary School with allocation of Kshs. 1,200,000 and construction of an administration block to completion at Ha-Mundia AP Post at Kshs. 2,000,000. However, a review of implementation status of the two projects revealed that none was implemented despite release of funds to the projects accounts. Money allocated to the two projects was still intact/ held at the project management committee's bank accounts. No reason was provided for failure to utilize the funds or return the money to the CDF bank account as required by section 41 (9) of the CDF Act, 2013.

Management Response

200. The Fund Account Manager submitted that at the time of audit the office was in the process of tendering hence money was in the project management committee account but no project had started. Projects have since been implemented to completion. The management provided photos for audit verification.

Committee Observations

201. **The Committee observed that following the physical verification by the Auditor General, the class rooms were completed and in use, however, the Administration Police Post, while complete, was not in use.**

Committee Recommendation

202. **The Committee recommends that the NGCDF Board should ensure consultation with the Ministry of Interior and Coordination of National Government at the project approval phase to ensure that officers can be deployed to the station.**

AUDIT QUERIES IN THE FINANCIAL YEAR 2015/2016

The Committee noted an improvement in the management of the NG-CDF Fund during the financial year 2015/16 given that there were no major issues raised by the Auditor General save for budget performance which was as a result of late disbursements by the National Treasury.

5.2.8 BUDGET PERFORMANCE

(a) Expenditure on Development Projects

203. The Juja NGCDF had a budget of Kshs. 107,267,645 for development expenditure as per their projects proposal for 2015/2016 financial year. Audit verification revealed that the CDF office spent Kshs. 63,081,693 resulting in under expenditure of Kshs. 44,185,952 or 41% on the approved budget as per the Projects implementation status report for the year ended 30th June 2016. Further, the NG-CDF had budgeted to implement a total of thirty four (34) projects as the beginning of the year. As at 30 June 2016, twenty seven (27) projects were complete while seven (7) were at various stages of completion as evidenced in table below-

Project category	No budgeted	Not completed	Ongoing	Budget	Actual experience	Variance
Primary Schools	12	8	4	25,337,931	13,337,931	67%
Secondary Schools	3	2	1	5,800,000	3,500,000	67%
Water project	2	2	0	1,626,397	626,397	100%
Access road	6	5	1	22,000,000	13,500,000	83%
Security	5	4	1	8,200,000	4,400,000	80%
Bursary	2	2	0	39,315,435	19,670,000	100%
Sports	1	1	0	1,987,882	1,278,016	100%
Environment	1	1	0	-	3,365,898	100%
CDF Office	1	1	0	3,000,000	-	100%
Development Stadiums and Factory	1	1	0	-	3,403,451	100%
Total	34	27	7	107,267,645	63,081,693	79%

204. NG-CDF management did not provide reasons for under-utilization of the funds allocated to the Constituency during the year under review.

Management Response

205. Mr. Aziz Juma, the Fund Account Manager submitted that the under –expenditure was as a result of the Change of office from CDF to NG-CDF and CDFC to NG-CDFC which delayed

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paid in January 2016. The projects were completed from February to May 2016 hence no signatories. Additionally, there was late disbursement of funds from CDF Board and lengthy tendering and procurement procedures that delayed implementation of projects. The projects have since been implemented and are in use.

Committee Observation

206. **The Committee observed that the query was as a result of delayed disbursement of funds from the NGCDF Board and the matter stands resolved.**

(b) Accuracy of Budget Figures

207. The summary statement of appropriation: recurrent and development combined reflects final budgets balances of Kshs. 101,915,497.90 for both total receipts and payments for 30 June 2016. However, actual approved budget reflected final budget of Kshs. 125,390,701.50 No explanation was given for variances. Consequently, the accuracy of the summary statement of appropriation: recurrent and development combined final budget balances of Kshs.101,915,497.90 for both total receipts and payments for the year ended 30 June 2016 could not be confirmed.

Management Response

208. The Fund Account Manager averred that the variance in actual approved budget and that in the financial statements was a result of funds that were yet to be received from the National Board as at that time. The office has since received the funds and implemented the project.

Committee Observation

209. **The Committee observed that the query was as a result of delayed disbursement of funds from the NGCDF Board and the matter stands resolved.**

CHAPTER SIX

6.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THIKA TOWN CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16 FINANCIAL YEARS

210. Ms. Joan Jebet Koech, the Fund Account Manager appeared before the Committee on 21st May, 2019 to respond to the audit queries raised in the report of the Auditor general for Thika Town Constituency for the financial years 2013/14, 2014/15 and 2016/17. She was accompanied by-

- (i) Ms. Joan Jebet Koech- Fund Acc. Manager Thika Town
- (ii) Ms. Jane W. Kariuki- Fund Acc. Manager Kasarani
- (iii) Ms. Elizabeth Kitundu – Programme Manager, NGCDF Board; and
- (iv) Ms. Beatrice Otieno – NGCDF Board.

6.1 AUDIT QUERIES IN THE FINANCIAL YEAR 2013/2014

The Auditor General raised two audit queries during examination of the 2015/16 Financial Statements of Thika Town Constituency.

6.1.1 UNSUPPORTED COMMITTEE EXPENSES

211. Included in the statement of receipt and payment for the year ended 30th June 2014 are committee expenses amounting to Kshs.2, 003,942. However these expenses were not supported by the necessary ledger or attendance registers. Further an amount of Kshs.1, 223,902 was paid in respect of allowances to the members of Project Monitoring & Evaluation Committee. However no separate attendance register were availed for the audit to confirm the payments were made to bona fide members. In the absence of supporting ledgers and attendance registers, it has not been possible to confirm the accuracy and the propriety of committee expenses.

Management Response

212. Ms. Jane Kariuki, the Fund Account Manager submitted that the total committee expenses was Kshs. 2,003,942 and was inclusive of Kshs. 1,223,902 being expenses for M/E and committee administration expenses of Kshs. 780, 040. The summary of the total expenditure is as below

- (i) Administration committee expenses - Kshs.780,040
- (ii) Committee allowances Kshs. 510,000
- (iii) Other committee expenses(recurrent cost) Kshs. 270,040

- (iv) M/T Committee expenses- Kshs. 1,223,902
(v) Committee allowances Kshs. 1,170,000
(vi) Other committee expenses Kshs. 53,902

213. Out of the Kshs. 2,003,942, an amount of Kshs. 1,680,000 was committee allowances and Kshs. 323,942 is committee other recurrent expenditure. In the absence of ledgers, a comprehensive annual expenditure return has been availed for verification. The minute's attendance and attendance schedules have been presented to the auditor for verification.

Committee Observations

214. **The Committee observed that attendance schedules and expenditure returns were submitted for verification to the Office of the Auditor General and the matter has since been resolved.**

6.1.2 MUNYU WATER TREATMENT WORKS PROJECT

215. Thika Town CDF awarded the contract for construction of Munyu water treatment works project to a contractor at a contract sum of Kshs. 5,510,571. However physical verification of the project revealed that although the project was complete, the tank for collecting water from river Ndarugu was leaking. Further, no tank was built at the water treatment area as it was omitted in the original BQ.

216. It should be noted that the water treatment could not be done without this tank and it will cost taxpayers more money to fund the construction of the tank. The contractor was paid a total of Kshs. 5,018,939 despite the fact the tank was leaking and the defect liability period was not over. Also no project completion and inspection and acceptance committee report to support the payment was made available for audit verification. In the circumstances, it was not possible to ascertain the propriety of the works expenditure and whether the project effectively and efficiently met the intended purpose.

Management Response

217. The Fund Account Manager stated that the back wash tank was not included in the BQ for the construction of treatment plant. However, an amount for its construction was set aside in FY 014/015 (emergency) and its now complete and in use. The complete project photo and the relevant certificate of payment has been presented for audit verification. The contractor, having been paid an amount of Kshs. 5,018,939 had a balance of Kshs. 491,632 being retained by the PMC until the defect liability period is over. The issue of leaking was addressed by the ministry of water and the contractor rectified the leaking area before the final retention was released to him. The whole project is now complete, in use and handed over to the community. Project payment certificate, inspection and acceptance committee report, Other relevant committee minutes and project photo have been availed for audit verification.

Committee Observations

218. **The Committee observed that the relevant documentation to show that the project had been completed and was in use were submitted and these were verified by the Office of the Auditor General. The matter therefore stands resolved.**

6.2 AUDIT QUERIES IN THE FINANCIAL YEAR 2014/15

The Auditor General raised only one audit query regarding cash and bank balances during examination of the 2014/15 Financial Statements of Thika Town Constituency.

6.2.1 CASH AND BANK BALANCES KSHS. 5,929,117.40

219. The statement of assets as at June 2015 reflects bank balance of Kshs. 5,929,117.40. A review of bank reconciliation statements however indicates that unpresented cheques as at 30th June 2015 totalling Kshs. 3,543,023.70 and out of this amount, cheques amounting to Kshs. 80,523.90 were already stale and could not be presented to the bank for payment. No reason was provided for the failure to reverse these cheques into the cashbook. Consequently, accuracy of the bank balances of Kshs. 5,929,117.40 as at 30th June 2015 could not be confirmed.

Management Response

220. Ms. Joan Koech, the Fund Account Manager stated that at the time of audit, payments amounting to Kshs. 3,543,023.70 had not yet been presented to the bank. Cheques amounting to Kshs. 3,462,499.1 were drawn in the month of May 2015, most of them being bursary cheques. The said cheques had been presented to the beneficiaries who were yet to present to the Bank. The stale cheques amounted to Kshs. 80,523.90, was not reversed by then. This recommendation was shared with the Sub County Accountant and the necessary actions taken. The subsequent bank reconciliation statements were availed to the auditor for verification.

Committee Observations

221. **The Committee observed that the unpresented cheques totalling Kshs 3, 543,023.70 were cleared and stale cheques reversed. The correct bank statement was submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.**

6.2.2 OTHER MATTERS

(a) Under expenditure on Overall budget and delay in projects implementation

222. The CDF incurred an under expenditure of Kshs. 31,340,961 or 24% of the approved budget of Kshs.129,057,907. The underutilisation of the funds may have impacted negatively on the delivery of services to the residents of Thika Town.

223. The Fund Manager submitted that during the financial year Thika Town NG-CDF received the full allocated amount. However, AIE of Kshs. 25,411,843.60 was received in June 2015 towards the end of the financial year. The said AIE included an amount of Kshs. 22,657,164, allocated for projects implementation. The affected projects could not be implemented given the limited time available. The relevant AIE and bank statement has been availed to the auditor for confirmation.

Committee Observations

224. The Committee observed that the under expenditure was as a result of delay in the disbursement of funds from the National Treasury. The matter was resolved with the Auditor General.

6.2.3 UNUTILIZED ADMINISTRATION POLICE POSTS AT KIMUCHU AND ATHENA

225. An inspection carried out revealed that although the projects were complete, it had not been handed over to the user, deputy administration police commander (DAPC) and no officers have been deployed. The explanation given was that the posts require fencing to enhance security though no funds seem to have been set aside by the CDF office to complete the construction.

Management Response

226. The Fund Account Manager averred that at the time of audit, the two police posts had not been fenced and this made the relevant authorities find difficulties in deploying officers to the stations. The amount for fencing the said posts was allocated in the financial year 2015/2016 and the fencing was successfully implemented. Consequently, officers were deployed in the Kimuchu AP post and facility is now in use. The relevant body is however yet to deploy officers in Athena AP Post.

227. The NG-CDF requested for the posting of the said officers and measures are still underway and the management hoped that the officers shall be deployed soonest possible. Project photos, payment certificates and other supporting documents have been availed to the auditor for verification.

Committee Observations

228. The Committee observed that the relevant documentation requesting the posting of Administration Police Officers were provided and verified by the Office of the Auditor General and therefore this matter stands resolved.

6.3 AUDIT QUERIES IN THE FINANCIAL YEAR 2015/2016

The Auditor General raised queries regarding unutilized police post and issues on absorption on overall budget performance for Thika Town Constituency during the financial year 2015/16.

6.3.1 ABSORPTION ON OVERALL BUDGET

229. During the year under review, Thika Town NG-CDF received a total of Kshs. 137,074,275 from the Board against an approved budget of cash kshs.139, 268,628 or approximately 98 % of the budget. The actual total expenditure was cash Kshs. 78,571,062 resulting in under expenditure of Kshs.60,697,566 representing 46% of the total budget. The under absorption of budget funds indicates that the approved projects were not undertaken fully and therefore the public did not benefit from the expected services

Management Response

230. The underutilisation was due to the fact that an amount of Kshs. 52,514,314 via the AIE no. A825745 dated 16th June 2016 was received on 28th June 2016. The amount was credited in the account on 14th June 2016. The committee therefore could not utilize the received funds within the financial year due to time constraint translating to delay in projects implementation. The relevant AIE and bank statement has been availed to the auditor for confirmation.

Committee Observations

231. **The Committee observed that the relevant Authority to Incur Expenditure (AIEs) and bank statements had been submitted and reviewed and verified hence the matter stands resolved.**

6.3.2 PROJECTS IMPLEMENTATION ANALYSIS

232. The Thika Town NG-CDF committee had planned to utilize cash Kshs. 109,569,293 to implement a total of 29 projects during the year under review. However a review of project status report as at 30th June 2016 shows that out of the approved projects 22 had been completed while 7 had not been started.

Management Response

233. Ms. Joan Chebet, the Fund Account Manager stated that amount of Kshs. 52, 514,314 via the AIE no. A825745 dated 16th June 2016 was credited in the account on 14th June 2016 but AIE received on 28th June 2016. The seven projects not yet started were to benefit with the said amount. The implementation of those projects could not be undertaken within the financial year due to time limit. The relevant AIE, list of the said projects and bank statement has been availed to the auditor for confirmation.

Committee Observations

234. The Committee observed that the list of projects that had been implemented by the Constituency was provided and verified by the Office of the Auditor General and therefore the matter was resolved.

CHAPTER SEVEN

7.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR RUIRU CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16

235. Mr. Karanja Pharice the Fund Account Manager, appeared before the Committee on 22nd May 2019 to respond to audit queries raised in the report of the Auditor General for Ruiru Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by:-

- (i) Ms. Elizabeth Kitundu- Programme Manager
- (ii) Ms. Beatrice Otieno- Financial Services
- (iii) Mr. James Chebii- Accountant

7.1 AUDIT QUERIES IN THE FINANCIAL YEAR 2013/2014

The Auditor General raised two audit queries on unsupported expenditure and use of unregistered contractors during examination of the 2013/14 Financial Statements of Ruiru Constituency.

7.1.1 UNSUPPORTED COMMITTEE EXPENSES

236. The statement of Receipts and Payments for the year ended 30 June 2014 includes committee expenses figure of Kshs. 2,492,000. However, these expenses were not supported by the necessary ledgers or attendance register. Further included in the committee expenses account was an amount of Kshs. 1,525,050 paid to members of monitoring and evaluation committee. However, no separate attendance registers to confirm the payments to members of the committee were produced for audit review. In the circumstances, it has not been possible to confirm the accuracy and the propriety of committee expenses.

Management Response

237. Mr. Karanja, the Fund Account Manager informed the Committee that in place of ledgers, a very comprehensive Annual Expenditure Return used to support financial statements has been availed to the auditor for verification. With respect to the absence of attendance registers, it is true that the registers were not attached to payment vouchers at the time of the audit. The registers have since been submitted to the auditors for their verification.

Committee Observations

238. **The Committee observed that the required information submitted and verified by the Office of the Auditor and therefore the issue was resolved.**

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7.1 **USE OF UNREGISTERED CONTRACTOR- CONSTRUCTION OF KAHAWA SUKARI POLICE STATION**

239. Ruiru NG-CDF Advertised for construction of staff quarters at KahawaSukari. One key qualification was that the winner of the tender was to be registered with the National Construction Authority. However, a construction company was awarded the contract without the NCA certificate at a cost of Kshs. 5,722,360. The basis and criteria of the selection of the contractor was not given. In the circumstances, it has not been possible to ascertain the propriety of the works expenditure and whether the expenditure on the project effectively and efficiently met the intended purposes.

Management Response

240. The Fund Account Manager informed the Committee that it is true the NCA Certificate was not attached to the payment voucher at the time of the audit. The management provided confirmed that the NCA certificate has since been made available for audit verification. More critically, the project has been completed and is in use.

Committee Observations

241. **The Committee observed that the certificate of registration from the National Construction Authority for the contractor was submitted and verified by Office of the Auditor General and the matter therefore stands resolved.**

7.2 **AUDIT QUERIES IN THE FINANCIAL YEAR 2014/2015**

The Auditor General raised two audit queries on accuracy of receipts and construction of police residential houses during examination of the 2014/15 Financial Statements of Ruiru Constituency.

7.2.1 ACCURACY OF RECEIPTS

242. The statement of receipts and payments reflects receipts from NG-CDF Board totaling Ksh. 110,564,605. However the balance excludes an amount of Kshs. 11,900,000 received in the Ruiru NG-CDF bank account on 26 June 2015. No justification was provided for the omission. In the circumstances, the accuracy of receipts for the year ended 30 June 2015 could not be confirmed.

Management Response

243. The Fund Account Manager submitted that whilst it is true that a sum of Kshs. 11,900,000 was received before the end of the 2014/15 financial year, the relevant A/E was received well after the end of the financial year. Consequently, Ruiru NG-CDF Management considered it prudent to recognize those receipts as falling within the next financial year (2015/16) hence the omission. The funds were indeed subsequently recognized in 2015/16 financial year and accounted for as such. The 2015/2016 financial statements incorporating the previously omitted amount (Kshs.11, 900,000) have been availed to the auditors for audit review.

Committee Observations

244. The Committee observed that the 2015/2016 financial statements incorporating the previously omitted amount (Kshs. 11,900,000) was submitted and verified and therefore the matter was resolved.

7.2.2 CONSTRUCTION OF POLICE RESIDENTIAL HOUSES AT KAHAWA SUKARI

245. Examination of records indicates that Ruiru NG-CDF constructed 6 two-bedroom houses on a donated piece of land at KahawaSukari for police officers at a total cost of Kshs. 12,515,925 including an amount of Kshs. 8,000,000 allocated to the project in 2014/15 financial year. However it was not explained whether land transfer and ownership documents were obtained contrary to Constituency Development Fund Board Circular reference CDF/BOARD/CIRCULARS/VOL. 1/108 dated 24th August 2010 on guidelines of land ownership for Constituency Development Fund related projects. Ownership disputes therefore may arise in future if the transfer of land ownership is not realized. The basis and logic of constructing buildings before securing title deeds for the land was not clear.

Management Response

246. Mr. Karanja Pharice, the Fund Account Manager submitted that the process of obtaining title to the subject land was ongoing and that it was led by the Deputy County Commissioner in conjunction with the OCPD as well as KahawaSukari Welfare Association. The Certificate of Ownership issued by KahawaSukari Company Ltd to Ruiru OCPD has been obtained and availed for audit verification.

Committee Observations

247. The Committee observed THAT

- (i) The process of acquiring the land title on which the Ruiru NG-CDF constructed residences for Police Officers is yet to be finalized since 2014;
- (ii) The Board issued letters to Accounting Officers to ensure that land under which the projects are located is public land and that ownership documents were available. The matter therefore remained unresolved.

Committee Recommendation

248. The Committee recommends, THAT-

- (i) the NGCDF Board and the Fund Account Manager reports to the National Assembly on the progress of obtaining the certificate of ownership within three(3) months of the adoption of this report; and
- (ii) the National Treasury submits to the National Assembly a status report on the progress on the process of identification of public assets and liabilities and formulating a National Asset Register within three (3) months of the adoption of this report; and

- (iii) the National Treasury establishes a comprehensive National Asset Register within one (1) year of the adoption of this report.

7.2.3 OTHER MATTERS

249. Ruiru NGCDF had planned to undertake fifty six (56) development projects during the year 2014/15 with an allocation of Kshs. 116,980,535 while actual expenditure realized was Kshs. 105,260,738 or 90% utilization against the budget. As at 30th June 2015 forty five (45) projects were complete while eleven (11) projects had not been implemented. No reason was given for failure to implement the project as planned which may affect service delivery to the residents. My opinion is not qualified in respect of this matter.

Management Response

250. Mr. Karanja Pharice, the Fund Account Manager submitted that the low utilization of the budget was due to the delay in disbursement of funds by the CDF Board. A sum of Kshs. 29,445,285 due to the constituency had not been disbursed by the Board by 30th June 2015 which affected project implementation. The same was subsequently received and utilized on the relevant projects.

Committee Observations

251. **The Committee observed that low absorption of funds was due to the late disbursement of Funds was occasioned by the failure by the National Treasury, the matter therefore remains resolved.**

7.3 AUDIT QUERIES IN FINANCIAL YEAR 2015/2016

The Auditor General raised the following audit queries during examination of financial statements for Ruiru Constituency

7.3.1 PROJECT IMPLEMENTATION

252. During the period under review, the Ruiru NGCDF spent a total of Kshs. 94,508,930 against a budget figure of Kshs. 121,580,448 allocated for projects during the year. The NGCDF Committee had allocated a total of Kshs. 121,580,448 to forty six (46) projects, out of which forty three (43) were implemented and completed, one was ongoing and two projects were not started. Although the CDF Committee achieved absorption rate of 78% of allocated funds, failure to implement projects in time denies benefit to the public intended to improve the standards of living.

Management Response

253. Mr. Karanja Pharice, the Fund Account Manager submitted that the low utilization of the budget was due to delay in disbursement of funds by the NGCDF Board. A sum of Kshs. 4,500,000 due to the constituency had not been disbursed by the Board by 30th June 2016

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which affected project implementation. The sum has since been received and used on the relevant projects.

Committee Observations

254. The Committee observed that the status of project implementation was provided and verified and therefore the matter remains resolved.

7.3.2 CONSTRUCTION OF POLICE RESIDENTIAL HOUSES AT KAHAWA SUKARI

255. As previously reported, Ruiru NGCDF constructed 6 No. two-bedroom houses on a donated piece of land at Kahawa Sukari for Police officers at a cost of Kshs. 12,515,925 including an amount of Kshs. 1,600,000 allocated in the year under review. However it was not explained whether land transfer and ownership documents were obtained contrary to Constituency Development Fund Board Circular reference CDF/BOARD/CIRCULARS/VOL.1/108 dated 24th August 2010 on guidelines of land ownership for CDF related projects. Ownership disputes may arise in future if the transfer of land ownership is not finalized. The basis of constructing buildings before securing of title deed for the land was not clear.

Management Response

256. The Fund Account Manager submitted that the process of obtaining title to the subject land is ongoing and is led by the Deputy County Commissioner in conjunction with the OCPD as well as Kahawa Sukari Welfare Association. That said, the Certificate of Ownership issued by Kahawa Sukari Company Ltd to Ruiru OCPD has been obtained and availed for audit verification.

Committee Observations

257. The Committee observed that the audit query was carried-over from financial year 2014/15 and had not resolved.

Committee Recommendation

258. The Committee recommends that the NGCDF Board and the Fund Account Manager report on the progress of obtaining the certificate of ownership within three (3) month of the adoption of this report.

8.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR GITHUNGURI CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16 FINANCIAL YEARS

259. Ms. Jenaide Wangechi, the Fund Account Manager, appeared before the Committee on 22nd May, 2019 to respond to the audit queries raised in the report of the Auditor General for Githunguri Constituency for the financial years 2013/14, 2014/15 and 2015/16. He was accompanied by-

- (i) Mr. Alex Kioko - Fund Acc. Manager Mavoko
- (ii) Ms. Mary Wanjika - Fund Acc. Manager Roysambu
- (iii) Ms. Elizabeth Kitundu- Programme Manager
- (iv) Ms. Beatrice Otieno- Financial Services
- (v) Mr. James Chebii- Accountant

8.1 AUDIT QUERIES IN FINANCIAL YEAR 2013/2014

The Auditor General raised queries on financial reporting, unsupported expenses and cash and bank balances, unaccounted grants and irregular expenditures during examination of financial statements for Githunguri Constituency for the financial year 2013/14

8.1.1 ACCURACY AND COMPLETENESS OF FINANCIAL STATEMENTS

260. The financial statements presented for audit for the year ended 30th June 2014, did not include a statement of cash flows as required by International Public Sector Accounting Standards. In addition, no trial balance and ledgers were provided for audit review to support the financial statements balances as at 30 June 2014. No reason has been provided for failure to comply with these requirements.

Management Response

261. Mr. Alex Kioko, the Fund Account Manager submitted that the management concurred that cash flow statement was not included in the financial statement but they have since prepared and availed to the auditor for review. The trial balance and ledgers have been availed to the auditors for review.

Committee Observations

262. The Committee observed that the adjusted cash statements had been availed and verified by Office of the Auditor General, hence the matter remains resolved.

8.1.2 INACCURACIES IN THE STATEMENT OF RECEIPTS AND PAYMENTS

263. Receipts and payments figures reflected in the financial statements categorized under respective class of items differ with the provided schedules supporting the same as detailed below-

Item 2013/2014	Amount as per financial statement(Kshs)	Amount as per schedules/bank statements(Kshs)	Variance(Kshs)
Total receipts	70,598,625	110,610,801	40,012,176
Compensation of employees	1,226,172	1,222,984	3,188
Use of Goods and Services	1,020,092	1,416,792	396,700
Transfer to other Gov't Entities	31,507,485	29,007,485	2,500,000
Other Grants and transfers	24,610,275	25,586,155	975,880

264. In view of the foregoing, the accuracy and correctness of the financial statements as at 30th June could not be confirmed.

Management Response

265. Mr. Kioko submitted that the management concur that cash flow statement was not included in the financial statement but they have since prepared and availed to the auditor for review. The trial balance and ledgers have been availed to the auditors for review. Amended financial statements for financial year 2013/2014 has been revised and submitted to the auditors for review.

Committee Observations

266. The Committee observed that the statement of cash flow was provided and verified by the Office of the Auditor General and hence the matter stands resolved.

8.1.3 UNSUPPORTED COMMITTEE EXPENSES

267. Included in the statement of receipts and payment are committee expenses and allowances amounting to Kshs. 5,291,500. However, these expenses and allowances were not supported by ledgers, attendance register and status reports. In the circumstances, the accuracy of the committee expenses balance of Kshs. 5,291,500 for the year ended 30 June 2014 could not be confirmed.

Management Response

268. The Fund Account Manager submitted that the amended financial statements for financial year 2013/14 with the attendant annual expenditure return and supporting documents for committee expenses have been availed to the auditors for review.

Committee Observations

269. **The Committee observed that the financial statements revised and all documents availed and reviewed. Therefore the matter stands resolved.**

8.1.4 CASH AND BANK BALANCES

270. The Githunguri CDF cash book for the year under review revealed that withdrawals amounting to Kshs. 2,643,958 made as per bank statement for the month of September 2013, were not posted to the main cash book. Further, it was observed that the bank reconciliation statement as at 30 June 2014 showed unrepresented stale cheques amounting to Kshs. 267,720 which date way back to July 2011. The management did not explain why action has not been taken on stale cheques. In view of the foregoing, it has not been possible to confirm the accuracy and completeness of cash and cash equivalents balance of Kshs. 8,886,652 as at 30 June 2014.

Management Response

271. The Fund Account Manager submitted that Kshs. 2,643,958 mentioned in the report were actually not cash withdrawals but relates to bursaries disbursed to various beneficiaries. However, the Bank indicated the names of the depositors instead of the receiving institution hence the confusion.

Committee Observations

272. **The Committee observed that the relevant documents had been availed and transactions verified by the Office of the Auditor General, hence the matter stands resolved.**

8.1.5 UNACCOUNTED FOR PROJECT GRANTS AND FAILURE TO AVAIL PROCUREMENT RECORDS

273. A total of Kshs. 2,902,500 grants were issued by the Constituency Development Committee to various projects as tabulated below-

Project	Amount Disbursed Kshs	Description of work
Upper Githiga Water Project	1,000,000	Construction of intake
Githiga Borehole	500,000	Equipping of borehole
Wanjenga Dispensary	200,000	Fencing of compound
Githunguri Health Centre	400,000	Purchase of maternity equipment
Ngemwa-Kamondo-Githiga road	402,500	Grading and murraining of roads
Kamondo-Warotho road	400,000	Road grading and patching
Total	2,902,500	

274. However, no supporting expenditure documents were made available for audit verification. Further, the project procurement files were also not made available for audit verification. In the circumstances, it has not been possible to confirm the propriety of the expenditure amounting to Kshs. 2,902,500 for the year ended 30 June 2014. Further, it was not possible to confirm whether proper procurement procedures were followed on awarding of the project contracts.

Management Response

275. Mr. Kioko submitted that the named six projects had files but during the time of audit there was change in committee and management resulting to misfiling of documents, however the documents have been rearranged accordingly and procurement and payment vouchers documents of the named projects have been availed and presented to the auditor

276. The Fund Account Manager submitted that the management submitted the request for quotations for all projects, quotation opening minutes, local purchase/service orders, delivery notes and invoice for supplied materials and medical equipment, payment vouchers for the projects and pictorial evidence for the projects to ascertain the projects were handed over and in use.

Committee Observations

277. **The Committee observed that the project procurement file was submitted and verified by the Office of the Auditor General and that a physical verification of the projects was conducted. The matter therefore stands resolved.**

8.1.6 IRREGULAR EXPENDITURE OF PROJECT FUNDS

278. The Githunguri CDF operated Energy Saving Jikos Project account to help schools acquire energy saving jikos. During the year under review, a total of Kshs. 2,564,520 was disbursed to this project Account. Further, records maintained by the CDF showed that a total of Kshs. 499,000 was deposited in this Account by individuals between January and February 2014. Scrutiny of the bank statements for this account revealed that there were various cash withdrawals amounting to Kshs. 2,228,000 by certain individuals and two bankers cheques amounting to Kshs. 734,980 drawn from the Account, all amounting to Kshs. 2,962,980.

279. However, the drawers of the bankers cheques could not be identified and the purpose of the cash withdrawal could not also be established in the absence of the supporting documents for the payments made in cash. No explanation was given for such deposits. In addition, no project file for energy saving jiko project was provided for audit verification. In the circumstances, the propriety of the expenditure of Kshs. 2,962,980 from the energy saving jikos project account as at 30 June 2014 could not be confirmed.

Management Response

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280. The Fund Account Manager submitted that it is true that Githunguri CDF operated Energy Saving Jikos Project account to help schools acquire energy saving jikos. Amount disbursed for this particular project was Kshs. 3,240,585 and not Kshs. 2,564,520 in the auditor's report. Deposit of Kshs. 499,000 relates to cash refunds into the account by PMC signatories earlier withdrawn to pay casual labour. Kshs. 2,228,000 was amounts withdrawn by PMC signatories while Kshs. 734,980 was a cheque payment to the materials supplier. The documents and explanations have been availed to auditors for scrutiny.

Committee Observations

281. The Committee observed that the Fund Account Manager failed to avail support documents for bank withdrawals made. The matter remains unresolved.

Committee Recommendation

282. **The Committee observed that the NG-CDF Board should carry out project and bank reconciliation for the Energy Saving Jikos Project accounts to ascertain the veracity of this matter within three (3) months from the date of adoption of the report.**

8.2 AUDIT QUERIES IN FINANCIAL YEAR 2014/2015

The Auditor General raised queries four queries during examination of financial statements for Githunguri Constituency for the financial year 2014/15.

8.2.1 CASH AND CASH EQUIVALENTS

283. The statement of assets as at 30th June 2015 reflects cash and cash equivalents balance of Kshs. 8,610,345. Included in the balance is a zero balance of cash at hand while records availed for audit revealed cash at hand amount of Kshs. 9,446,490 as at the end of the financial year. No reconciliation or explanation was provided for omitting this balance in the financial statements.

284. Further, a review of bank reconciliation statements, indicates that unrepresented cheques totaling to Kshs. 341,720, some dating back to July 2011, were already stale as at 30th June 2015 and could not be presented in the bank for payment. No reason was provided for the failure to reverse the cheques in the cashbook. Consequently the accuracy of Cash and Cash Equivalents of Kshs. 8,610,345 as at 30th June 2015 could be confirmed.

Management Response

285. Mr. Kioko submitted that Githunguri NG-CDF cash book balance of Kshs. 8,610,344.90 as evidenced by the cash book copy and the reconciliation as at 30th June 2015 was provided for audit verification. There was no cash at hand amounting to Kshs. 9,446,490.00. The cash at hand balance as per the cash book of Kshs. 1,056,440.00 was surrendered imprest which was

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not posted in the cashbook but posted later in the financial year 2015/2016 and a copy of the cashbook has been availed to the auditors to ascertain.

286. The bank reconciliation statement as at 30th June 2015 had unrepresented cheques amounting to Kshs. 341,720.00 which were stale. The stale cheques were reversed in the cashbook in the month of November 2015 and replaced. The cash book balance reflecting the correct balances as at November 2015 was provided for audit verification.

Committee Observations

287. **The Committee observed that the bank reconciliations were provided and verified by the Office of the Auditor General and therefore the matter was resolved.**

8.2.2 IRREGULAR PAYMENT OF CONSULTANCY SERVICES

288. During the financial year under review, the NGI-CDF engaged the services of a private consultant, Master –Cost Ltd for technical advice in projects planning and management, including preparation of Bill of Quantities(BQs) and processing of payments certificates. During the year a total of Kshs, 573,301.30 was paid out to the consultant.

289. However, the firm was single sourced and the reasonableness of the prices charged could not be established. Further, the CDF being a public office is supposed to use the services of the county works office, which is a government department, but this was not the case and there were no correspondences to justify why the CDF opted for private firm. In addition, it was noted that the private firm did the bill of quantities, engineer's estimate and issued certificate of completion for payments which should have been done by different professionals. Therefore conflict of interest could not be ruled out. Consequently, the management could not ascertain the expenditure as a proper charge to public funds.

Management Response

290. The Fund Account Manager submitted that at the time of audit, the audit team established the use of private consultancy in project planning, management, preparation of Bill of quantities and processing of payment certificates. However, there was no single sourcing of the consultancy since there was tender advert on provision of consultancy services done as (7) applicants responded. The due process was followed where evaluation of bids done and an evaluation report prepared. The tender committee then awarded the works to lowest evaluated bids i.e. Master – cost Ltd and Morrison consultants.

291. The use of registered private consultancy in provision of technical services in Githunguri NG-CDF was attributed by the fact that the responsible ministry was not available to provide the technical expertise. The function was devolved and thus getting their assistance was a bit difficult. The registered private consultants too are readily available in provision of their services hence delay in project implementation was reduced.

292. The Committee observed, THAT-

- (i) there was sufficient evidence to show that the due process was followed in the procurement of private consultants. The Committee further noted that the constituency could not be faulted for procuring private consultants if they would be able to get better value for money for the technical expertise needed as opposed to what they would have received from officials from public works; and
- (ii) the Fund Account Manager conformed to section 25 (2) of the NG-CDF Act, 2015. The Committee observed that the Department of Public Works should play a supervisory role and give certification on projects rather than project implementation. The matter therefore stands resolved.

8.2.3 UNUTILIZED PROJECTS

293. Available records indicate that the NG-CDFC spent an amount of Kshs. 2,500,000 towards completion of three (3) AP Posts which had been started in the 2013/2014 financial year. These projects includes; Wanjenga AP Post-Kshs. 1,500,000; Gatiiguru AP Post- Kshs. 500,000 and Ihiga AP Post-Kshs. 500,000.

294. A site visit of the projects revealed that all of them had been completed satisfactorily. However, it was noted that no sign boards or any other signage had been erected on the facilities to clearly mark them as NG-CDF projects as required by law. Further, it was noted that the Posts had not been handed over to the Deputy Administration Police Commander (DAPC) of the area in order for officers to be deployed there to enhance security of residents. Consequently, the management could not establish the value for money for the project.

Management Response

295. The Fund Account Manager submitted that despite the projects being completed as required, the sign boards were missing. As Githunguri NG-CDFC, sign boards were being erected along the main roads and during commissioning, a permanent mark (commissioning plaque) is installed. At the time of audit, the projects had not been commissioned neither were they occupied. The projects have however been commissioned, plaque installed and handed over to AP commandant. Officers are yet to be deployed and the AP commandant claims he does not have adequate staff.

Committee Observations

296. The Committee observed that the status of all the projects undertaken was provided and verified by the Office of the Auditor General and therefore the matter stands resolved

8.2.4 OTHER MATTERS

(a) Overall Budget Analysis

297. Review of summary statement of appropriation revealed 100% and 92.8% overall budget utilization on receipts and expenditure respectively as follows-

Item	Budget-Kshs	Actual-Kshs	Difference-Kshs	Actual as % of budget
Receipts	120,208,026	120,208,026	0	100%
Expenditure	120,208,026	111,597,681	8,610,345	92.8%

298. The above analysis, reflects that the CDF incurred an under expenditure of Kshs, 111,597,681.00 or 92.8% of the approved budget of Kshs, 120,208,026. No reason was provided for underutilization of budget.

Management Response

299. The Fund Account Manager averred that according to the auditor's report, Githunguri NG-CDFC incurred an under expenditure of Kshs. 8,610,345. This was due to delay by NG-CDF Board in disbursement of funds to the Constituency. However the projects were implemented in the next financial year.

Committee Observations

300. The Committee observed that the underutilization of budget was due to delay in disbursement of funds by the National Treasury and that the projects were implemented in the subsequent year. The matter stands resolved.

(b) Budget Performance on Transfers to other Government Units

301. The NG-CDFC budgeted to undertake 55 projects under the transfer to other government units amounting to Kshs, 81,918,083. However, only 46 projects were completed while 9 projects were ongoing as at the end of the year as analyzed below-

Project category	Not Budgeted	Not. completed	Not started	Ongoing	Budget	Actual	Under expenditure
Pry. Schools	35	31	0	4	56,518,083	46,959,083	9,559,000
Sec. Schools	14	10	0	4	17,500,000	21,900,000	-4,400,000
Tertiary Schools	6	5	0	1	7,900,000	7,300,000	600,000
Total	55	46	0	9	81,918,083	76,159,083	5,759,000

302. The reason for the under expenditures observed was not explained.

Management Response

303. The Fund Account Manager submitted that under expenditure was accounted for by the funds not yet released to the constituency as at the end of the financial year. The funds were subsequently released and the projects were implemented.

Committee Observations

304. The Committee observed that the poor performance of the overall budget was occasioned by the late disbursement of the exchequer. The matter was resolved.

(c) Budget performance on other Grants and Transfers

305. The NG-CDFC budgeted to undertake 15 projects under other grants and transfers amounting to Kshs. 32,672,666. However, only 13 projects were completed while 2 projects were ongoing as at the year end. Analysis as follows:-

Project category	No. budgeted	No. completed	Not started	Ongoing	Budget	Actual	Under/over expenditure
Bursary	2	2			13,098,404.90	11,343,389	1,755,015.90
Water project	4	4	0	0	4,504,299	4,504,299	0
Security	7	7	0	0	9,080,000	9,080,000	0
Sports	2	1	-	1	2,488,168	1,244,084	1,244,084
Emergency	2	1	1	-	3,501,794.10	2,500,000	1,001,794.10
Total	15	13	1	1	32,672,666	28,671,772	4,000,894

306. From the analysis above, management should ensure that the rate of project implementation is accelerated to ensure that the residents enjoy the benefits of NG-CDF funds.

Management Response

307. The Fund Account Manager under expenditure is accounted for by the funds not yet released to the constituency as at the end of the financial year. The funds were subsequently released and the projects were implemented.

Committee Observations

308. The Committee observed that the documentation detailing the projects and the implementation of the said projects was provided and verified by the Office of the Auditor General and hence the matter stands resolved.

AUDIT QUERIES IN THE FINANCIAL YEAR 2015/2016

The Auditor General raised queries on budget performance during examination of financial statements for Githunguri Constituency for the financial year 2015/16

8.2.5 Other Matters – Budget Performance Analysis

(a) Overall Budget Performance

309. During the financial year 2015/2016, Githunguri NG-CDF received a total of Kshs. 123,922,085 from the National Government Constituencies Development Fund Board against a budget of Kshs. 133,032,429 or 93% of the budget. Out of the total receipts, an amount of Kshs. 82,197,181 was spent during the year resulting in an under expenditure of Kshs. 50,835,249 equivalent to absorption rate of 62% as follows-

Item	2015/2016 Budget-Kshs	2015/2016 Actual Amounts-Kshs	Difference Kshs	Actual as % of budget
Receipts	133,032,429	123,922,085	9,110,344	93%
Expenditure				
Compensation of employees	1,949,131	1,472,738	476,393	76%
Use of goods and services	6,499,312	5,549,800	949,512	85%
Transfers to other Government Units	74,750,000	52,169,305	22,580,695	70%
Other Grants and transfers	47,833,987	23,005,338	24,828,650	48%
Acquisition	2,000,000	0	2,000,000	0%
Total Expenditure	133,032,430	82,197,181	50,835,249	62%

310. Although Githunguri Constituency Development Fund Committee attributed low absorption of funds to delay by NGCDF Board in releasing funds, the committee should utilize resources on priority areas which highly impact on service delivery to the residents of the constituency.

Management Response

311. Ms. Jenaide Wangchi, the Fund Account Manager submitted that as at the time of audit, it is true that Githunguri NG-CDF had received 93% of the total budget. However only 62% was absorbed. This was attributed by the fact that some disbursements were done on May 2015 which was almost the close of the F/Y. By the time procurement process which takes a maximum of 120days to be finalized, the year in subject had elapsed. However the projects were implemented in the subsequent Financial Year.

Committee Observations

312. **The Committee observed that poor performance of the budget and failure to implement projects on time was occasioned by the late disbursement of funds. This has however been implemented in the subsequent years and this was verified by the Office of the Auditor General. The matter hence stands resolved.**

(b) Project Implementation

313. During the year under review, Githunguri NG-CDF had planned to implement a total of 44 projects categorized under transfers to other Government entities; and other grants and transfers, out of which, 10 projects had been completed, 23 were on going while 11 had not yet started as at 30th June 2016. Project implementation status is given below-

Project category	Budget (Kshs)	Actual (Kshs)	No. of projects in Budget	Projects Completed	Ongoing Projects	No. of Projects not started
Pry & Sec Schools	74,750,000	52,169,305	36	10	23	3
Roads	7,000,000		3			3
Water	929,900		1			1
Environment	2,013,047		4			4
Emergency	5,767,647	5,400,259				
Sports	2,013,047	1,901,578				
Bursary-Sec schools	12,000,000	12,607,000				
Bursary-Tertiary Institutions	5,000,000	3,096,000				
Total	109,473,641	75,174,142	44	10	23	11

314. Further, records indicate that environment projects worth Kshs. 1,901,578 rolled over from 2014/2015 financial year had not been implemented as planned. No reason was provided for the delay in utilizing the funds allocated for the projects which deny service delivery to the residents.

Management Response

315. The Fund Account Manager submitted that it the environment projects worth Kshs. 1,901,578 rolled over from 2014/2015 financial year and had not been implemented as planned. This was occasioned by the fact that funds were received on September 2015, falling under F/Y 2015/16. There were changes too from one Fund Account Manager to another in same period. (July- August 2015). However the project was implemented 10th October 2016.

Committee Observations

316. The Committee observed that environment projects worth Kshs. 1,901,578 budgeted in financial year 2014/2015 had not been implemented as at 30th June, 2016. The delay in implementation was occasioned by delayed disbursement of funds by the NGCDF Board and a change in the management. As at 10th October, 2016 the projects had been implemented hence the matter stands resolved.

CHAPTER NINE

9.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR KIAMBU TOWN CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16

317. The Fund Account Manager Ms. Gulamo Sharamo appeared before the Committee on 22nd May, 2019 accompanied by to respond to audit queries raised in the report of the Auditor General for Kiambu Town Constituency for financial years 2013/2014, 2014/2015 and 2015/2016. She was accompanied by -

- (i) Mr. Karanja Pharice- former Fund Account Manager (currently serving Ruiru Constituency)
- (ii) Ms.Elizabeth Kitundu- Programme Manager
- (iii) Ms. Beatrice Otieno- Financial Services
- (iv) Mr. James Chebii- Accountants

9.1 AUDIT QUERIES IN FINANCIAL YEAR 2013/2014

The Auditor General raised four queries during examination of financial statements for Kiambu Town Constituency for the financial year 2013/14

9.1.1 ACCURACY AND COMPLETENESS OF FINANCIAL STATEMENTS

318. The Financial Statements presented for the year ended 30th June 2014 did not include statement of cash flows as required by International Public Sector Accounting Standards (Cash Basis). In addition, no trial balance and ledgers were provided for audit review to support the Financial Statements balances. In the circumstances, the accuracy and completeness of the Financial Statements as at 30 June 2014 could not be confirmed.

Management Response

319. The Fund Account Manager omission of the cash flow was an oversight. The statement of cash flow has been prepared and presented to the auditors for review. Similarly, Trial balance and monthly expenditure return (which serves as ledger) and forms the basis for preparation of financial statements for financial year 2013/2014 have also been availed to the auditors for review.

320. The Committee observed that the expenditure returns were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

9.1.2 IRREGULAR USE OF ALTERNATIVE PROCUREMENT METHOD

321. During the year under review, the contracts for construction of administration blocks, classrooms and laboratories at three secondary schools within Kiambu Town Constituency totaling to Kshs. 73,962,915 were procured through request for quotations instead of National Open Tender Procurement method contrary to Public Procurement Regulations. In the circumstances, it has not been possible to ascertain the propriety of the works expenditure and whether the project effectively and efficiently met the intended purposes

Management Response

322. The Fund Account Manager submitted that the tenders were openly and widely advertised in the entire constituency. The committee envisioned benefitting local contractors with these works. The committee has noted the auditor's recommendation and will implement accordingly. These projects are all implemented and are in use-

- (i) The contract sum for St. Peters High School Ndumberi was Kshs. 24,441,020
- (ii) The contract sum for A C K Riabai Secondary School was Kshs. 25,131,441
- (iii) The contract sum for Kin river Secondary School was Kshs. 24,326,864

323. The management has further provided the L P O's for the 3 projects; Pictures for the 3 projects; and Evaluation report.

Committee Observations

324. The Committee observed that-

- (i) the procurement method used was in contravention of the Public Procurement and Disposal Act 2005 and Regulations 2006 given that the contract sums for the projects in the three schools totaling Kshs. 73,962,915 which was above the threshold of Kshs. 4,000,000.00 for use of Quotation instead of open tender;
- (ii) physical verification by the Special Funds Accounts Committee noted that the projects were implemented and that there was value for money.

Committee Recommendation

325. The Committee recommends, THAT-

- (i) the Fund Account Manager provides an explanation for failure to adhere with the provisions of the Public Procurement and Disposal Act, 2005 with respect to the choice of procurement to the NG-CDF Board;
- (ii) The NGCDF Board takes administrative actions on Fund Account Managers who fail to adhere to the provisions of law in carrying out procurement functions; and

- (iii) The NG-CDF Board, in conjunction with the Public Procurement Regulatory Board undertakes training and/or re-training of all its Accounting Officers on procurement laws and regulations within six (6) months of the tabling of this Report.

9.1.3 SINGLE SOURCING FOR SECURITY SERVICES AND LETTING OF CDF OFFICE

326. During the year under review, Kiambu Town CDF management contracted a local security firm to provide security at CDF Offices and rented an office from an individual in Kiambu Town. At the time of our audit, the CDF had paid total of Kshs. 400,000 and Kshs. 323,666 in respect of rent and security services respectively. However, these service providers were not identified through a competitive process contrary to the provisions of the Public Procurement and Disposal Act 2005. Consequently, the propriety of this expenditure could not be confirmed.

Management Response

327. Mr. Karanja Pharice, the Fund Account Manager submitted that after the split of the larger Kiambaa Constituency into two, Kiambu Town Constituency was left without an office; this necessitated the CDFC to secure an office as a matter of emergency. The CDF resolved to let a residential house and convert it to office use after months of search bore no fruits due to serious shortage of commercial space in Kiambu town.

328. Kiambu NG-CDF has commenced construction of an office block expected to be completed in the next financial year. The security service provider identified (GratomBabz Services Ltd) is the only recognized and reliable security service provider in the entire Constituency. The security firm is also located next to the CDF Office. The committee felt that security is vital in Kiambu and the closer the service provider to the office the better in terms of fast response. The decision to single source the service providers were necessitated by the above limitations.

Committee Observations

329. The Committee observed that the Fund Account Manager did not engage a government valuer in determining the applicable rent prior to renting the CDF Offices. The leasing of offices and procurement of security services were single sourced due to urgency.

9.1.4 UNUTILIZED SECURITY FACILITY

330. During the year under review, a total of Kshs. 3,081,766 was incurred towards construction of security facilities within the constituency namely, Ting'ang's Chiefs Camp, Kirigiti A P Post and Ngaita Assistant Chiefs Office. However, despite the facilities being complete, they had not been put into use as at 30th June 2014. In the circumstances, the residents may not receive value for money from these projects.

331. The Fund Account Manager submitted that 'ing'ang'a Chiefs Camp, Kirigiti A P Post and Ngaita Assistant Chiefs Office have since been handed over and being used for their respective purposes. The management provided the handing over report for audit verification and Government officers have also been posted to these facilities.

Committee Observations

332. **The Committee observed that a physical verification by the Office of the Auditor General revealed that the facilities are currently in use. The matter therefore stands resolved.**

9.2 AUDIT QUERIES IN FINANCIAL YEAR 2014/2015

The Auditor General raised queries on irregular procurement, Award of contracts and overall budget performance during examination of financial statements for Kiambu Town Constituency for the financial year 2014/15

9.2.1 SINGLE SOURCING FOR SECURITY SERVICES AND LETTING OF OFFICE SPACE

333. As previously reported in 2013/2014, Kiambu Town CDF management contracted a local security firm to provide security at the CDF Offices and rented an office from an individual in Kiambu Town. During the year under review, the CDF paid a total of Kshs. 265,000 and Kshs. 300,000 in respect of security services and rent respectively. However, these services were not identified through a competitive process contrary to the provisions of the Public Procurement and Disposal Act, 2005. In the circumstances, the propriety of the expenditure of Kshs. 565,000 could not be confirmed.

Management Response

334. Mr. Gutamo Sharamo, the Fund Account Manager submitted that after the split of the larger Kiambu Constituency into two, Kiambu Town Constituency was left without an office, this necessitated the CDFC to secure an office as a matter of emergency. The CDF resolved to let a residential house and convert it to office use, after months of search bore no fruits due to serious shortage of commercial space in Kiambu town.

335. The security service provider identified (Gratom Babz Services Ltd) was also identified as a matter of emergency. The security firm is also located next to the CDF Office. The committee felt that security is vital in Kiambu and the closer the service provider to the office the better in terms of fast response. The decision to single source the service providers were necessitated by the above limitations.

Committee Observations

336. The Committee observed that the matter has been carried over from the previous Financial Year. The y Fund Account Manager did not engage a government valuer in determining the applicable rent prior to renting the CDF Offices. The leasing of offices and procurement of security services were single sourced due to urgency.

9.2.2 IRREGULAR PROCUREMENT OF RENOVATION WORKS AT KANGOYA PRIMARY SCHOOL.

337. During the year under review, Kiambu Town CDFC through restricted tendering invited bids for the conversion of existing workshops to classrooms at Kangoya Primary School. The contract was awarded to a local contractor at a contract sum of Kshs. 2,674,200. It was however noted that the tender documents were signed irregularly by one member of the tender opening committee instead of at least three members as set out in the Public Procurement and Disposal Act, 2005. In addition, tender evaluation minutes were not availed for audit review. The project contract price consisted of builder's works / prime cost and fixed provisional sums costing Kshs. 2,349,200 and Kshs. 325,000 respectively.

338. Under the 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 and complete description of what is to be procured, the items as described in the bill of quantities (BQ) did not adhere to the requirement in the following areas:

- (i) The BQ prescribed fixed provisional in respect to Electrical Works, Project Managers Administration Expenses and Contingencies amounting to Kshs. 100,000, Kshs. 75,000 and Kshs. 150,000 respectively. Therefore, bidders were not given an opportunity to quote competitively under this item.
- (ii) A complete description of the electrical works provision amount of Kshs. 100,000 was not provided.
- (iii) Similarly, there was no clarification as to what the Kshs. 150,000 provision for contingencies was comprised of.

339. A review of expenditure records revealed that on 12 June 2015, the contractor was paid a total of Kshs. 2,917,167 for the works instead of the contract sum of Kshs. 2,674,200 resulting in unexplained overpayment of Kshs. 242,967. Under the circumstances, the propriety and value-for-money on the expenditure totaling Kshs. 2,917,167 incurred on the project could not be confirmed.

Management Response

340. The Fund Account Manager submitted that the funding of Kangoya Primary School, I wish to state as follows: That this project was an emergency project which was undertaken by the Kiambu CDFC when a School called Verec Secondary School in Ndumberi Ward with a

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population of 294 was demolished by the County Government and the students were left stranded. The committee in their meeting held on 8th May 2015, MIN NO. 021 resolved to allocate funds to refurbish dilapidated classroom at Kangoya primary school to create a secondary school to accommodate the students left without classroom.

341. On the issue of having the tender document irregularly being signed by one member, this was only one page of the entire document which was signed by one member. The rest of the pages were signed by the full tender committee. This tender document has been provided to the auditor for review. The tender evaluation minutes were provided for audit review. The works were tendered as a matter of emergency on the unexplained overpayment of Kshs. 242,967, the management stated that, the tendered sum was Kshs. 2,674,200 but, during construction several extra works came up such as construction of a corridor in front of the classroom.

342. The works were paid through two certificates of Kshs. 2,533,490 and Kshs. 383,677 for extra works. This totals to 2,917,167. Therefore, extra works and provisional sums were accounted for by the second certificate. The management provided the payment certificates from public works were provided for verification. Electrical works included conducting and wiring of the classrooms and offices.

In response to fixed provisional sum of 325,000.

In respect to Electrical works – 100,000

Project managers' admin expense -75,000

Contingency 150,000

343. Due to the nature of the project (Emergency) itemization of the provisional sum could not be done. Management submitted a BQ in support.

Committee Observations

344. The Committee observed that the documents in support of disputed figures were availed and verified by the Office of the Auditor General. Physical verification of the project undertaken by the Office of the Auditor General on 16th April 2019 confirmed that the project is complete. However, the variation report by the Public works officer on the BQs which necessitated variation in contract sum was not availed. The matter remains unresolved.

Committee Recommendation

345. The Committee recommended, THAT –

- (i) the Fund Account Manager provides an explanation for failure to adhere with the provisions of the Public Procurement and Disposal Act, 2005 with respect to the choice of procurement to the NGCDF Board; and
- (ii) Where the NGCDF Board is not satisfied with the explanation of the Fund Account Manager, the Board may issue a reprimand.

9.2.3 IRREGULAR AWARD OF CONTRACT AT ST PETERS HIGH SCHOOL NDUMBERI

346. During the Financial Year 2014/2015, the CDPC disbursed a total Ksh 13,000,000 to St Peters High School Ndumberi for construction of an administration block and eight classrooms. The school invited bids and five contractors quoted for the works. After evaluation, the lowest responsive bidder at a contract sum of ksh 24,403,510 was awarded the contract for the works. However, the contract entered into between the winning bidder and the school vide contract agreement dated 2 July 2014 was valued at Ksh 14,781,970.
347. No evidence was provided to confirm how the new contract price was determined and whether the scope of works remained the same, but to be implemented in phases. As at the time of audit, the contractor had been paid a total of ksh 14,515,802. In the circumstances, the basis of payment and propriety of ksh 14,515,802 incurred on the project could not be confirmed.

Management Response

348. The Fund Account Manager stated that the construction of an administration block and eight classrooms at St Peters High School Ndumberi is one of the mega project which was undertaken by the committee. The project involved construction works of an administration block /classrooms/library. The committee committed themselves to fund this project to completion. The 1st LPO number 001 was for the available funds for construction until roofing stage. This also shows the breakdown of the works as stipulated in the BQ. LPO No. 001 and BQ to show the scope of work were provided. This project was to be implemented in phases and funded as follows -

2013/2014 10,000,000

2014/2015 3,000,000

2015/2016 5,000,000

Total 18,000,000

349. The first LPO was for the available funds for construction until roofing stage. This project has continually received funding to complete the remaining works as follows:

2016/2017 3,000,000

2017/2018 5,000,000

350. The project has been put into use by the school management since the school has a shortage of classrooms. The project is 80% complete. The remaining works are electrical and ceilings per the picture provided.

Committee Observations

351. The Committee observed that the project was undertaken in phases based on availability of funds. The amount paid of Kshs. 14,515,802 was up to the roofing stage as per various certificates of completion provided by the Accounting Officer. The matter therefore stands resolved.

9.2.4 OTHER MATTERS

(a) Overall budget performance

352. Review of the statement of budget appropriation revealed the following overall budget performance by Kiambu Town CDF.

Item	Budget – Kshs	Actual – Kshs	Difference – Under Kshs	Actuals % of Budget
Receipts	118,555,231	114,555,231	4,000,000	97%
Expenditure	117,155,231	96,255,093	20,900,138	82%

353. The above analysis reflects actual receipts of Kshs. 114,555,231 against the budgeted amount of Kshs. 118,555,231 resulting to a shortfall of Kshs. 4,000,000 (13%) of funds that were not disbursed by the CDF Board. Further, the CDF incurred an under-expenditure of Kshs. 20,900,138 (18%) of the approved budget amounting to Kshs. 117,155,231. No reason was provided for the under expenditure.

Management Response

354. The reason provided for the under expenditure is as stated below: The under expenditure was the projects which had not started at the close of financial year. The funds were in the main account. Evidence provided to auditors included financial statement for 2014-2015. Bank reconciliation as at 30th June 2015.

Committee Observations

355. The Committee observed that the overall budget expenditure was low by 18% due to low release of funds by the Board therefore the matter stands resolved.

(b) Project Implementation

356. A review of actual expenditure in the summary statement of appropriation revealed various under and over expenditures against approved project budget as tabulated below-

Project category	Budget – Kshs	Actual expenditure ksh	No. of projects budgeted	No. of projects implement ed	% implementation
Education	36,537,531	43,695,218	12	10	120%
Health	6,000,000	6,000,000	2	0	100%
Tertiary	4,000,000	0	1	0	0%
Water Projects	3,300,000	0	2	0	0%

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Security Projects	3,000,000	1,500,000	2	1	50%
Electricity Projects	-	3,000,000	0	0	
Roads	1,500,000	1,500,000	1	1	100%
Sports Project	1,500,000	9,047,319	1	1	603%
Others – Kiambu Digital Library	4,000,000	0	3	0	0%
Others – Kiambu Jua Kali Sheds	1,700,000	0	3	0	0%
CDFC Office	10,000,000	0	1	0	0%
Emergency Projects	5,400,259	3,000,000	5	5	56%
Total	76,937,790	67,742,537	33	18	88%

357. The tabulation shows that: The CDFC incurred over expenditure on education and sports projects amounting to Kshs. 7,157,687 and Kshs. 7,547,319 respectively. Also, expenditure amounting to Kshs. 3,000,000 incurred on electricity projects was not in the approved budget. No reason was provided for the variances noted. Similarly, thirty three (33) projects were planned for the year but only eighteen (18) were implemented out of which four (4) projects were completed while (6) projects were ongoing and at various stages of completion as at 30 November 2015. Activities on five (5) projects had not commenced.

Management Response

358. Over expenditure in education is carry forward from unimplemented projects in the prior year. The management provided bank reconciliations as at June 2014 showing the balance carried forward. As regards health the project had not commenced at the time of the audit. There were no over expenditure in sports project. The 9,047,319 in the actual expenditure was for other projects. The sports activity was allocated ksh 1,500,000 in F/Y 2014/2015 and kshs 1,500,000 spent. Financial statement was provided for verification. There was also no project named "Electricity" project in the proposal. This was an error. Approved code list for 2014/2015 was provided for verification. All the mega projects undertaken during the financial year were funded to completion in subsequent years hence no abandoned incomplete project.

Committee Observations

359. **The Committee observed that low absorption of funds was attributed to the piecemeal release of funds by the National Treasury to the Board. The matter hence stands resolved.**

AUDIT QUERIES IN FINANCIAL YEAR 2015/2016

The Auditor General raised the following four queries during examination of financial statements for Kiambu Town Constituency for the financial year 2015/16

9.2.5 BUDGETARY CONTROL AND PERFORMANCE

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Overall budget analysis

360. During the year under review, Kiambu Town NG-CDF incurred actual expenditure of Kshs. 91,040,204 against a budget of Kshs. 124,116,955 resulting to an overall under expenditure of Kshs. 33,076,751 or 27%. Although the Kiambu Constituency Development Committee attributed low absorption of fund to delay by NG-CDF Board in releasing funds, the committee should utilize resources on priority areas which highly impact on service delivery to the residents of Kiambu Town Constituency.

Management Response

361. The Fund Account Manager submitted that absorption rate for the constituency was 81.9% during F/Y 2015/16. The projects which were not implemented at the close of financial year were due to delay in receiving funds from the board. Kshs. 50,216,817 for financial year 2015/2016 was received on 13/6/2016 via AIE no A825730. Therefore it was not possible to implement projects by the close of the financial year. The Committee has however noted the same and will continually work on improving the absorption rates of the funds to ensure funds benefit those intended.

Committee Observations

The Committee observed that the delayed implementation of projects was due to delayed disbursement of funds by the NGCDF Board.

9.2.6 REPORT ON PROJECTS

(a) Projects Implementation

362. A review of records for projects indicate that the CDF had allocated Kshs. 115,981,542 for projects during the year under review and rolled over/ongoing projects from previous years' worth Kshs. 30,055,981 all totaling to Kshs. 146,037,523, out of which an amount of Kshs. 129,037,531 had been disbursed as at 30th June 2016. It was also evidence that-

- (i) Projects with a value of Kshs. 29,337,531 had been completed while projects valued at Kshs. 59,700,000 were between 50% and 80% completion level and an amount of Kshs. 6,000,000 earmarked for three projects was re-allocated to other projects.
- (ii) Bursary allocation of Kshs. 16,000,000 to needy students was not disbursed during the year under review. No explanation was provided for failure to pay bursaries which denied needy students the much needed fees.
- (iii) Construction of CDF Office and youth empowerment centre initiated in 2014 has not been started despite the disbursement of funds totaling ksh 20,000,000 and 9,000,000 for the two projects respectively. No reason was given for the delay in utilization of the funds.

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363. Failure to implement projects in time has denied the community the intended benefit of improving their living standards.

Management Response

364. The Fund Account Manager stated that during the year under review, the constituency had projects which were between 50% and 80% completion level and these projects have since been completed. Bursary cheques for 2015/2016 were disbursed in the month of July. This was attributed to delay in receiving funds from the board. All bursary cheques have since been collected by the respective beneficiaries and the needy students in the Constituency. Bursary voucher was provided. The delay in the construction of the CDF office was caused in part by two factors:

- (i) Delay in receiving the necessary land documentation from the county commissioner.
- (ii) Delay in preparation of the architectural drawings and bill of quantities from the ministry of public works.

365. The manager further submitted that the issues have been sorted and the implementation of this project has since started. On Tuesday 22nd January 2019, the Kiambu NG-CDFC officially kicked off the process of constructing its own offices in Kiambu Town. The ground breaking ceremony for the upcoming CDF Tower was beautified by the presence of NG – CDF Board members from Head office. Amongst the team, the management were honored to have the NG CDF Board Chairman - Robert Masese as the Chief Guest, NG CDF BOARD C.E.O Yusuf Mbuno and A.H. Director (Auditor General) Madam Karen Rono. The management provided the ground breaking report for verification. The Youth empowerment center had not yet started due to-

- (i) Delay in receiving the necessary land documentation from the county commissioner.
- (ii) Delay in preparation of the architectural drawings and bill of quantities from the ministry of public works.

Committee Observations

366. **The Committee observed that the absorption of funds attributed to delay of release of funds by the NGCDF Board.**

(b) Failure to adhere to procurement procedures

Kiamumbi Police Post Project

367. During the financial year under review, Kiambu Town CDFC allocated an amount of Kshs. 2,000,000 for construction of Kiamumbi Police Administration Block. Records further indicate that the CDFC issued requests for quotations for the works whereby three firms responded out of which a local firm was awarded the contract at a sum of ksh 6,486,710. However, the contract price of ksh 6,486,710 exceeded the maximum threshold of Kshs. 4,000,000 for request for quotations provided for in the First Schedule of the Public

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Procurement Regulations, 2013 and therefore national open tender method should have been used.

368. In addition, the management has not explained how the shortfall in funding of Kshs. 4,486,710 would be addressed for the project to be completed. Indication is that the project may stall if additional funds are not obtained. Consequently, the propriety and value for money spent on this project could not be confirmed.

Management Response

369. The Fund Account Manager submitted that the project was funded in phases. The 1st phase of Kshs. 2,000,000 was funded from F/Y 2015/16. The 2nd phase was funded in F/Y 2016/17 Kshs. 2,500,000. The remaining Kshs. 2,000,000 was funded from reallocations of Kshs. 2,000,000 from Kiamumbi dispensary. Therefore, at the time of awarding the contract the project was fully funded. The Tender Notice request was widely circulated in the constituency by the CDFC to attract local firms to apply. However, the management took note of the auditor's recommendations. Management provided the L P O, Tender Notice and Evaluation reports and pictures of the Kiamumbi Police Post. It is also important to note that the project is now complete and operational.

Committee Observations

370. The Committee observed that the contract price of ksh 6,486,710 exceeded the maximum threshold of Kshs. 4,000,000 for request for quotations provided for in the First Schedule of the Public Procurement and Disposal Regulations, 2013 and therefore national open tender method should have been used.

Committee recommendation

371. **The Committee recommended –**

- (i) **that the Fund Account Manager provides the NGCDF Board with an explanation for failure to adhere with the provisions of the Public Procurement and Disposal Act, 2005 with respect to the choice of procurement to the NGCDF Board; and**
- (ii) **Where the NGCDF Board is not satisfied with the explanation of the Accounting Officer, the Board may issue a reprimand.**

Ndumberi Police Station

372. Similarly the contract for construction of administration block at Ndumberi Police Post was awarded to a local firm at a cost of Ksh 6,524,680 through request for quotations method. An amount of ksh 4,000,000 had been allocated and disbursed in 2015/2016 financial year, which includes Kshs. 2,000,000 reallocated from Gichosho Water Project approved by the CDF Board. However, as similarly indicated above, the contract price of Kshs. 6,524,680 is above the set threshold limit of Kshs. 4,000,000 allowed for use of requests for quotations and

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therefore Open National Tendering should have been used as the most appropriate method according to the First Schedule of the Public Procurement and Disposal Regulations, 2013. No justification was provided for the anomaly.

373. Further, a site inspection carried out in January 2016 revealed that the construction of the project had not commenced despite the disbursement of funds. In the circumstances, the propriety of Kshs. 4,000,000 incurred during the year ended 30 June 2016, could not be confirmed.

Management Response

374. The Fund Account Manager submitted that the remaining shortfall was funded from reallocation of Kshs. 2,000,000 from the Gichocho water project and Kagongo dispensary (reallocation letter provided. The project was fully funded and its 100% complete. The 1st and 2nd certificates provided were been paid. The delay in the commencement of the project was caused by the delay in allocation of the parcel of land on which the project was to be constructed. The committee finally received the go ahead from the management board of St. Peters High school and the Ndumberi parish to construct the project on the 1/8th piece of land. Management provided a letter from ACK Ndumberi Parish Church & sketch map of 1/8th piece of land provided. The Tender Notice request was widely circulated in the constituency. However, the management took note of the auditor's recommendations. Management provided the L P O; Tender Notice and Evaluation reports and pictures. The project has been completed and handed over.

Committee Observations

375. **The Committee observed that the relevant documentation was provided and verified by the Office of the Auditor General and the matter stands resolved.**

(c) Delayed construction of Kiambu CDF office

376. The statement of receipts and payments for the year ended 30 June 2016 reflects an amount of Kshs. 39,534,006 in respect of other grants and transfers, out of which Kshs. 10,000,000 was paid to Project Management Committee towards construction of CDF Office in Kiambu initiated in 2014. Records indicate that a total of Kshs. 20,000,000 which includes an allocation of Kshs. 10,000,000 disbursed in 2014/2015 Financial Year had been disbursed to the PMC for the proposed storied building to accommodate the Kiambu CDF Office, a multipurpose hall and the Chiefs Office.
377. However, a site inspection carried out in January 2017 revealed that the construction of the project had not commenced. The CDF management had not provided explanations for the cause of the delay in implementing the project within the planned time and has continued to rent an office as a cost of Kshs. 25,000 per month thus amounting to Kshs. 300,000 annually.

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Funds the CDF has presented for audit review bills of quantities for the project upon which the allocated funds were determined.

378. Delay in utilization of the funds denies services on priority areas which could have been funded in the year to uplift the standards of living to residents of Kiambu Town Constituency. In addition, the delay in implementation of the project leads to the CDF incurring avoidable costs in form of rent.

Management Response

379. The delay in the construction of the CDF office was caused in part by two factors:

- (i) Delay in receiving the necessary land documentation from the county commissioner.
- (ii) Delay in preparation of the architectural drawings and bill of quantities from the ministry of public works.

380. The issues have been sorted and the implementation of this project has since started. On Tuesday 22nd January 2019, the Kiambu NG-CDFC officially kicked off the process of constructing its own offices in Kiambu Town. The ground breaking ceremony for the upcoming CDF Tower was beautified by the presence of NG – CDF Board members from Head office. Amongst the team, the management was honored to have the NG CDF Board Chairman - Robert Masese as the Chief Guest, NG CDF BOARD C.E.O Yusuf Mbuno and AH. Director (Auditor General) Madam Karen Rono. CDFC members will resolve the issue of renting office space soon.

Committee Observations

381. **The Committee observed that delayed construction of the CDF office was attributing to the delay in release of funds by the Board however it was noted that the project commenced on the 22nd January, 2019. The matter therefore stands resolved.**

9.2.6.1 OVER EXPENDITURE ON COMMITTEE EXPENDITURE

382. During the year under review, the CDFC incurred expenditure on committee expenses amounting to Kshs. 3,561,500 against approved budget of Kshs. 2,700,000, resulting in over expenditure on the item of Kshs. 861,500. No explanation and documentary evidence has been provided for audit review indicating that approval for this over expenditure was sought from the CDF Board as provided under section 12 of the NGCDF Act, 2015.

Management Response

383. The Fund Account Manager submitted that balances were carryovers from the previous Financial Year of Kshs. 1,615,491 as follows:

- (i) Compensation of employees = Kshs. 434,208
- (ii) Use of good and services = Kshs. 531,283

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(iii) Committee Expenses = Kshs. 650,000

384. The administration vote for F/Y 2015-16 was for Kshs. 4,000,000 and the balance carried over from 2014/15 in the administration vote was Kshs. 1,615,491. The statement of appropriation has been provided for review.

Committee Observations

385. **The Committee observed that the amount was a carryover from the previous financial year. The issue was resolved as confirmed by the Office of the Auditor General. The Committee felt that the explanation to the Auditor was satisfactory hence the matter stands resolved.**

9.2.6.2 UNUTILIZED THINDIGUA DISPENSARY PROJECT

386. Records maintained by the CDF Office indicate that Thindigua Dispensary outpatient wing was started in July 2015 and was allocated a total of Kshs. 5,000,000 which was disbursed in two tranches of ksh 3,000,000 and Kshs. 2,000,000 in 2014/2015 and 2015/2016 respectively.

387. Although the construction of the project was completed in December 2015, physical inspection carried out in January 2017 showed that the facility has remained unutilized and had not been taken over by the County Government over one year since it was completed. Further, title deed for parcel of land registration No. LR/199/54 on which the dispensary is located has not yet been processed and registered in the name of the CDF. Further, the CDF management has not explained measures taken to ensure that the facility is put to intended purpose and offer service to the residents of Kiambu Town Constituency.

Management Response

388. The Fund Account Manager stated that the facility was handed over to the County Government of Kiambu on 23rd November 2016. The county promised to equip staff and run the facility. However, the facility has not yet been operationalized by the County Government. The handing over report and pictures of the Dispensary were provided.

389. The land in question was community land in the name of Thindigua Company. The County Government of Kiambu was tasked with the responsibility of facilitating land transfer to themselves and obtain title for the land, since the NG-CDF regulation act 2016 restricted us to fund projects falling under National Government function.

Committee Observations

390. **The Committee observed that the facility was affected by the issue of the functional assignment between National Government and County Governments under the Fourth Schedule of the Constitution. It was intended that the facility would be handed over to the County Government of Kiambu.**

391. The Committee recommends that the NGCDF Board take stock of all dispensaries and/or similar health facilities in the country undertaken under NGCDF that have not been taken over by the county governments and table a report on the status of the projects and progress in handing over the projects to county governments. The report should be submitted within three (3) months of the adoption of this report by the House.

CHAPTER TEN

10.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR KIAMBAA CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16

392. Ms. Caroline Kiama, the Fund Account Manager, appeared before the Committee on 23rd May, 2019 to respond to audit queries raised in the report of the Auditor General for Kiambaa Constituency for the financial years 2013/14, 2014/15 and 2015/16. She was accompanied by-

- (i) Mr. Alex Kioko - Fund Account Manager Mavoko
- (ii) Ms. Elizabeth Kitundu - Programme Manager
- (iii) Ms. Beatrice Otiemo - Financial Services
- (iv) Mr. James Chehii - Accountant

10.1 AUDIT QUERIES IN FINANCIAL YEAR 2013/2014

The Auditor General raised queries on accuracy of financial statements, unsupported expenditure and acquisition of assets during examination of financial statements for Kiambaa Constituency for financial year 2013/14

10.1.1 ACCURACY AND COMPLETENESS OF THE FINANCIAL STATEMENTS

393. The financial statements presented for the year ended 30th June 2014 did not include a statement of cash flows and statement of comparative budget and actual amounts as required by IPSAS. In addition, no trial balance and ledgers were provided for audit review to support the financial statements balances. In the circumstances, the accuracy and completeness of the financial statements as at 30th June 2014 could not be confirmed.

Management Response

394. Mr. Alex Kioko, the Fund Account Manager submitted that ledgers and trial balance and transaction ledgers for 2013/2014 were provided for audit review.

Committee Observation

395. The Committee observed that the trial balance and the transaction ledgers were provided and verified by the Office of the Auditor General and therefore the matter was resolved.

10. PDF COMPRESSOR FIX VERSION

396. The statement of receipts and payments reflects total expenditure of Kshs. 27,736,309. However, a ledger and supporting schedules were not made available for audit review for the following expenditure categories totaling Kshs. 11,888,443.

Compensation of employees	214,800
Committee meeting allowance	2,150,293
Other Payments	<u>9,523,350</u>
Total	<u>11,888,443.00</u>

397. In the circumstances, the accuracy and propriety of these expenditures could not be confirmed.

Management Response

398. The Fund Account Manager submitted that there was a mix up of documents at the time of audit and that expenditure schedules and copies of payment vouchers had been availed for audit review. Amended financial statements for the financial year 2013/2014 were provided.

Committee Observations

399. **The Committee observed that at the management has availed the trial balance and transaction ledgers for 2013/2014 for audit review. Matter therefore stands resolved.**

10.1.3 ACQUISITION OF ASSETS

400. The statement of receipts and payments also reflects acquisition of assets amounting to Kshs. 952,350. However, the schedules availed for audit review indicated the unrecorded acquired assets of Kshs. 2,857,650, resulting in recorded acquired assets of Kshs. 10,905,300. In the circumstances, the accuracy of acquisition of assets as Kshs. 952,350 for the year ended 30th June 2014 could not be confirmed.

Management Response

401. Mr. Alex Kioko, the Fund Account Manager submitted that receipts and payments statements reflected Kshs. 952,350.00 as acquisition of assets, however the financial statements and schedules were revised to reflect acquired assets totaling to Kshs. 1,904,700.00. The amended schedule and amended financial statements were provided.

Committee Observations

402. **The Committee observed that financial statements have since been submitted and verified. Therefore the matter stands resolved.**

10.1.4 PROJECT IMPLEMENTED WITHOUT TECHNICAL SUPERVISION

403. During the year under review, the Kiambaa CDF disbursed Kshs. 3,041,640 for construction of a perimeter fence at senior Chief Koinange High School. However, the CDF did not include technical supervision during the implementation of this project. Further, although the Bills of Quantities (BQ) was made available for audit review, the same was signed. In addition, a physical verification of the project revealed that fencing had not been completed by 30th June 2014. In the absence of technical supervision and submission of certificates of works of completion, it has not been possible to ascertain the propriety of the works expenditure and whether the project effectively and efficiently met the intended purpose.

Management Response

404. The Fund Account Manager submitted that the perimeter wall was initially being implemented through labour material method but the services of public works office were sought and bill of quantity was done and later completion supervised by technical officer. The management provided the bill of quantities and certificate of payment signed by county quantity surveyor and structural engineer. The wall was completed well and handed over find also pictorial of the project.

Committee Observations

405. **The Committee observed that the bill of quantities, photos and all the relevant documents were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.**

10.2 AUDIT QUERIES IN FINANCIAL YEAR 2014/2015

The Auditor General raised three audit queries during examination of financial statements for Kiambaa Constituency for financial year 2014/15

10.2.1 ACCURACY AND COMPLETENESS OF THE FINANCIAL STATEMENTS

406. As similarly reported previously in 2013/14, the financial statements balances presented for the year ended 30 June 2015 are not supported by ledgers as required by International Public Sector Accounting Standards (IPSASs). In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June 2015 could not be confirmed.

Management Response

407. Ms. Caroline Kiama, the Fund Account Manager submitted that the statements had no ledgers, however, the expenditure ledgers for 2014/2015 prepared and submitted for verification.

Committee Observations

408. **The Committee observed that expenditure ledgers were provided and verified by the auditor to reflect the correct position. The matter therefore stands resolved.**

10.2.2 ACCURACY OF TRANSFERS FROM CDF BOARD

409. The statement of receipts and payments reflects actual receipts amounting to Kshs. 148,842,593, while schedule of disbursements from the CDF Board indicates a total of Kshs. 102,208,341.50 was released to the CDF account as at 30th June 2015 resulting in unexplained difference of Kshs. 46,634,251.50. Further, the summary statement of appropriation reflects actual receipts amount of Kshs. 154,641,869 during the year. However no reconciliation was provided for these three (3) different figures. In the circumstances, it has not been possible to confirm the accuracy of receipts of Kshs. 148,842,593.

Management Response

410. The Fund Account Manager submitted that the total receipts from the board was Kshs. 148,842,593 and in the previous year 2013/2014 there was a surplus of Kshs. 8,799,277 resulting to a total of Kshs. 157,641,870 as per the summary statement of appropriation was provided. The Financial Statement has been corrected.

Committee Observations

411. The Committee observed that the summary statement of appropriation and corrected financial statement were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

10.2.3 INSTALLATION OF A DEFECTIVE WATER PUMP AT NJIKU

FOCAL AREA

412. During the year under review, the Kiambaa CDF disbursed an amount of Kshs. 3,558,476 to Njiku Focal Area water project for the construction of water intake and piping networks. However, no procurement documents were made available for audit review and therefore it has not been possible to confirm whether procurement was competitively awarded as per public procurement laws. Further, an inspection carried out at the site of the project revealed that the water pump had broken down and was not in working condition.

413. In addition, there was no evidence indicating that the implementation of the project was supervised by relevant line ministry department as required by the CDF Act 2013. In the circumstance, it has not been possible to ascertain the propriety and value for money on the expenditure of Kshs. 3,558,476 incurred on this project.

Management Response

414. It is true that Kshs. 3,558,476.00 was disbursed to Njiku focal area water project for construction of intake weir and pipeline network this did not include installation of hydram pump the pump had been installed during 2010/2011 by the former Kiambaa CDF. The issue of the pump being defective was discovered after the intake weir was completed and water channeled to the pump. This was due to time taken between installation and water intake

causing rusting of the sleeves this was corrected later and the hydrums repaired. The procurement records was with PMC at time of audit however they were forwarded including the request for quotations raised, opening minutes, evaluations minutes and award minutes. At the same time the project was supervised by District Water Officer who also issued certificates for payments. The management provided certificates of payments by District Water Officer for audit review.

Committee Observations

415. The Committee observed that the Office of the Auditor General had not verified that the water pump was operational. The matter remains unresolved.

Committee Recommendation

416. The Committee recommends, THAT-

- (i) the Fund Account Manager provides to the Auditor General, the engineers certificate for verification and to confirm whether the water pump is working in compliance with section 62 of the Public Audit Act, 2015 and section 68 of the Public Finance Management Act, 2012; and
- (ii) the Auditor General conducts a physical verification of the water pump accompanied by the relevant Government agencies.

10.3 AUDIT QUERIES IN FINANCIAL YEAR 2015/2016

The Auditor General raised queries on cash and cash equivalents, construction of Kiambaa CDF Office and use of inappropriate procurement method during examination of financial statements for Kiambaa Constituency for financial year 2015/16

10.3.1 CASH AND CASH EQUIVALENTS

417. The statement of financial assets as at 30 June 2016 reflects Cash and Cash equivalents balance of Kshs. 15,841,422. However the Cash book reflected a balance of Kshs. 18,500,341 as at the same date resulting in unexplained and unreconciled variance of Kshs. 2,658,919. In the circumstances, it has not been possible to confirm the accuracy and completeness of Cash and Cash equivalents balance of Kshs. 15,841,422 as at 30 June 2016.

Management Response

418. Ms. Caroline Kiama, the Fund Account Manager submitted that the statements had no trial balance and ledgers. however, the documents have been prepared and provided the trial balance and the transaction ledgers for 2013/2014.

Committee Observations

419. The Committee observed that the financial statements have been amended and verified by the auditor and the matter therefore stands resolved.

10. PDF COMPRESSOR FREE VERSION CONSTRUCTION OF KIAMBAA CDF OFFICE

420. Examination of records maintained at Kiambaa CDF Office revealed that Kshs. 9,800,000 was allocated for the construction of CDF Offices at Karuri-Banana made up of Kshs. 5,000,000 and Kshs. 4,800,000 approved in the financial years 2014/2015 and 2015/2016 budgets respectively. Records further indicate that a local contractor was awarded the contract for the construction of the offices at a contract sum of Kshs. 8,835,570. Although the CDF management awarded the contract to the lowest responsive bidder among three other bids which were sourced through request for quotation contrary to national open tendering as required by Public Procurement and Disposal Regulations 2006, Section 26 (3).
421. The contract prices of Kshs. 8,835,570 exceed the maximum threshold limit of Kshs. 4,000,000 for use of request for quotations. No explanation was given for the irregularities. Further, the contract sum included provisional sums totaling Kshs. 1,600,000 for various items and works which were not competitively procured. As a result, of these irregularities, the propriety of the expenditure incurred on the project during the year ended 30 June 2016, could not be confirmed.

Management Response

422. The Fund Account Manager submitted that a request for quotations was used to procure works for the construction of CDF office Kiambaa due to time factor after the leased office at Ruaka roundabout was rendered inaccessible after construction of southern bypass. The management provided utilized the pre-qualified suppliers and provided the advertisement and list of contractors for audit review. Further the Kshs. 1,600,000.00 for provisional sum was utilized for expanded office space which had rates in the bills of quantity and civil works and construction of gate walls and gate which also had rates in the bill of quantities. The management provided certificate of payments showing the extra works. The projects was completed in time find pictorial and is in use.

Committee Observations

423. The Committee observed THAT –
- (i) The management flouted the Procurement laws by using a request for quotation instead of national open tendering required under the Public Procurement and Disposal Act, 2015. The matter remains unresolved; and
 - (ii) the Special Funds Accounts Committee conducted a physical verification of the project, however, the Committee was not satisfied on the utilization of the provisional sum of Kshs. 1,600,000 on the basis that the engineer did not specify the works for that amount.

Committee Recommendation

424. The Committee recommends, THAT –
- (i) the Fund Account Manager ensures that engineers should specify the scope of works for all the provisional sums;

- (ii) the Fund Account Manager adheres to Section 60 (1) of the Public Procurement and Asset Disposal Act, 2015.

10.3.3 USE OF INAPPROPRIATE PROCUREMENT METHOD

425. The statement of receipts and payments reflects transfers to other Government Units expenditure of Kshs. 60,700,040 which includes Kshs. 12,000,000 for Murraining of roads in various schools under three zones namely, Nlenderu and Kihara Zones each at Kshs. 4,000,000. However, a review of records for the projects showed that the CDF used request for quotations method and awarded contract sums of Kshs. 5,065,600 for Karuri, Kshs. 4,303,200 for Ndenderu and Kshs. 7,163,200 for Kihara Zone. The estimated value of works to be done on each of the three projects was above the set threshold of Kshs. 4,000,000 hence the works were to be advertised in the national process as required by the Public Procurement and Disposal Act, 2005. Further, engineer's estimates, inspection reports from the Ministry of works, expenditure returns, payment certificates and other relevant records for these projects were not presented for audit review. Consequently, the propriety of the expenditure of Kshs. 12,000,000 incurred during the year ended 30 June 2016 could not be confirmed.

Management Response

426. The Fund Account Manager submitted that request for quotations method was utilized to procure works for the murraining works which estimates were below Kshs. 4,000,000.00 but some bids exceeded the estimates but not by more than 10% hence within limit. Further the projects were supervised by roads officer from KERRA and not Ministry of Works. The management submitted estimates from KERRA, payments certificates and inspection reports.

Committee Observations

427. The Committee observed that the documentation was submitted and verified and therefore the matter stands resolved.

11.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR KABETE CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16

428. Ms. Isabel Mwangi, the Fund Account Manager, appeared before the Committee to respond to the audit queries raised by the office of the Auditor General for Kabete Constituency for the financial years 2013/14, 2014/15 and 2015/16. She was accompanied by:

- (i) Ms. Elizabeth Kitundu - Programme Manager
- (ii) Ms. Beatrice Otieno - Financial Services
- (iii) Mr. James Chebii - Accountant

11.1 AUDIT QUERIES IN FINANCIAL YEAR 2013/2014

The Auditor General raised six queries during examination of financial statements for Kabete Constituency for financial year 2013/14

11.1.1 ACCURACY AND COMPLETENESS OF FINANCIAL STATEMENTS

429. The financial statements presented for audit for the year ended 30 June 2014 did not include statement of cash flows as required by the International Public Sector Accounting Standards (Cash Basis). Further, the accounts balances reflected in the statements were not supported by a trial balance and ledgers as at 30 June 2014. As result, the completeness and accuracy of the financial statements as at 30 June 2014 could not be confirmed.

Management Response

430. Ms. Isabela Mwangi submitted that during the financial year 2013/2014, the template provided by the National treasury did not include the statement of cash flow and trial balance. The statements had however been prepared as a basis for the financial statements and have been availed for audit review.

Committee Observations

431. **The Committee observations that the statements were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.**

11.1.2 FAILURE TO CLOSE BANK ACCOUNT

432. Kikuyu Constituency was split in two constituencies in 2012 creating Kabete and Kikuyu Constituencies. It was observed that after splitting, although the two constituencies opened

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separate bank accounts for their respective CDF activities, the CDF account No. 1102946036 at the KCB Kikuyu Branch, operated by the former Kikuyu CDF was not closed and the two new constituencies (Kikuyu & Kabete) jointly confirmed to operate it. However, the bank balances in this account as at 30th June 2014 attributed to each of the new constituencies were not disclosed.

Management Response

433. **The Fund Account Manager submitted that** a separate financial report titled Kikuyu Constituency (parent constituency) was prepared to capture the operations of the old KCB bank account and availed for audit review. The KCB bank account was closed on date 12th April 2016 as evidenced by the letter from the KCB bank.

Committee Observations

434. **The Committee observed, THAT-**

- (i) **The bank account was closed and the relevant documentation was provided and verified by the auditors;and**
- (ii) **The matter of constituencies splitting and accounts failing to be closed is cross cutting in most constituencies and that there is therefore need for the NGCDF Board to ensure that the accounts are closed.**

11.1.3 UNDISCLOSED RECEIPTS

435. The statement of receipts and payments reflects total receipts of Kshs. 26,942,361.20 for the year then ended. This amount comprises of transfers from CDF Board only. However, during the year, the CDF collected Kshs. 423,000 from the sale of tenders which was not disclosed as part of receipts in the statement of receipts and payments. Further, AIE No. A750127 date 17 June 2014 of Kshs. 20,413,541.50 disbursed to the CDF during the year had not been included as part of transfers from the Board under the category of receipts. Under the circumstances, the accuracy and completeness of the total receipts by the CDF during the year could not be ascertained.

Management Response

436. The Fund Account Manager submitted that the collected amount was banked in the KCB joint account. AIE A750127 was captured in the cash book as a transfer from the NG-CDF Board in F/Y 2014/2015. The AIE was received in the month of July thus was captured in the following financial year. It is captured as a receipt in F/Y for 2014/2015.

Committee Observations

437. **The Committee observed the bank statement from the transfers was submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.**

11.1.1.1. PDF COMPRESSOR FILE VERSION

11.1.1.1.1. STATE BANK BALANCES INACCURACIES

438. The bank balance as per the cash book at Equity Bank as at 30 June 2014, reflected a balance of Kshs. 5,483,070.00. However, the bank certificate as shown in the bank reconciliation statement reflected a bank balance of Kshs. 27,836,246.00. Further the bank statements as per bank reconciliation statement reflected a bank balance of Kshs. 9,087,912.00 as at 30 June 2014. Included in one of the reconciling items, was a receipt in the bank statement not recorded in the cash book of Kshs. 20,413,541.80.
439. This amount relates to an A/E No. A750127 dated 17 June 2014 which was a disbursement from the CDF. The bank balance certificates and the bank statements indicated in the bank reconciliation statement were however not availed for audit verification. Consequently, it has not been possible to confirm the accuracy of the cash and bank balances of Kshs. 5,483,070.00 as at 30 June 2014.

Management Response

440. The Fund Account Manager submitted that the differences between the cash book and the bank balance were occasioned by the A.E for Kshs. 20,413,541.80 that was captured in the cashbook after the close of the financial year.

Committee Observations

441. **The Committee observed that the differences between the cash book and the bank balance was occasioned by the A.E for Kshs. 20,413,541.80 that was captured in the cashbook after the close of the financial year. The matter therefore stands resolved.**

11.1.5 OTHER GRANTS AND TRANSFERS

442. Included in the Other Grants and Transfers balance of Kshs. 18,795,608.00 as at 30 June 2014 in the statement of receipts and payment is an amount of Kshs. 14,626,000.00 being bursary to Secondary, Tertiary, and Special school Mocks and Cats. However, the expenditure of bursaries was not supported by schedules or details of the beneficiaries. As a result, it has not been possible to ascertain the propriety of the expenditure of these bursaries.

Management Response

443. The Fund Account Manager submitted that a schedule with details of the bursary beneficiaries has been availed to the auditor for verification.

Committee Observations

444. **The Committee observed that the schedule with details of the bursary beneficiaries was provided and verified by the Office of the Auditor General and the matter stands resolved.**

11.1.6 UNAPPROVED APPROPRIATION OF EMERGENCY FUNDS

445. Audit of financial records maintained by Kabete CDF disclosed that the CDF re-allocated a total of Kshs. 3,587,012 from the Emergency budget to fund other activities which were not of emergency in nature. However, no Fund Board Approval was availed for audit in regard to the re-allocation of funds for application to other unrelated activities. Under the circumstances, the emergency projects are likely to suffer funding due to diversion of emergency funds to non-emergency projects.

Management Response

446. The Fund Account Manager submitted that the funded projects were considered as emergency e.g. construction of Primary school toilets that had collapsed after heavy rains leaving pupils with no toilets for use and repair of leaking roof on Police staff houses at Uthiru Police Post. Urgent requests from the community members, subsequent deliberations by NG-CDFC members and resolution to consider the projects as emergency are availed for review.

Committee Observations

447. The Committee observed that projects funded were urgent in nature in line with section 8 of the NGCDF Act, 2015.

11.2 AUDIT QUERIES IN FINANCIAL YEAR 2014/2015

The Auditor General raised queries on construction of staff houses and implementation of Kanjeru stadium and hirs project during examination of financial statements for Kabete Constituency for financial year 2014/15

11.2.1 FAILURE TO CLOSE BANK ACCOUNT

448. As previously reported, the larger Kikuyu Constituency was split into two constituencies in 2012 creating Kabete and Kikuyu Constituencies. It was observed that after splitting, although the two constituencies opened separate bank accounts for their respective CDF activities, the CDF bank account No. 1102946036 held at KCB Kikuyu branch, operated by the former Kikuyu CDF had not been closed as at 30 June 2015 and the two constituencies, Kabete and Kikuyu continued to operate it. However, the bank balances amounting to Kshs. 6,198,315.25 in this account as at 30 June 2015 attributed to each of the new constituencies were not disclosed.

449. Further, the total CDF disbursements received in the joint account during the year under review was not disclosed. Similarly, the payments made from the joint account in respect of projects and other expenses for Kabete Constituency were not disclosed in these financial statements.

Management Response

450. The Fund Account Manager submitted that a separate financial report titled Kikuyu Constituency (parent constituency) was prepared to capture the operations of the old KCB bank account and availed for audit review. The KCB bank account was closed on date 12th April 2016 as evidenced by the letter from the KCB bank.

Committee Observations

451. **The Committee observed that the financial reports were submitted and verified and hence the matter stands resolved.**

11.2.2 CONSTRUCTION OF PRE-FABRICATED STAFF HOUSES

452. During the year under review, Kabete CDF paid a total of Kshs. 4,200,000.00 to M/S Terki Limited in respect of construction of pre-fabricated staff houses for Uthiru and Kahubo Dispensaries. However, the CDF office did not have pre-qualified contractors for pre-fabricated staff houses. Expenditure returns including tender documents, completion certificates and other records were not provided for audit review. Therefore, it was not clear how the contractor was identified and awarded the contract and the validity of the expenditure of Kshs. 4,200,000.

453. Further, and although the staff houses had been completed, they had not been put into use. In the circumstances, it has not been possible to ascertain the propriety and value for money on the expenditure.

Management Response

454. The Fund Account Manager submitted that the list of recommended prequalified contractors for prefabricated houses was provided by National Housing Corporation. The communication with the National housing corporation is availed for verification. The tendering, evaluation and award process was carried out. The completion certificates and the handing over report with photos of the complete projects has been availed for verification. Uthiru Dispensary was allocated Kshs. 2,100,000.00 and Kahubo Dispensary was allocated Kshs. 2,100,000.00.

Committee Observations

455. **The Committee observed that completion certificates and the handing over report with photos of the complete projects were availed and photos of the same were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.**

11.2.3 DELAY IN IMPLEMENTATION OF KANJERU STADIUM AND BINS PROJECTS

456. An amount of Kshs. 20,000,000.00 was disbursed to Kanjeru Stadium in March 2015 for erection of a perimeter wall, fencing and construction of ablution block. However, a visit to

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the site of the project in January 2016 revealed that no work was ongoing on, approximately nine months after the disbursement of the funds. No explanation was given for the delayed implementation of the project. Further during the year 2013/2014 an amount of Kshs. 1,257,462.90 was allocated and disbursed in respect of purchase of designated waste bins for five (5) shopping centers within Kahete Constituency. However, as at the time of audit the waste bins had not been purchased. No justified reason was given for failure to purchase the waste bins, two years after the funds were disbursed.

Management Response

457. The Fund Account Manager submitted that there was a delay in the implementation of Kanjeru Stadium as explained in a letter to the CDF Board requesting for a reallocation of the funds. The project funds were subsequently re allocated to other projects. The letter and the reallocation authority have been availed to the auditor for verification.

458. The funds amounting to Kshs. 1,257,462.90 was voted for purchase of bins and were changed due to ownership and management issues. This was done upon a resolution by the community in a public baraza to plant trees within the natural springs in order to conserve them. The report showing this was availed for verification.

Committee Observations

459. **The Committee observed that the projects were verified and the minutes confirmed to be correct by the Office of the Auditor General. The matter hence stands resolved.**

11.2.4 PRIOR YEAR AUDIT MATTER

460. As previously reported, an amount of Kshs. 423,000.00 collected from sale of tenders was not disclosed as part of receipts in 2013/2014 financial statements. No corrective action has been taken to include the receipts even in these financial statements.

Management Response

461. **The Fund Account Manager submitted that** Kshs. 423,000.00 was held in the old Kikuyu KCB Account and was disclosed in the financial statements for that Account. The amount was allocated in the next year's project proposal.

Committee Observations

The Committee observed that the financial statements for the project proposal were submitted and verified by the Officer of the Auditor General. The matter therefore stands resolved.

11.2.5 DEVELOPMENT PROJECTS IMPLEMENTATION

462. A total of Kshs. 59,259,778.00 was allocated to finance twenty two (22) projects in 2014/2015 budget. However, the implementation of the projects was behind schedule although the budget

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funds received and disbursed for project implementation, as at 30th June 2015, eight (8) projects were complete, nine (9) were ongoing and five (5) projects had not been implemented

Management Response

463. The Fund Account Manager submitted that at the time of audit, five (5) projects had not been implemented because the funds for the projects had not been received from the CDF Board yet. The funds were received on date 4th September 2015 and the projects are now fully implemented. Minutes supporting this have been availed to the Auditor for verification.

Committee Observations

464. **The Committee observed that the statement showing the cash received by the constituency and the project status were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.**

11.3 AUDIT QUERIES IN FINANCIAL YEAR 2015/2016

The Auditor General raised three queries during examination of financial statements for Kabete Constituency for financial year 2015/16

11.3.1 BUDGET PERFORMANCE ANALYSIS

465. During the Financial year 2015/2016 Kabete NG-CDF received a total of Kshs. 147,280,964 from the NG-CDF Board against a budget of Kshs. 157,059,677 or 94% of the budget. Out of the total receipts an amount of Kshs. 112,457,094 was spent during the year resulting in under – expenditure of Kshs. 34,823,870, equivalent to an absorption rate of 72%.

466. The Kabete Constituency development Committee attributed the low rate of absorption of funds to delay by the NG-CDF Board in releasing funds and delay in enactment of the NG-CDF Board in releasing funds and delay in enactment of the NG-CDF Act, 2015.

Management Response

467. The Fund Account Manager submitted that under absorption was due to late dispatch of funds from the CDF Board. The funds were received as follows indicated in the table and that all the projects were implemented-

AIE NO & AMOUNT	DATE RECIEVED
796422 – Kshs. 20,000,000.00	25/11/2016
855591 – Kshs. 2,500,000.00	08/03/2017

Committee Observations

468. **The Committee observed that the late disbursement of funds was occasioned by the delay in the exchequer released by the National Treasury. The Matter therefore stands resolved.**

11.3.2 UNAUTHORIZED RE-ALLOCATION OF FUNDS TO KANYONGO-KAHINGAINI BRIDGE

469. In note 7 to the Financial Statements in relation to other grants and other payments balance of Kshs. 78,203,354.00 is amounts of Kshs. 1,500,000.00 in respect of road projects. Records presented for audit review indicate that the amount was originally allocated for the construction of Kanyongo –Kahingaini Bridge. However, the amount was re-allocated to pay eight land owners for purchase of road way-leave to connect Kanyongo-Kahingaini areas. The CDF committee however did not provide documentary evidence indicating that a request for the re-allocation of the funds was submitted to the NG CDF Board as required under Section 30 of the NG-CDF Act, 2015. The CDF committee therefore breached the law by reallocating funds without approval by the NG-CDF Board.

Management Response

470. The Fund Account Manager submitted that Kshs. 1.5 M was allocated for construction of a bridge. At the point of implementation the NG CDF committee realized there was a parcel of land that blocked the path that would cut through to the bridge. The activity was changed to enable provision of land to pave way for the bridge. The title deeds of the land were surrendered to the Government by the landowners. The committee regrets that the change of activity was not formalized.

Committee Observations

471. The Committee observed that although the land was purchased procedurally pursuant to section 25 (2) of the NG-CDF Act, 2015, the Fund Account Manager failed to seek for approval from the Board as required under Section 6 (2) of the Act.

Committee Recommendation

472. **The Committee recommends that the National Government Constituencies Development Fund Board takes administrative action against Fund Account Manager who reallocates funds contrary to section 6 (2) of the NG-CDF Act, 2015.**

11.3.3 UNAUTHORIZED USE OF EMERGENCY RESERVE

473. Also included under note 7 to the Financial Statements are other grants and other payments expenditure on emergency projects totaling Kshs. 8,858,472.00 out of which Kshs. 1,849,546.00 was in respect of repair of various roads, purchase of furniture, construction of an ablution block and replacement of asbestos sheets at Wangige market. These projects however could have been funded within the normal budget process as the projects were not justified as urgent and unforeseen needs as prescribed in Section 8 (2) of the NG-CDF Act, 2015. Further, the approval of the Board was not obtained before the payments were made. In

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the amount of emergency expense of Kshs. 1,849,546 incurred during the year under review cannot be confirmed.

Management Response

474. The Fund Account Manager submitted that NGCDF committee considered the aforementioned projects as emergency because the situation in Wangige Market stalls was pathetic. The drainage lines were blocked as indicated in the request by the traders association. The BQs and the completion certificates have been availed to the Auditor for verification.

Committee Observations

475. The Committee observed that although photographs of completed projects and supporting documents from the community members showing the urgency were availed for verification there was no approval of the Board obtained before the payments contrary to section 6 (2) of the NGCDF Act.

Committee Recommendation

476. The Committee recommends that:-

- (i) The National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who reallocates funds contrary to section 6 (2) of the NG-CDF Act, 2015; and
- (ii) The Fund Account Manager ensures emergency funds are spent in line with the provisions of Section 8 of the NG-CDF Act, 2015 and other guidelines provided by the NG-CDF Board.

CHAPTER TWELVE

12.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR KIKUYU CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16

477. Mr. Harun Kihuhu, the Fund Account Manager appeared before the Committee on 24th May, 2019 to respond on the audit queries raised in the report of the Auditor General for Kikuyu Constituency on the financial statements of 2013/14, 2014/15 and 2015/16. He was accompanied by-

- (i) Ms. Elizabeth Kagira - Fund Account Manager Kikuyu
- (ii) Ms. Gacheri Gitabi - Kikuyu National Sub County Accountant
- (iii) Ms. Elizabeth Kitundu - Programme Manager
- (iv) Ms. Beatrice Otieno - Financial Services
- (v) Mr. James Chehii - Accountant

12.1 AUDIT QUERIES IN FINANCIAL YEAR 2013/2014

The Auditor General raised one query on failure to close bank account during examination of financial statements for Kikuyu Constituency for the financial year 2013/14

12.1.1 FAILURE TO CLOSE BANK ACCOUNT

478. Kikuyu Constituency was split into two constituencies in 2012 creating Kabete and Kikuyu. It was observed that after splitting although the two constituencies opened separate bank accounts for their respective CDF activities, the CDF bank account No. 1102946036 held at KCB Kikuyu branch previously operated by Kikuyu CDF had not been closed as at 30 June 2014 and the two constituencies continued to jointly operate it.

479. The bank -balances in this account as at 30 June 2014 attributable to each of the constituencies were not disclosed. Further the total CDF disbursements received in the joint account after splitting of the two constituencies was not disclosed. Payments/disbursements made from the joint account in respect of projects and other expenses for Kikuyu constituency were not disclosed in the financial statements.

Management Response

480. Ms. Elizabeth Kagira, the Fund Account Manager submitted that the two constituencies continued to operate a joint account at KCB bank Kikuyu branch since the account had funds for projects of the old constituency and they had to be exhausted before the account could be

closed. The NC/CDF Board advised the two constituencies to continue operating the joint account as it was not possible to share the funds as the projects proposal was for the larger constituency before the creation of Kabete. This advice came through Circular REF: CDF BOARD CIRCULARS/CIRCULARS/ VOL.II/167 Dated 17th July 2013. Upon utilizing the balance as per the approve proposal the account was closed by the Bank on 12, April 2016.

481. The bank had certified the same via letter dated March 21, 2019 and bank statement have been were provided for review. By 30 June 2014, the joint account at KCB bank had a balance of Kshs. 44,579,335.60. The CDF Board disbursed Kshs. 94,473,732.30 to the joint KCB bank accounting FY 2013/2014. Copies of AIEs and bank statement are were provided for audit verification. The payments from the joint KCB bank account for the two constituencies were Kshs. 78,033,543.14.

Committee Observations

482. The Committee observed that the bank statements of the accounts were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERIES FOR THE FINANCIAL YEAR 2014/2015

The Auditor General raised three queries during examination of financial statements for Kikuyu Constituency for the financial year 2014/15.

12.1.2 ACCURACY OF DISBURSEMENTS FROM THE CDF BOARD

483. The statement of receipts and payments reflects receipts amounting to Kshs. 105,643,506 while records of disbursements from the CDF Board indicate a total of Kshs. 176, 612,974.50 was released to the CDF account during the year. The resultant variance of Kshs.70, 969,468.50 has not been reconciled. In the circumstance it has not been possible to confirm the accuracy of receipts of Kshs. 105, 643,506 for the year ended 30 June 2015.

Management Response

484. Mr. Harun Kihuhu, the Fund Account Manager submitted that AIEs received for the financial year 2014/2015 totaled to Kshs. 154,656,266.50 which includes Kshs. 22,314,807.0 for the joint account. The Kshs. 154,656,266.2 received from the CDF board comprises of Kshs. 105,643,505.60 that was reported in 2014/2015 and a balance of Kshs. 49,012,760.60 which was reported in 2015/2016. Copies of AIEs and bank statements were provided to the auditor confirmation. The breakdown of AIE's is as follows.

- (i) AIE No. A750235 – 06/08/2014 – Kshs. 34,315,938.50.
- (ii) AIE No. A759629 – 27/11/2014 – Kshs. 24,506,380.25
- (iii) AIE No. A759610 – 27/11/2014 – Kshs. 22,314,807.00
- (iv) AIE No. A795573 – 29/12/2014 – Kshs. 14,703,828.15
- (v) AIE No. A796771 – 10/02/2015 – Kshs. 9,802,552.00
- (vi) AIE No. A797243 – 12/06/2015 – Kshs. 24,506,380.25

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(vii) AIE No.A796106 – 26/06/2015 – Kshs. 24,506,380.35

Committee Observations

485. **The Committee observed that the AIEs were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.**

12.1.3 FAILURE TO CLOSE BANK ACCOUNT

486. It was observed that after splitting although the two constituencies opened separate bank accounts for their respective CDF activities, the CDF bank account No.1102946036 held at KCB Kikuyu branch previously operated by Kikuyu CDF had not been closed as at 30 June 2014 and the two constituencies continued to jointly operate it. The amount of Kshs. 6,198,315.25 in this account as at 30 June 2015 attributable to each of the new constituencies was not disclosed.

487. Further the total CDF disbursements received in the joint account after splitting of the two constituencies was not disclosed. Payments/disbursements made from the joint account in respect of projects and other expenses for Kikuyu constituency were not disclosed in the financial statements.

Management Response

488. The Fund Account Manager submitted that the two constituencies continued to operate a joint account at KCB bank Kikuyu branch since the account had funds and they had to be exhausted before the account could be closed as per Circular REF: CDF/ BOARD CIRCULARS/CIRCULARS/ VOL.11/167 Dated 17th July 2013. The account was closed on April 12, 2016 and a letter certifying the same from bank dated March 21, 2019 was provided for audit review.

489. By 30 June 2015, the joint account had a balance of Kshs. 6,198,315.25 which was for combined approved projects for both constituencies. In 2014/2015 the board disbursed Kshs. 22,314,807.00 to the joint bank account for completion of projects started earlier. A total of Kshs. 57,998,285.00 was paid out of the joint account for the year 2014/2015 and the same can be confirmed from bank statement, cash book and payment vouchers.

Committee Observations

490. **The Committee observed that although the matter was resolved, the queries arising from the splitting of constituencies was a recurring issue across the constituencies.**

491. The National Government Constituencies Development Fund Board conducts an audit on transfer of assets and liabilities, and ensures that incomplete projects transferred to newly created Constituencies are funded to completion.

12.1.4 OTHER MATTERS

(a) CDF Project Implementation

492. During the year under review, Kikuyu CDF had allocated a total of Kshs. 146,456,235 to implement 75 projects which included 32 rolled over projects implemented in 2014/2015. The CDF utilized a total of Ksh, 145, 321,965 on the projects. Out of the 75 only 62 projects were implemented. No reason was given for failure to implement the balance of 10 projects.

Management Response

493. The Fund Account Manager submitted that during the year under review, 66 projects were implemented and only 9 were not implemented in the financial year 2014/2015 this was due to delayed disbursement of funds from the National Board and were later implemented after the funds were disbursed.

Committee Observations

494. The Committee observed that the delay in the implementation of projects was due to delayed disbursement of fund from the National Treasury. The matter was therefore resolved.

(b) Irregular Utilization of Emergency Funds

495. Records maintained by the CDF office indicate that the CDFC approved payments amounting to Ksh.1, 500,000 for the construction of Kari Health Centre. It was however noted that the expenditure was incurred on activities that would have fitted well under ordinary activities and was not urgent/unforeseen and therefore any delay would not have caused harm the public. No explanation was given for failure to seek approval from CDF Board. The expenditure was irregular and was paid in contravention of section 12(3) of the CDF Act 2013.

Management Response

496. The Fund Account Manager informed the Committee that the observations by the auditor are true in that funds were transferred to Kari Health Center for construction purposes. However only Kshs. 1,000,000 was transferred as indicated by the CDFS Minutes, cashbook extracts and bank statements provide for audit review. Emergency funds were for the FY 2013/2014 which had ended without any emergency.

Committee Observation

497. The Committee observed that the constituency failed to seek approval for the reallocation of funds to Kari Health Centre in violation of the law.

Committee Recommendation

498. The Committee recommends THAT -

- (i) The National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who reallocated funds contrary to section 6 (2) of the NG-CDF Act, 2015; and
- (ii) The Fund Account Manager ensures emergency funds are spent in line with the provisions of Section 8 of the NG-CDF Act, 2015 and other guidelines provided by the NG-CDF Board.

12.2 AUDIT QUERIES IN THE FINANCIAL YEAR 2015/2016

The Auditor General raise queries on presentation of financial statements and budgetary performance during examination of financial statements for Kikuyu Constituency for the financial year 2015/16

12.2.1 PRESENTATION OF THE FINANCIAL STATEMENTS

499. The summary statement of appropriation presented for audit review for the year ended 30 June 2016 do not have comparison of transfers from NGCDF Board and other receipts budget and actual amounts as per the approved reporting template prescribed by the Public sector Accounting Standards Board. The financial statements under review do not have an annex on summary of fixed assets schedule as at 30 June 2016. In view of these omissions, the completeness and accuracy of the financial statements for the year ended 30 June 2016 could not be confirmed.

Management Response

500. Mr. Harun Kihuhu, the Fund Account Manager submitted that the summary statement of appropriation for the year ended 30 June 2016 have the comparison of transfers from NGCDF Board and other receipts budget and actual amount is was provided for audit verification. The financial statements for the year ended 30 June 2016 asset schedule was provided for audit review.

Committee Observations

501. The Committee observed that the summary of the appropriation and been provided and verified by the Office of the Auditor General hence the matter stands resolved.

12.2.3 OTHER MATTER: Budget Performance Analysis

502. During the financial year under review, Kikuyu CDF received a total of Kshs. 100,012,761 from the National government Constituencies Development fund. Records indicate that the CDF had an expenditure of Kshs. 103,671,508 while actual amount spent Kshs. 95,472,786 during the year resulting in under expenditure of Kshs. 8,198,722 equivalent to absorption rate of 92%. The management has not provided explanation for the under expenditure and the failure to utilize all the approved budgetary provisions.

Management Response

503. The Fund Account Manager submitted that during the financial year under review, Kikuyu CDF received a total of Kshs.100, 012,761 from the National government Constituencies Development fund. Further Kshs. 3,658,749 was a balance brought forward from FY2014/2015 totaling to Kshs. 103, 671,508. Kshs. 95,472,786 was spent during the year resulting to absorption rate of 92%. The under expenditure of Kshs. 8,198,722 was due to delayed disbursements.

Committee Observations

504. **The Committee observed that the delayed disbursement of funds by the National Treasury affected the budget performance of the Constituency. The matter was therefore resolved.**

CHAPTER THIRTEEN

13.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR LIMURU CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16 FINANCIAL YEAR

505. Ms. Chepng'eno Laboso, the Fund Account Manager appeared before the Committee to respond to the audit queries raised in the report of the Auditor General for Limuru Constituency for the financial years 2013/2014, 2014/2015 and 2015/2016. She was accompanied by:-

- (i) Mr. Stephen Njenga - CDF Chairman Limuru
- (ii) Mr. Edwin Karani - Fund Account Manager 2013/14 financial year
- (iii) Ms. Elizabeth Kitundu - Programme Manager
- (iv) Ms. Beatrice Otieno - Financial Services
- (v) Mr. James Chebii - Accountant

13.1 AUDIT QUERIES IN THE FINANCIAL YEAR 2013/2014

The Auditor General raised five queries during examination of financial statements for Limuru Constituency for the financial year 2013/14

13.1.1 ACCURACY AND COMPLETENESS OF FINANCIAL STATEMENTS

506. The financial statements presented for the year ended 30th June 2014 did not include statement of cash flows as required by international public sector accounting standards (IPSAS). In addition, no trial balance and ledgers were provided for Audit review to support the financial statements balances. In the circumstances, the accuracy and completeness of the financial statements as at 30th June 2014 could not be confirmed.

Management Response

507. Mr. Edwin Karani the Fund Account Manager submitted having provided the revised financial statements complete with cash flow statement, trial balance and annual expenditure returns for audit review MOU 1/14.

Committee Observation

508. The Committee observed that the revised financial statements submitted and reviewed by the Office of the Auditor General and the matter therefore stands resolved.

13. **PDF Compressor Free Version** **COMPOUND EXPENDITURE**

509. The statement of receipts and payments shows total payments amounting to Kshs. 3,600,836 in respect of use of goods and services at 30th June 2014 which have not been supported by the necessary schedules. It has not been possible to confirm the accuracy and propriety of the use of goods and services expenditure as at 30th June 2014.

Management Response

510. The Fund Account manager submitted that the supporting schedules were availed and reviewed by the Auditor General.

Committee Observations

511. The Committee observed that the schedules availed and verified by Office of the Auditor General and therefore the matter was resolved.

13.1.3 INCOMPLETE WORKS FOR CONSTRUCTION OF KAMIRITHIU JUA KALI SHEDS

512. Limuru CDF had allocated a total of Kshs. 9 million for construction of Kamirithulua Kali Sheds between financial years 2009/2010 and 2013/2014. A total of Kshs. 8,341,518.00 had been spent on this project as at 30th June 2014. The project appeared to have taken too long and had not been completed at the time of audit. Physical verification further showed that the works were poorly done and the total cost of the project appeared excessive compared to work done.

513. It was also observed that the bill of quantities for this project was prepared on 12th October 2012 while the work on the ground was still in progress. In addition, the project was implemented without technical supervision and payments were not supported with works completion certificates as required balance and expenditure returns for audit review MOU 1/14.

Management Response

514. The Fund Account Manager submitted that KamirithuJua Kali sheds is an NGCDF funded project started way back in 2009 through a first allocation of Kshs.1,000,000. The project targets small medium enterprise traders in *jua kali* sector that includes and not limited to; hairdressers, tailors, artisans, mechanics and welders. The sheds are managed by a registered association of 250 members. Although the sheds are not complete, the mechanics, welders and artisans are operating since they are enclosed by a perimeter wall. Total allocation to the project since inception is as follows-

FINANCIAL YEAR	AMOUNT(Kshs)
2008/2009	1,000,000
2009/2010	2,000,000
2011/2012	2,000,000

515. The management provided a summary of the works carried out through labour contract since 2009. MOU 3 (a)/14 and a summary of the works carried out through the labour contract since year 2013(MOU3(h)/14). The project later was constructed through full contract awarded on 21/11/2016 at a cost Kshs. 3,984,605. The contract was marred by political issues public complaints and the contract was discontinued by the client and the contractor did not have any liability with the client only the 10% money withheld of Kshs. 83,667. This is per the public works letter dated 15/02/2018. The management provided a marked MOU 3 (c) 14. The construction of the sheds resumed through labour contract in October 2017-

2013/2014	2,000,000
2014/2015	1,500,000
2015/2016	2,000,000
TOTAL	12,500,000

516. Currently the project is stalled. The project requires more funds for completion works which include: plaster works, electrical works, plumbing and finishes.

Committee Observations

517. The Committee observed-

- (i) That the Project started in 2008/2009 Financial Year at an estimated cost of around Ksh. 16 Million. A physical inspection of the project by the Office of the Auditor General revealed that the audit inspection revealed that the project was incomplete.
- (ii) that the contractor M/s Lexum Enterprise was evicted from site following differences between him and Kamirithu Jua Kali Association on the account that the project was not "beneficial" to the residents. Given the current standoff, the auditors were unable to establish whether the project will be completed. The project is still incomplete and it is unlikely that it would be completed;
- (iii) that the Committee further observed that the Fund Account Manager has not lodged any information to the Board on disputes pertaining to the project as required.

Committee Recommendations

518. The Committee recommends –

- (i) **That, the NG-CDF Board undertakes an investigation into the dispute between Kamirithu Jua Kali Association and the contractor M/s Lexum Enterprise to establish the facts of the dispute and table recommendations on the completion of the project to ensure that residents of the constituency receive value for money**

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Investigation should be submitted to the National Assembly within three(3) months of the adoption of this report by the House ; and

- (ii) That, the NG-CDF Board allocates funds for public participation to ensure that there is sufficient public consultation and ownership before projects are undertaken. This should be effected in subsequent financial years.

13.1.4 UNSUPPORTED BURSARY FUNDS

519. During the year under review, payment of bursaries amounting to Kshs. 3,875,000 was made to various schools and colleges. However, no confirmations were done to acknowledge receipt of funds. Consequently, it has not been possible to ascertain that the bursaries reached the intended beneficiaries and were properly accounted for as at 30th June 2014.

Management Response

520. The Fund Account Manager submitted that NG-CDF Limuru while issuing bursary cheques to students /beneficiary institutions, it is clearly indicated that the beneficiary institution should acknowledge the receipts of funds and /or issue a receipt to NG CDF Limuru. Majority of the beneficiaries acknowledged receipt. The management provided samples of the receipts MOU 4/14. Limuru NG-CDF is still in the process of exploring ways of ensuring that acknowledgment of bursary fund is improved.

Committee Observations

521. The Committee observed that the institutions which benefit from bursaries did not issue acknowledgement receipts hence the matter was not resolved.

Committee Recommendations

The Committee recommends THAT -

- (i) The Fund Account Manager ensures that the beneficiary institutions under the query avail written acknowledgement and that the same is submitted to the Auditor General for verification within three (3) months of the adoption of this report;
- (ii) The National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and
- (iii) The National Government Constituencies Development Fund Board fast-tracks adoption of electronic funds transfer in disbursement of bursaries.

13.1.5 CONSTRUCTION OF ADMINISTRATION POLICE (AP) LINE ON DONATED LAND

522. During the year under review, a total of Kshs. 3,700,000 was incurred in respect of construction of Nazareth AP line Limuru Constituency. However, the AP lines were constructed on Land which had been donated by a local resident. It was further observed that surveying and transfer of the land to the CDF had not been done before the commencement of the construction and therefore the ownership of land was still in the name of the resident who donated the land. Further, despite the project being complete it had not been put into use. In the circumstances, the ownership of the project could not be ascertained.

Management Response

523. The Fund Account Manager submitted that the NG CDF Limuru constructed the Nazareth AP line in the financial year 14/15 at a cost of Kshs. 3,700,000.00. The project is complete but not occupied because of the sub-division of land. Indeed the said land was donated by a local resident; vide an affidavit sworn on 16th November 2016.

524. In the affidavit, the deponent swore that the said portion shall immediately become available for use and development of facilities and infrastructure necessary to establish the intended police post, thus the NG-CDF commenced the works. NG CDFC Limuru is intending to re-allocate funds in FY 18/19 for the sub-division and title processing.

Committee Observations

525. The Committee observed that the Fund Account Manager failed to avail documents indicating that transfer process of the land in which the project is constructed has commenced. Ksh. 240,000.00 had been allocated for acquisition of the title, but the cost rose to over Ksh. 1 Million. A further Kshs. 1.5 Million has been allocated in the current financial year for acquisition of the titles.

Committee Recommendation

526. **The Committee recommends THAT -**

- (i) The NGCDF Board intervenes to ensure that the transfer process of the land is expedited and that the ownership of the land is ascertained;**
- (ii) The National Treasury expedites the preparation of the Draft National Asset Policy which will provide guidelines on the acquisition of Public Assets and the use of public funds in acquisition of Assets; and**
- (iii) The NG-CDF Board issues a circular directing Accounting Officers to ensure that land is purchased first before any project is commenced where the same is not a public land.**

13.2 **PDF Compressor Free Version** **QUESTIONS IN THE FINANCIAL YEAR 2014/2015**

The Auditor General raised five queries during examination of financial statements for Limuru Constituency for the financial year 2014/15

13.2.1 **UNSUPPORTED EXPENDITURE ON COMMITTEE EXPENSES**

527. The statement of receipt and payments for the year ended 30th June 2015 includes committee expenses amount of Kshs. 3,809,100. Included in this expenditure is an amount of Kshs. 850,000 in respect of sitting allowances paid to CDF committee members for the year ended 30 June 2015. However, the allowances paid for monitoring and evaluation of projects were not supported by relevant documents including site visit minutes, evidence of travel and monitoring and evaluation reports for the Projects. In the circumstances, the propriety and completeness of committee expenses figure of Kshs. 3,809,100 for the year ended 30 June 2015 could not be confirmed.

Management Response

528. Ms. Chepng'eno Labiso, the Fund Account Manager submitted that supporting schedules for allowances paid for monitoring and evaluation of projects including site visit minutes, evidence of travel and monitoring and evaluation reports for the projects are provided to the auditors for review.

Committee Observations

529. **The Committee observed that the management provided supporting schedules and monitoring and evaluation report and verified by the Office of the Auditor General. The matter therefore stands resolved.**

13.2.2 **TRANSFER TO OTHER GOVERNMENT ENTITIES**

530. The statement of receipts and payments reflect transfers to other government entities balance of Kshs. 36,469,758 for the year ended 30 June 2015. However, note 7 on the same item reflects total payments of Kshs. 37,369,758 resulting to unexplained variance of Kshs. 900,000. In the circumstances, it has not been possible to confirm the accuracy of transfers to other government entities expenditure of Kshs. 37,369,758 for the year ended 30 June 2015.

Management Response

531. The Fund Account Manager submitted that the figure of Kshs. 37,369,758 as reflected in the statement of receipts and payments are the correct figures and agree with the figure reflected in note 7 as per audited financial statements.

Committee Observations

532. **The Committee observed that the statement of receipts and payments was provided and verified. The matter therefore stands resolved.**

13.2.3 STALE CHEQUES

533. The statements of assets reflect cash and cash equivalents balance of Kshs. 14,566,762.75 as at 30 June 2015. A review of the bank reconciliation statement however, indicates that unrepresented cheques totaling Kshs. 629,000 were already stale as at 30th June 2015. No reason was provided for the failure to reverse the cheques in the cashbook. In circumstances, the accuracy of cash and cash equivalents balance of Kshs. 14,566,762 as at 30th June 2015 could not be confirmed.

Management Response

534. The stale cheques amounting to Kshs. 629,000 were bursary cheques. The said cheques have since been reversed and the cashbook submitted to the auditor for review. An extract of cash book was provided for audit review.

Committee Observations

535. **The Committee observed that an extract of schedules to show that the cheques were reversed were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.**

13.2.4 IRREGULAR AWARD OF TENDER FOR NGECHA JUA KALI SHEDS

536. Examination of records maintained by Limuru CDF office revealed that an amount of Kshs. 3,000,000 had been allocated for construction of Ngecha Jua Kali sheds during the financial year 2014/2015 which involved construction of boundary wall and compacting of floor. Further, requests for quotations were opened on 4th March 2015. However, the contract was awarded to the third lowest bidder at a contract sum of Kshs. 3,369,527. No explanation has been given as to why the lowest bidder Kshs. 2,584,250 was not considered contrary to section 66 (4) of public procurement and Disposal Act, 2005. An extra cost of Kshs. 785,277 was incurred on the project. In addition, it was not clear how the extra cost was financed given that the approved budget for the project had been estimated at Kshs. 3,000,000.00.

537. Further, physical verification of the project in April 2016 revealed that the boundary wall was incomplete despite the contractor receiving full contract sum. Compacting of the floor was also not complete as specified in the bill of quantities. In the circumstances, it was not possible to ascertain the propriety and value for money incurred on this project.

Management Response

538. The Fund Account Manager submitted that the lowest bidders were not awarded because of expired tax compliance certificates. Upon analysis by the Evaluation Committee the lowest bidders had expired tax compliance certificates. Also it was noted Agim Enterprises Ltd and Build us enterprises ltd of Ngecha Jua Kali Sheds were below the official builders works estimate because apparently they did not include the rates of the floor works and fencing works

respective, therefore automatically being disqualified. The project is now complete and in use as per completion certificates and procurement documents were provided.

Committee Observations

539. The Committee observed that the management provided contract documents and completion certificates were submitted and verified by the Office of the Auditor General hence the matter stands resolved.

13.2.5 OTHER MATTERS

(a) Overall Budget Execution

540. Review of statement of budget appropriation revealed 65% and 65% overall budget utilization on receipts and expenditures respectively as follows-

Item	Budget –Kshs	Actual Kshs	Difference – Under Kshs	Actual as % of budget.
Receipts	145,918,115	94,139,360	51,778,755	65%
Expenditure	134,688,193	87,030,768	47,657,425	65%

541. The above analysis, reflects actual receipts of Kshs. 94,139,360 against the budgeted amount of Kshs. 145,918,115 resulting in a shortfall of Kshs. 51,778,755 undisbursed funds from the CDF Board. Further, the CDF incurred an under expenditure of Kshs. 47,657,425 or 35 % of the approved budget of Kshs. 134,688,193. The low utilization of the budget was attributed to delay in disbursement of funds by the CDF board.

Management Response

542. The Fund Account Manager submitted that the underutilization was as a result of reallocation of unspent funds on emergency reserve and projects. The funds have since been received and the projects executed. As reported by the auditor, the low utilization of the budget was attributed to delay in the disbursement of funds from the NG-CDF Board.

Committee Observations

543. The Committee observed that poor performance was occasioned by the late disbursement of funds. The matter stands resolved.

(b) Development Projects Implementation

544. During the year under review, Limuru CDF had a total budget of Kshs. 74,548,589 for development projects. However, the CDF spent an amount of Kshs. 58,266,055 resulting in under expenditure of Kshs. 16,282,534 or (22%) on the approved budget as analyzed below-

Project Category	No. Budgeted	Budget Amount Kshs	Actual Expenditure- Kshs	Not completed	Not Ongoing	Not started	Not implemented	% of implementation.
Education	48	37,137,911	32,886,549	18	15	4	11	89
Health		-	4,482,759	-	1			-
Security	8	9,800,000	7,200,000	1	4	1	2	73%
Water	2	10,000,000	1,200,000			1	1	12%
Youth & Sports	1	2,055,200	2,000,000		1			97%
Roads	2	5,000,000	445,380		1		1	9%
Environment	1	2,055,200	2,080,350		1			101%
Emergency	7	5,400,259	1,835,340		7			34%
Other Projects.	6	3,100,000	6,134,777	2	2	1		198%
Totals	75	74,548,589	58,266,055	21	32	7	15	78

545. As at 30 June 2015, twenty-one (21) projects were complete, thirty two (32) projects were ongoing, seven (7) projects had not started and fifteen (15) had not been implemented. No reason was provided for failure to implement the funded projects within the year. The above analysis shows that the CDF had budgeted to implement a total of seventy-five (75) projects during 2014/2015 financial year, including thirty-five (35) projects relating to 2013/2014 period.

Management Response

546. The Fund Account Manager stated that delay in disbursement of funds resulted in projects implementation challenges such as failure to implement projects on time. The 32 projects that were on going, the 15 and the 7 that hadnot started have since been executed and completed. The delay in the implementation of the Ngenia water project was occasioned by the community delay in raising the funds as the project was co-funded. The project has since been completed.

Committee Observations

547. **The Committee observed that the delay in disbursement of funds occasioned the delay in completion. However, the project has been completed and is operational. The matter hence stands resolved.**

(c) Unutilized Funds

548. During the year under review, the CDFC disbursed funds to Ngenia Water Project and Nleiya Health Centre for construction of prefabricated stall house amounting to Kshs. 1,200,000 and Kshs. 4,482,759 respectively. However, as the time of this audit in April 2016, the funds had not been utilized and remained in project account. No reason was provided for failure to utilize the funds as intended.

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Management Response

549. The Fund Account Manager submitted that the project for pre-fabricated houses took time to commence as sourcing for a contractor in the area of EPS technology was an uphill task. The project has since been completed and in use.

Committee Observations

550. **The Committee observed that the project was satisfactorily completed and completion certificates submitted and verified by the Office of the Auditor General and therefore the matter stands resolved.**

13.3 AUDIT QUERIES IN THE FINANCIAL YEAR 2015/2016

The Auditor General raised eight queries during examination of financial statements for Limuru Constituency for the financial year 2015/16

13.3.1 USE OF GOODS AND SERVICES

551. The statement of receipts and payments for the year ended 30th June 2016 reflects use of goods and services balance of Kshs. 6, 484, 995. However, Note 5 to the financial statements reflects expenditure balance of Kshs. 7,284,995 against the account resulting in unexplained variance of Kshs. 800, 000. Consequently, the accuracy of use of goods and services balance of Kshs. 6,484,995 for the year ended 30th June 2016 cannot be confirmed.

Management Response

552. Ms. Chepng'eno Laboso, the Fund Account Manager submitted that while compiling the financial statements usually transfer data from excel sheet to word document. In this process, therefore an arithmetic error of Kshs. 800,000 occurred. The management has therefore provided the correct figure for goods and services balance which is Kshs. 6,484,955.

Committee Observations

553. **The Committee observed that the Fund Account Manager submitted revised financial statements to the Office of the Auditor General and therefore the matter has been resolved.**

13.3.2 COMPENSATION OF EMPLOYEES

554. The statement of receipts and payments reflects compensation of employee's balance of Kshs. 1,222,847 for the year ended 30th June 2016. However, Note 4 to the financial variance of Kshs. 10,400. In the circumstance, it has not been possible to confirm the accuracy of compensation of employees expenditure of Kshs. 1,222,847 for the year ended 30th June 2016.

Management Response

555. The Fund Account Manager submitted that Limuru NG-CDF while preparing the financial statements made an omission error of Kshs. 10,400. This was attributed to the fact that Kshs. 10,400 being employer's NSSF contribution was not transferred from Note 4 to the statement of receipt and payments.

Committee Observations

556. The Committee observed that the error in the financial statements was corrected and verified by the Office of the Auditor General. The matter therefore stands resolved.

13.3.3 OTHER GRANTS AND PAYMENTS

557. Other grants and payments balance of Kshs. 40,050,325 reflected in the statement of receipts and payments for the year ended 30th June 2016 includes bursary awards amounting to Kshs. 18,278,403; Kshs. 3,334,000 and Kshs. 847,000 for secondary schools, tertiary institutions and special schools respectively totaling to Kshs. 22,459,403. However, acknowledgment letters and receipts from institutions that received bursary totaling Kshs. 12,449,783 were not received by the management and have not therefore accounted for. Consequently, it has been possible to ascertain whether the bursaries awarded reached the intended beneficiaries and were properly accounted for as at 30th June 2016.

Management Response

558. The Fund Account Manager submitted that while issuing bursary cheques, the committee clearly states that the beneficiary institution should acknowledge payments and furnish the same to NG-CDF Limuru. However a number of institutions issue the receipts directly to the beneficiary /students. Samples of the receipts received by the office was provided for audit review.

Committee Observations

559. The Committee observed that the management did not provide acknowledgement receipts from beneficiary institutions to the Office of the Auditor General. The matter hence remains unresolved.

Committee Recommendation

560. The Committee recommends THAT:

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

13. BUDGET PERFORMANCE

4.1 Overall Budget Execution

561. Review of the statement on budget appropriation revealed 69% and 56% overall budget utilization on receipts and expenditure respectively as follows-

Item	Budget -Kshs	Actual-Kshs	Difference- Under Kshs	Actual as % of budget.
Receipts	175,201,488	120,345,517	54,855,971	69
Expenditure	175,201,488	98,055,965	77,145,523	69

562. NG-CDF Limuru during the financial year 15/16 incurred expenditure of Kshs. 98,055,965 which is 58 % of the approved budget of Kshs. 175,201,488 resulting to under expenditure of Kshs. 22,289,552 equivalent to 19% under-utilization. The management has not explained the underutilization of the budget. Delay in completion of projects and poor budget execution translates to under-spending denies residents benefits due from project and increase the risk of project costs.

Management Response

563. The Fund Account Manager submitted that the under expenditure was occasioned by delay in the disbursement of funds from the National Management Board. Further underutilization of 19% was occasioned by unforeseen project implementation challenges that have since been resolved.

Committee Observations

564. The Committee observed that the late disbursement of funds caused the poor performance of the overall budget. The matter therefore stands resolved.

13.3.5 EXPENDITURE ON DEVELOPMENT PROJECTS

565. The Limuru NG-CDF had a budget of Kshs. 61,244,766 for development expenditure as per their projects proposal for the 2015/2016 financial year. Audit verification revealed that the CDF office spent Kshs. 63,864,820 resulting to over-expenditure of Kshs. 3,464,643 or (5.5%) on the approved budget as per the projects implementation status report for the year ended 30th June 2016. Further, the NG-CDF had budgeted to implement a total of 37 projects at the beginning of the year. As at 30th June 2016, 35 projects were complete and two projects were ongoing as evidenced in the table below-

Project Category	No budgeted	Budget amount	Actual expenditure	Not completed	No on-going	% of implementation
Education	29	44,800,000	47,217,398	25	4	86.2%
Security	4	5,500,000	6,736,424	3	1	75%

Youth and Sports	1	2,177,119	1,241,530	1	0	100%
Roads	1	1,000,000	4,212,300	1	0	100%
Emergency Markets	1	5,767,647	3,110,118	1	0	100%
Total	37	61,244,766	63,864,820	32	5	86.5%

566. The NG-CDF management did not explain the reasons for over-utilization of the CDF funds during the year under review.

Management Response

567. Ms. Chepng'eno Laboso, the Fund Account Manager submitted that over utilization of NG-CDF funds during the year under review was as a result of expenditure on balance brought forward from previous year. For example Kentmere Police Post.

Committee Observations

568. **The Committee observed that the circumstances for over expenditure were beyond the Fund Account Managers' control. This has since been verified by the Office of the Auditor General and the matter stands resolved.**

13.3.6 CONSTRUCTION OF KAMIRITHU JUA KALI SHEDS

569. Records availed for audit indicated that Kamirithu Jua Kali sheds project was allocated Kshs. 11,000,000 over the years beginning from 2009/2010 financial year for construction of sheds for use by informal sector traders. During the year under review the project was allocated Kshs. 1,000,000 at Kamirithu. Audit verification revealed that the contractor was not on site and therefore no construction had stalled. However, a few stalls had been completed through previous year's allocations.

570. None the less, the sheds were not occupied due to what was termed a politicization of the sheds. Correspondence reviewed suggested there were wrangles between the management and other stakeholders. Further, an amount of Kshs. 1,500,000 was transferred to the project Management Committee on 11th November 2015 and it was not clear whether this amount was still in the bank since bank statements for the project were not availed for audit.

571. In addition, minutes of the Inspection and Acceptance Committee, and bills of quantities (BQS) prepared by the Ministry of Works were not presented for Audit. It was therefore not possible to confirm whether the works were executed as specified in the contract agreement.

Management Response

572. The Fund Account Manager submitted that Kamirithu Jua Kali sheds is an NGCDF funded project started way back in 2009. Through a first allocation of Kshs. 1,000,000. The project

targeting small, medium and large traders in jua kali sector that includes and not limited to hairdressers, tailors, artisans, mechanics and welders.

573. The sheds are managed by a registered association of 250 members. Although the sheds are not complete, the mechanics, welders and artisans are operating since they are enclosed by a perimeter wall. Total allocation to the project since inception is as follows. The bank statement was provided for audit review-

FINANCIAL YEAR	AMOUNT(Kshs)
2008/2009	1,000,000
2009/2010	2,000,000
2011/2012	2,000,000
2012/2013	2,000,000
2013/2014	2,000,000
2014/2015	1,500,000
2015/2016	2,000,000
TOTAL	12,500,000

574. The management provided a summary of the works carried out through labour contract since year 2009 and 2013. The project later was constructed through full contract awarded on 21st /11/2016 at a cost of Kshs. 3, 9840,605. The contract was marred by political issues and public complaints and the contract was discontinued by the client and the contractor did not have any liability with the client only the 10% money withheld of Kshs. 85,667. This is per the Public works letter dated 15th /02/2018. The Construction the sheds resumed through labour contract in October 2017. Currently the project has stalled. The project requires more funds for completion works which include: plaster works, electrical works, plumbing and finishes.

Committee Observations

575. The Committee observed that this was a recurring audit query from the 2013/2014 financial year. It was noted that while bank statements availed for audit review, Minutes of Inspection and Acceptance Committee and Bills of Quantities for the project were not availed for verification by the Office of the Auditor General. The Contractor was evicted from the site in 2016 and the project stalled. The Committee further noted that documents on the expenditure of the money transfer of 1.5 million and 2 million respectively were not availed.

Committee Recommendations

576. **The Committee recommends THAT –**

- (i) **The NGCDF Board undertakes and investigation into the dispute between Kamirithu Jua Kali Association and the contractor M/s Lexum Enterprise to establish the facts of the dispute and table recommendations on the completion of the project to ensure that residents of the constituency receive value for money**

spent. A status of this investigation should be submitted to Committee within one(1) month of the adoption of this report by the House ; and

- (ii) The NGCDF Board develops public participation guidelines for constituencies to ensure that there is sufficient public consultation and ownership before projects are undertaken. This should be affected within one (1) month of the adoption of this report by the House.

13.3.7 AWARD OF TENDERS TO HIGHEST BIDDERS

577. Available records indicate that the NG-CDF awarded tenders totaling Kshs. 5,956,690 to various contractors in 2015/2016 for the following projects. In addition, the budgeted amount for construction of a multipurpose hall at Ngenia high school was Kshs. 2,000,000 as specified in the 15/2016 approved budget availed for audit.

Project	Bidders	Lowest bidder. Kshs	Highest bidder (Kshs)	Winning Bidder	Winning Bid -Kshs	Saving /Lost (Kshs)
Ngenia High school Multipurpose hall	4	1,502,230	2,160,110	NdancConst Co.Ltd	2,160,110	657,880
Makutano secondary Sch	4	423,450	973,220	MaayaConst Ltd	973,220	549,770
Ngecha/Jua Kali Sheds	3	2,441,800	2,823,360	Mahindi Building Ltd	2,823,360	381,560
Total		4,367,480			5,956,690	1,589,210

578. However, in all the instances, awards were made to the highest bidders and therefore the NG-CDF may have incurred loss of Kshs 1,589,201 by awarding the contracts to the highest bidders. However, it was not explained how the extra cost of Kshs 160,110 was financed. In the circumstances, it has not been possible to confirm the propriety and value for money for the expenditure incurred on these projects as at 30th June 2016.

Management Response

579. The Fund Account Manager stated that the award of tenders to the highest bidders was occasioned by non – responsive lowest bidders. Upon analysis by the Evaluation Committee the lowest bidders had expired tax compliance certificates. Also it was noted that Agim Enterprises Ltd and Builders Enterprises Ltd of Ngecha/Jua Kali Sheds were below the official builders works estimate because apparently they did not include the rates of the floor works and fencing works respectively therefore automatically being disqualified.

580. This was the case for Ngenia High School and Makurano Secondary School where all the lowest bidders were non-responsive thus the lowest evaluated bidders were awarded. Construction of Multipurpose Hall at Ngenia High School was implemented with the allocated amount from financial year 2013/2014 amounting to Kshs. 2,500,000. The management provided procurement documents for audit verification.

Committee Observations

581. **The Committee observed that the award to the highest bidders was occasioned by the non-responsive lowest bidders and procurement documents were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.**

13.3.8 CONSTRUCTION OF MBARI YA GIATHI ACCESS ROAD

582. The contract for construction of MbariyaGiathi Access road project was awarded to Noakin Enterprises at a contract price of Kshs. 1,400,630 during the 2015/2016 financial year. However, the NG-CDF did not provide procurement documents such as tender notices, tender opening ,a and evaluation and award minutes for the project to show how the procurement was initiated and awarded. Further, the project had been allocated Kshs. 1,000,000 in the financial year and it was not clear how the over-expenditure of Kshs. 400,630 was financed. In addition, the NG-CDF did not constitute a project management committee but instead engaged the contractor directly. In the circumstances, the propriety and value for money on the expenditure of Kshs. 1,400,630 cannot be confirmed.

Management Response

583. The Fund Account Manager submitted that the procurement documents were not attached to the vouchers but have since been provided for audit verification. The project was allocated Kshs 1,000,000 and had additional re-allocation from emergency reserve vide letter dated March 22, 2017 provided for audit verification.

Committee Observation

584. **The Committee observed that the expenditure analysis and support documents were availed and verified by Office of the Auditor General and the matter therefore stands resolved.**

CHAPTER FOURTEEN

14.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR LARI CONSTITUENCY FOR THE PERIOD 2013/14, 2014/15 AND 2015/16

585. Ms. Ayaan Mahadhi, the Fund Account Manager appeared before the Committee accompanied by the following officers-

- (i) Ms. Ayaan Mahadhi- Fund Acc. Manager Lari
- (ii) Mr. Edwin Karani- Fund Account Manager Matungulu
- (iii) Mr. Kennedy Kamau- Fund Account Manager Kiharu
- (iv) Ms. Elizabeth Kitundu- Programme Manager
- (v) Ms. Beatrice Otieno- Financial Services
- (vi) Mr. James Chebii- Accountant

14.1 AUDIT QUERIES IN THE FINANCIAL YEAR 2013/2014

The Auditor General raised queries on unsupported bursaries and unsupported expenditures during examination of financial statements for Lari Constituency for financial year 2013/14

14.1.1 UNSUPPORTED BURSARIES

586. Payment of bursaries of Kshs. 14,135,000.00 was made during the year to various schools and colleges. However, out of the total bursaries disbursed, an amount of Kshs. 3,265,000.00 was disbursed as grants for Mocks and Continuous Assessments and Tests (CATs) projects in various schools. No expenditure returns were, however, availed to account for Kshs. 3,265,000.00 disbursed for the Mocks and CATs. Consequently, the propriety of Kshs. 3,265,000.00 disbursed as bursary grants for mocks and CATs project could not be confirmed.

Management Response

587. Mr. Edwin Karani, the Fund Account Manager submitted that the expenditure was incurred on setting and printing of Mock and Continuous Assessment tests for Upper Primary School for various Schools. The exams were financed from the bursary scheme, Mock & CATs Kitty in line with Section 26 (2) of the CDF Act 2013. However due to huge Work load in the Bursary awarding exercises, the expenditure returns documents were not availed to the Auditors on time. The documents were later forwarded to the auditors and were confirmed and authenticated.

Committee Observations

588. The Committee observed that the expenditure analysis was availed and reviewed by the Office of the Auditor General. The matter therefore stands resolved.

14.1.2 UNSUPPORTED EXPENDITURE

589. A total of Kshs. 6,128,468.50 was disbursed by the Constituency Development Fund Committee to various projects. However, no expenditure returns were made available to audit verification. In the circumstance, it has not been possible to confirm the propriety of the expenditure amounting to Kshs. 6,128,468.50 during the year ended 30th June 2014.

Management Response

590. The Fund Account Manager submitted that the projects funded were as follows-

(a) Muiri Chiboni Road – Kshs. 928,468.50

591. The works along entailed supply and overlaying of Murrum as well as excavation of drainage channels at either side of the approx. 1.3 Kms damaged section of the road. Due to the urgency to repair the damaged roads that were impassible by the residents, it was a priority to undertake a labor based contract to speed up the process. Procurement processes were adhered to and request for quotations was received from three suppliers to supply 24T Loads each at a cost of below bids. The winning bidder, Watharuo General Hardware was awarded the contract amounting to Kshs. 633,600 and the balance was labour charges and supervision was done by the office of Sub County Roads Engineer.

(b) Ha Edward Kirasha Road – Kshs. 1,400,000.00

592. The works along the said road entailed supply and overlaying of Murrum as well as excavation of drainage channels at either side of the approx. 2.1 kms damaged sections of the road. The works were labor based and the project file with the supporting documents was availed to the Auditors later, since the file was on site during the audit exercise. The Procurement processes were adhered to and request for quotations was received from three suppliers. Escarpment Mukuru Quarry & Transporters supplied the Murrum and overlaying was done and the work was under supervision of the office of Sub County Roads Engineer.

(c) Githirioni Kwaregi Road – Kshs. 1,600,000.00

593. The works along the said road entailed supply and overlaying of Murrum as well as excavation of drainage channels at either side of the approx. 2.4 kms damaged section of the road. The works were labor based whereby the Murrum supplier was sourced through request for quotations where three suppliers had submitted. The winning bidder, Kaguongo Hardware & Transporters supplied the Murrum and overlaying was done under supervision by the office of Sub County Roads Engineer. This is adequately supported in the project file. However there were delays in forwarding.

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(d) Kamahindu Police Post –Kshs. 700,000.00

594. The funds allocated for shattering/completion of ground floor slab was unutilized as at the time of the audit this was as a result of technical advice from clerk of works and public works officer to the Project Management Committee that the available Kshs. 700,000 was not adequate to undertake the constructions to completion level. The CDFC factored an additional Kshs. 800,000 to the project in the 2014/15 Financial Year which was approved by the CDF Board and has since been released.

(e) Lari CID Office -Kshs. 1,000,000.00

595. The Kshs. 1,000,000 was allocated to the project for construction of a new office block to host the Criminal Investigation Department whose newly posted officers had no offices following elevation of Lari Police Post into divisional HQs. The works were labor based whereby the suppliers for construction materials were sourced through request for quotations. Since the Materials were sourced from different suppliers some supporting documents were missing in the project file. However the materials purchased cost and significant supporting documents were available. The Sub county Works Officer and the Station OCPD supervised and monitored the construction to completion stage. The total project cost was estimated at Kshs. 1,913,314 as per the BQ. CDFC has since allocated additional funds to the project and is now complete and in use.

(f) Kamuchege Chief's Office -Kshs. 1,000,000.00

596. The Kshs. 1,000,000 was allocated to the project for construction of a new office block to host the Kamuchege location chief whose office was at rented premises at Kamuchege shopping Centre. The works were labor based. Procurement processes were adhered to. Request for quotation was received for supply of materials and labour was sourced from the community. The project file in the support of the above was later availed to the auditors. The building was completed and is now occupied by the area chief.

(g) Soko Water Project –Kshs. 500,000.00

597. The Kshs. 500,000 allocated to the project was a re-allocation from Kariaini Primary School land purchase project as approved by the CDF Board towards purchase and installation of water pipes to extend the water distribution network from the borehole to Soko area residents. The purchase and installation project was implemented by the PMC on labor based contract basis where pipes/pipes accessories were produced from local suppliers using requests for quotations. The project was under the supervision of the office of the Sub County Water Officer.

598. The total project cost was estimated at Kshs. 506,500 as per the BQ. The intended phase is now complete with water reaching as far as Utugi Secondary School from Soko water project borehole site.

Committee Observations

599. The Committee observed that the analysis of how the amount was expended was submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

14.2 AUDIT QUERIES IN THE FINANCIAL YEAR 2014/2015

The Auditor General raised queries on cash and cash equivalents and budgetary issues during examination of financial statements for Lari Constituency for financial year 2014/15

14.2.1 CASH AND CASH EQUIVALENTS

600. The statement of assets reflects cash and bank balances of Kshs. 36,792,870.45 as at 30 June 2015. However, the cash book balance as at the same date was Kshs. 11,929,949.25 resulting in unreconciled difference of Kshs. 24, 862,921.20. Consequently, it has not been possible to confirm the accuracy of the cash and bank balances of Kshs. 36,792,870.45 as at 30 June 2015.

Management Response

601. Mr. Kennedy Kamau, the Fund Account Manager submitted that Kshs. 24,862,921.20 variance was as results of funds credited by NGCDF Board to Lari CDF account on 26th June 2015 towards closure of the financial year AIE No. 796123. The transaction has since been updated in the cash book as shown in the extract reflecting the updated cash book closing balance as at 30th June 2015.

Committee Observations

602. The Committee observed that the updated transaction in the cash book was verified by the Office of the Auditor General. The matter stands resolved.

14.2.2 OTHER MATTERS

(a) Overall Budget Analysis

603. Review of summary statement of appropriation revealed 100% and 74% overall budget utilization on receipts and expenditure respectively as follows-

Item	Budget -Kshs	Actual-Kshs	Difference-Under Kshs	Actual as % of budget
Receipts	134,273,297.50	134,273,297.50	0.00	100%
Expenditure	139,846,574.95	103,084,704.50	36,761,870.45	74%

604. The above analysis, reflects that the CDF incurred an under expenditure of Kshs. 36,761,870.50 or 26% of the approved budget of Kshs. 139,846,574.95. The low utilization of the budget was attributed to delay in disbursement of funds by the CDF Board.

Management Response

605. The Fund Account Manager submitted that NGCDF Board had released funds due to the constituency for the referred financial year. The management provided AIEs for 2014/15 financial year funding totaling to the total allocation to the constituency for the referred financial year of Kshs. 99,451,687.00.

Committee Observations

606. **The Committee observed that the bank reconciliation was provided to the Office of the Auditor General and the matter therefore stands resolved.**

(b) CDF Project Expenditure

607. A review of actual expenditure in the summary statement appropriation revealed that the CDF has approved development budget of Kshs. 109,760,903 allocated to thirty seven (37) projects, out of which thirty three (33) projects were implemented at a cost of Kshs. 89,076,200 as below-

Description	No. of approved projects	No. of projects implemented	Not Implemented	Budget Kshs	Actual expenditure Kshs	Actual as % of budget
Other grants and transfers	17	15	2	62,018,983	53,176,815	86
Transfer to Government entities	20	18	2	47,741,920	35,899,385	75
Total	37	33	4	109,760,903	89,076,200	81

608. The above analysis shows that four (4) projects were not implemented during the year. No reason was provided for the under-utilized funds.

Management Response

609. The Fund Account Manager submitted that the delay in disbursement of funds for some of the approved projects was as a result of the preliminary procedures that PMCs undertake before release of the funds especially site visit by technical officers so as to take measurements and come up with Bills of Quantities for the project. In addition the rainy weather conditions at Lari subcounty area hinder construction works. NGCDFC has since released funds to the referred projects and have been implemented to completion.

Committee Observation

610. **The Committee observed that the delay in disbursement of funds caused the poor budget performance. The matter therefore stands resolved.**

14.2 BUDGET ANALYSIS ON OTHER GRANTS AND TRANSFERS TO OTHER GOVERNMENT UNITS

611. The CDFC budgeted to undertake twenty (20) projects on transfers to other government units during the year. Rolled over projects relating to 2013/2014 worth Kshs. 6,261,454 were also implemented during the year under review. However, the CDFC managed to complete only 6 projects and twelve (12) projects were ongoing projects as at the end of the year as follows-

Project category	No. Budgeted	Budget Kshs	Actual Kshs	No. completed	No. Ongoing	No. not started	%level of Implementation
Primary Schools	11	10,037,931	9,237,931	2	7	2	92
Secondary Schools	7	7,900,000	7,900,000	3	4	0	100
Tertiary Schools	0	-	10,000,000	0	1		
Health Project	2	2,500,000	2,500,000	1	1	0	100
Total	20	20,437,931	29,637,931	6	13	2	145
Expenditure on Projects for 2013/2014			6,261,454				
Total Actual Expenditure 2014/2015			35,899,385				

612. According to the above analysis an amount of Kshs .10 Million disbursed for tertiary education for construction of Lari Technical Institute was not budgeted for. It was not explained why approval was not obtained from the CDF Board for the expenditure.

Management Response

613. The Fund Account Manager submitted that the twelve ongoing projects have since been completed and are in use. The Kshs. 10 Million disbursed to Lari Technical Institute had been budgeted for in 2013/14 financial year but there was delay in disbursement awaiting allocation of Kshs 40 million by the Ministry of Education which was to co-fund the project with Lari CDF. It is upon allocation of the Ministry's fund that CDF released the Kshs. 10 million to the project.

Committee Observations

614. **The Committee observed that the projects have been completed and operating and therefore the matter has been resolved.**

14.2.4 BUDGET ANALYSIS ON OTHER GRANTS AND TRANSFERS

615. The CDF office had also allocated in the budget Kshs. 48,963,104 to implement seventeen (17) projects under other grants and transfers as follows-

Project Category	Budget Kshs.	Actual Expenditure Kshs	No of Projects	No of Projects Completed	No of Projects Ongoing	No of projects Not yet started	%level of Implementation Variance
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			Budget ed				
Environment	1,989,034	1,900,000	-	-	-	-	96
Security	4,600,000	4,300,000	6	1	3	2	93
Roads	10,121,855	10,121,855	11	11	-	-	100
Emergency	5,400,259	-	-	-	-	-	0
Sports	1,989,034	1,900,000	-	-	-	-	96
Bursary	20,862,922	16,840,330	-	-	-	-	81
Mocks/cats	4,000,000	4,000,000	-	-	-	-	100
Total	48,963,104	39,062,185	17	12	3	2	80
Expenditure on projects for 2013/2014		14,114,630					
Total 2014/2015		53,176,815					

616. The above analysis show that, out of the 17 projects only 12 were completed, 3 projects were ongoing while two other projects, under security sector were not implemented. No explanation was provided for the failure to implement these projects. Rolled over projects 2013/14 was also implemented in 2014/2015 at a cost of Kshs. 14,114,630.

Management Response

617. The Fund Account Manager submitted that in 2013/2014 financial year, projects whose implementation rolled over to 2014/2015 financial year were as a result of delayed disbursement of funds from NGCDF Board that was received towards closure of the financial year in June 2014.

618. The projects which had not yet started was a result of consultation with technical officers from Public works office since construction site were swampy areas that required deep excavation to remove unsuitable materials and backfilling with approved gravel materials to the reduced level. Projects have since been implemented to completion.

Committee Observation

619. **The Committee observed that the late disbursement of funds caused the poor implementation of the projects. These have since been completed and are operational. The matter therefore stands resolved.**

14.3 AUDIT QUERIES IN THE FINANCIAL YEAR 2015/2016

The Auditor General raised seven queries during examination of financial statements for Iari Constituency for financial year 2015/16.

14.3.1 NON-COMPLIANCE WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS REPORTING TEMPLATE

620. The statement of financial assets as at 30th June 2016 includes prior year adjustment figure of Kshs. 24,866,921.20. However, no explanation in notes to the financial statement and supporting documents for the adjustments were provided for audit review. Consequently, the accuracy and validity of the prior year adjustments of Kshs. 24,866,921.20 for the year ended 30th June 2016 could not be confirmed.

Management Response

621. Ms. Ayaan Mahadhi, the Fund Account Manager submitted that inaccuracy in the financial statements were as a result of delayed disbursement by the NGCDF Board. The management decided to amend the financial statement to reflect the correct true and fair position of entity.

Committee Observations

622. **The Committee observed that the Fund Account Manager submitted amended financial statements for verification by the Office of the Auditor General. The matter therefore stands resolved.**

14.3.2 NON-COMPLIANCE WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS REPORTING TEMPLATE

623. The statement of receipts and payments, Statement of assets and statement of cash flows indicates note 1 to 12. However, the referenced notes to the financial statements were not numbered and the financial statements lacked page numbers making it difficult to understand the financial statements. In the circumstances, the financial statements under review do not comply with the requirements of International public sector accounting standards prescribed by public sector accounting standard board.

Management Response

624. The Fund Account Manager submitted that the error had been rectified

Committee Observations

625. **The Committee observed that the management revised financial statements in compliance with International Public Sector Accounting Standards (IPSAS) and submitted to the Office of the Auditor General. These were verified and therefore the matter stands resolved.**

14.3.3 ACCURACY OF RECEIPTS FROM CDF BOARD

626. The statement of receipts and payment for the year ended 30th June 2016 reflects transfer from CDF Board of Kshs. 76,862,921.20. However, the summary statements of appropriation; recurrent and development combined reflect actual receipts of Kshs. 88,792,870.45, Resulting in an explained and un-reconciled difference of Kshs. 11,929,948.80. Consequently, the

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accuracy of receipts of Kshs. 76,862,921.20 for the year ended 30th June 2016 could not be confirmed.

Management Response

627. The Fund Account Manager submitted that Kshs. 11,929,948.00 was the opening balance as per the cash book. However, Kshs. 76,862,921.20 was the amount received from the Board for that financial year.

Committee Observations

628. **The Committee observed that the revised financial statements were submitted and reviewed by Office of the Auditor General and the matter therefore stands resolved.**

14.3.4 USE OF GOODS AND SERVICES

629. The Fund Account Manager submitted that the statement of receipts and payment reflects use of goods and services balance of Kshs. 6,892,072 for the year ended 30th June 2016. However, review of records presented for audit revealed expenditure of Kshs. 1,856,780 were not included in the reported balance. Consequently, the accuracy of use of goods and services balance of Kshs. 6,892,072 for the year ended 30th June 2016 could not be confirmed.

Management Response

630. The Fund Account Manager submitted that amount of Kshs. 1,856,780 that was erroneously omitted in the financial statements had been amended.

Committee Observations

631. **The Committee observed that the rectified financial statements were provided and reviewed and verified by the Office of the Auditor General. The matter therefore stands resolved.**

14.3.5 OTHER GRANTS AND TRANSFERS – GRADING AND GRAVELLING OF ROADS

632. The statement of receipts and payments reflects other grants and payments of Kshs. 45,608,010 for the year ended 30 June 2016. Included in the balance are various projects totaling Kshs. 9,672,000 awarded to various contractors for grading, gravelling and bush clearing of various roads. However, no completion certificate and inspection reports from the ministry of works were provided for audit review to confirm that the work was done and completed before the payments were made. In the circumstances, the propriety of expenditure of Kshs. 9,672,000 during the year under review could not be confirmed.

Management Responses

633. The Fund Account Manager submitted that the mentioned documents that were not provided for audit review were submitted to the Auditor General.

Committee Observations

634. **The Committee observed that the completion certificate was availed and verified by the Office of the Auditor General. The matter therefore stands resolved.**

14.3.6 BANK BALANCES

635. The statement of financial assets as at 30th June 2016 reflects bank balance of Kshs. 21,205,995.45. However, the bank reconciliation statement includes un-presented cheques totaling to Kshs. 711,310 that were stale as at 30 June 2016, and could not be presented in the bank for payment. No reason was provided for the failure to reverse the cheque in to the cash book. Consequently the accuracy of bank balances of Kshs. 21,205,995.45 as at 30th June 2016 could not be confirmed.

Management Response

636. The Fund Account Manager submitted that the findings were as a result of delays to present cheques by the bursary beneficiaries. The Sub County Accountant has taken action and reversed the cheques.

Committee Observations

637. **The Committee observed that the financial statements were amended and submitted to the Office of the Auditor General for verification. The matter hence stands resolved.**

14.3.7 OTHER MATTERS

(a) Budget Execution -Overall Budget Execution

638. Review of statement on budget appropriation revealed 62% and 61% overall budget utilization on receipts and expenditure respectively as follows-

Item	Budget Kshs	Actual Kshs	Difference Under Kshs	Actual as % of Budget
Receipts	142,115,472	88,792,870	53,322,602	62%
Expenditure	142,115,472	86,586,875	55,528,597	61%

639. The above analysis reflects actual receipts of Kshs 88,792,870 against budgeted amount of Kshs 142,115,472 resulting in a short fall in receipts of Kshs 53,322,602. Further, the CDF incurred expenditure of Kshs 86,586,875 or 61% of the approved budget of Kshs 142,115,472 resulting to under expenditure of Kshs 55,528,597 or 39% underutilization. The underutilization of the Budget provision was not explained. Delay in completion of project

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and poor budget execution which translates to under spending denies residents the project benefits as well as risk of cost escalation.

Management Response

640. The Fund Account Manager submitted that variance between the budgeted and the actual expenditure in the budget performance was due to inadequate funds and there so many needs and urgent projects to be undertaken. The CDFC also agreed to complete the urgent projects due to weather condition in Lari constituency which is prone to wet and rainy conditions throughout the year and construction of projects may delay.

Committee Observation

The Committee observed that twenty-nine (29) projects were verified by the Office of the Auditor General and the matter was resolved.

(b) Budget Performance on Transfer to other Government Units-

641. During the financial year 2015/16, Lari NG-CDF approved budget for the transfers to Other Government units amounted to Kshs.44, 550,000.00. A total of Kshs.32, 057,000.00 was spent representing a 72.96% budget performance on transfers to other Government Units. Further, out of 43 projects budgeted for implementation in the year, only 15 of them were implemented while 29 had not started as at 30th June, 2016 as shown in the table below-

Project Category	2015/16 Budget Kshs	No. Of Projects	No of projects implemented		Projects not started	Actual Expenditure Kshs	Absorption Rate (%)
			2014/15	2015/16			
Primary Schools	33,750,000.00	30	6	12	18	16,257,000.00	48
Secondary Schools	9,800,000.00	11	3	1	10	2,500,000.00	26
Tertiary Institutions		0	0	1	0	10,000,000.00	
Health Institutions	1,000,000.00	2	6	1	1	3,300,000.00	130
TOTAL	44,550,000.00	43	15	15	29	32,057,000.00	72

Committee Observation

642. **The Committee observed that the CDF Board disbursed the remaining funds and the Constituency has implemented the projects to completion. The matter was therefore resolved.**

(c) Employment of CDF staff

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643. The Fund Account Manager's report for the year ended 30th June 2016 reflects employees cost of Kshs 2,029,793. However, a review of records maintained by CDF office revealed that during the year under review, the CDF engaged five (5) employees at a gross salary of Kshs.263, 204 per month on a contractual basis for three (3) years. However, the process of appointing the staff appears not competitive since there was no evidence of advertisements requesting for applications, subsequent short-listing and appointments were presented for audit verification.

644. Further, although Employee salaries was reviewed and increased by an average of over 213% during the year, the necessary approval for the increment from the NGCDF Board was not made available for audit review. In addition, Employees' contracts indicated entitlement to a 31% gratuity after the end of the contract; no funds have been set aside to cater for gratuity. As a result of the foregoing, the propriety of employees cost for the year ended 30th June, 2016 could not be ascertained.

Management Response

645. The Fund Account Manager submitted that the un-procedural increase of staff salaries had been earlier noted by the sub-county internal auditor and his recommendation to revoke the increase was implemented. The staff salary has been in compliance with the Board circular as it has been amended. The recruitment was done by the former CDFO which was competitive and successful applicants were recruited.

Committee Observation

646. **The Committee observed that the NGCDF revised the staff salaries and provided a three (3) year renewable contract for staff working in Constituencies Offices. The matter stands resolved.**

(d) Delayed project implementation-Kamahindu Police Post

647. Available records indicate that Lari CDF awarded construction of Kamahindu police post project to Moses Kuria Njuguna in 2009 and has since then spent cumulative amount of Kshs 3,150,000 as at 30th June 2016 on the project. An amount of Kshs 500,000 was disbursed to the project during the E/y2015/16. However, site visit to the project reveals that it was incomplete since electrical works were yet to be done despite the significant funding. Consequently, value for money for the cumulative expenditure of Kshs 3,150,000 as at 30th June 2016 on this project could not be confirmed.

Management Response

648. The Fund Account Manager informed the Committee that the CDF Committee had regretfully noted delay in completion of the above project. The delay was due to land dispute with local

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community which has so far been settled. However the CDF Committee has worked tirelessly and now the project is complete and since been handed over to the administration police.

Committee Observations

649. The Committee observed that the management had implemented the project and availed photographs of the project photos to the auditors for review. The matter therefore the matter stands resolved

15.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

650. During examination of these reports, the Committee made the following general observations and recommendations which cut across the twelve (12) Constituencies in Kiambu County

15.1 STANDARDIZATION OF NG-CDF PROJECTS

651. The Committee observed that there were inconsistencies in the projects being implemented in terms of costs and design across the constituencies.

652. **The Committee recommends that the NG-CDF Board recruits the independent quantity surveyors and architects to address the inconsistencies in the projects across the constituencies.**

15.2 IMPLEMENTATION OF PROJECTS AND RE-ALLOCATION OF FUNDS WITHOUT APPROVAL OF THE NG-CDF BOARD

653. The Committee observed that some Fund Accounts Managers implemented projects and re-allocated funds without seeking prior approval of the NG-CDF Board. This was in contravention of section 6(2) and section 31 of the National Government Constituencies Development Fund Act, 2015 which provides that once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the NG-CDF Board.

654. The Committee also noted that some National Government Constituencies Development Fund Committees had not engaged the services of a Clerk of Works as provided in the NG-CDF Board guidelines. In addition, physical verification of projects by the Auditor- General revealed that the structural integrity of some buildings was questionable as stated in various audit queries.

655. **The Committee recommends that:-**

- (i) **The National Government Constituencies Development Fund Board takes administrative action against Accounting Officers who allowed funds to be reallocated without the approval of the Board contrary to section 6 of the NG-CDF Act, 2015;**
- (ii) **The Board to ensure compliance with section 6(2) and section 31 of the NG-CDF Act, 2015;**
- (iii) **The Board ensures that relevant government departments are involved during project implementation in line with the provisions of Section 36(1) of the NG-CDF Act, 2015;and**

- (iv) **The NG-CDF Board in consultation with the County Public Works Office and the National Construction Authority assesses the structural integrity of projects in question and issues an occupational certificate.**

15.3 UNDERUTILIZATION OF ADMINISTRATION POLICE POSTS

656. The Committee observed that several constituencies including Galunda North, Juja and Thika Town allocated funds for the construction of Administration Police Posts that remained unutilized. This was an indication that there was no consultation with the relevant Ministry before the project commenced to ensure that officers were deployed to the post.

657. **The Committee recommends, THAT-**

- (i) **The NG-CDF Board -ensure that there are consultation with the Ministry of Interior and Coordination of National Government at the project approval phase for deployment of officers to the station; and**
- (ii) **The Constituencies Development Fund Board carries out a survey on the number of un-utilized police posts and present a report to the National Assembly within six months of the adoption of this report.**

15.4 EXPENDITURE APPROVALS BY THE DISTRICTS ACCOUNTANTS

658. The Committee observed the negligence of duties from the Districts Accountants.

659. **The Committee recommends that the National Government Constituencies Development Fund Board to hire its own certified Accountants and who shall be based at the Constituencies since some Constituencies have no substantive District Accountants and therefore share.**

15.5 LINK BETWEEN THE OFFICE OF THE AUDITOR GENERAL AND THE FUND ACCOUNT MANAGERS

660. The Committee observed that there was poor coordination between the Office of the Auditor General and Fund Account Managers particularly regarding the timely response to audit queries. The Committee further observed that there is need for the NG-CDF Board to inform Fund Account Managers across the country to respond to audit queries promptly.

661. The Committee observed further that Fund Account Managers did not avail some documents that were subject of examination by the Auditor-General for verification at the time of audit. The documents not availed for audit included cash books, bank statements, payment vouchers, project completion certificates, procurement records and Bills of Quantities.

662. The Committee recommended that the NGCDF Board:

- (i) ensures that the Fund Account Managers comply with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Public Finance Management Act, No. 18 of 2012;
- (ii) issues administrative circulars directing the Fund Account Managers to comply with provisions of the Constitution of Kenya, 2010, the Public Audit Act, No. 34 of 2015, the Public Finance Management Act, No. 18 of 2012 and Public Procurement and Asset Disposal Act, No. 33 of 2015; and
- (iii) ensures that the Fund Account Managers maintain the original Project Management Committee files at the NG-CDF Constituency Office, while the duplicate be maintained by the Project Management Committees to ensure that documents are available at the time of audit.

15.6 BURSARY ALLOCATIONS AND DISBURSEMENTS

663. The Committee observed high incidences of delays in disbursement of bursaries to beneficiary institutions, non-presentation of issued bursary cheques to institutions and cancellation of issued bursary cheques.

664. The Committee recommends that:

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

15.7 ACCURACY OF FINANCIAL STATEMENTS

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

666. The Committee also established that the Public Sector Accounting Standards Board (PSASB) reviews the IPSAS Standards periodically to take into account emerging issues and conform to best accounting practices. The Committee found that some Fund Account Managers experience challenges in application of these standards while preparing financial statements as evidenced in the audit queries.

667. The Committee recommends that:

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

Signed:.....



Date:.....

25/2/2020

 HON. KATHURI MURUNGI, M.P.
CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

**MINUTES OF THE SITTING OF THE SPECIAL FUNDS ACCOUNTS
COMMITTEE ON REPORT WRITING RETREAT IN MOMBASA COUNTY
FROM 21ST TO 25TH NOVEMBER, 2019 ON SUNDAY, 24TH NOVEMBER,
2019 AT 2.30P.M. IN ENGLISH POINT HOTEL.**

PRESENT

1. Hon. Kathuri Murungi, M.P. - **Chairperson**
2. Hon. William Kamuren Chepkut, M.P. - **Vice Chairperson**
3. Hon. Marwa Kitayama Maisori, M.P.
4. Hon. Erastus KivasuNzioka, M.P.
5. Hon. James Kamau Wamacukuru, M.P.
6. Hon. Alfred Agoi Masadia, M.P.
7. Hon. Mwambu Mabongah, M.P.
8. Hon. Geoffrey Orusc, M.P.
9. Hon. Dr. Irene Kasalu, M.P.
10. Hon. Mohamed Ali Mohamed M.P.
11. Hon. Justus Kizito Mugali, M.P.

APOLOGIES

1. Hon. Shakkel Shabbir Ahmed, CBS, M.P.
2. Hon. Mohamed Ali Lokiru, M.P.
3. Hon. Mark Lomunokol, M.P.
4. Hon. Jared Okelo, M.P.
5. Hon. DennitahGhati, HSC, M.P.
6. Hon. Esther Muthani Passaris, OGW, M.P.
7. Hon. Rehema Jaldesa, M.P.
8. Hon. Abdi Koropu Tepo, M.P.

COMMITTEE SECRETARIAT

1. Ms. Hellen Ekadeli - Second Clerk Assistant
2. Ms. Clare Kidombo - Researcher
3. Mr. Sydney Okumu - Senior Legal Counsel
4. Mr. Robert Ngetich - Fiscal Analyst
5. Mr. Josephat Bundotich - Serjeant-at-Arms
6. Ms. Fatuma Abdi - Audio-Recording Officer

IN-ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. Francis Kabui - Manager – Audit.
2. Mr. Thomas Kilei - Auditor, Kiambu County

NATIONAL TREASURY

1. Mr. Cyrus Munyua - Liaison/Manager – Accountant

MIN.NO./NA./SFAC/2019/026 - PRELIMINARIES

The meeting was called to order at 3.00 p.m. with a word of prayer from the Chairperson. The agenda of the meeting was as circulated:

1. Prayers
2. Preliminaries
3. Confirmation of Minutes
4. Matters Arising
5. **Consideration of draft reports of audited financial statements of NG-CDF Constituencies in Kiambu County for FY 2013/14, 2014/15 and 2015/16.**
6. Any Other Business
8. Adjournment.

MIN.NO./NA./SFAC/2019/027 - CONFIRMATION OF MINUTES

There were no minutes to be confirmed and therefore no matters arising.

MIN.NO./NA./SFAC/2019/028 - DRAFT REPORT FOR NG-CDF LIMURU CONSTITUENCY

FINANCIAL YEAR 2013/2014

AUDIT QUERY NO. 1: ACCURACY AND COMPLETENESS OF FINANCIAL STATEMENTS

The financial statements presented for the year ended 30th June 2014 did not include statement of cash flows as required by international public sector accounting standards (IPSAS). In addition, no trial balance and ledgers were provided for Audit review to support the financial statements balances. In the circumstances, the accuracy and completeness of the financial statements as at 30th June 2014 could not be confirmed.

The Committee observed that the revised financial statements submitted and reviewed by the Office of the Auditor General and the Office of the Controller of Accounts, therefore, stands resolved.

AUDIT QUERY NO. 2: UNSUPPORTED EXPENDITURE

The statement of receipts and payments shows total payments amounting to Kshs. 3,600,836 in respect of use of goods and services at 30th June 2014 which have not been supported by the necessary schedules. It has not been possible to confirm the accuracy and propriety of the use of goods and services expenditure as at 30th June 2014.

The Committee observed that the schedules availed and verified by Office of the Auditor General and therefore the matter was resolved.

AUDIT QUERY NO. 3: INCOMPLETE WORKS FOR CONSTRUCTION OF KAMIRITHU JUA KALI SHEDS

Limuru CDF had allocated a total of Kshs 9 million for construction of Kamirithu Jua Kali Sheds between financial years 2009/2010 and 2013/2014. A total of Kshs. 8,341,518.00 had been spent on this project as at 30th June 2014. The project appeared to have taken too long and had not been completed at the time of audit. Physical verification further showed that the works were poorly done and the total cost of the project appeared excessive compared to work done.

It was also observed that the bill of quantities for this project was prepared on 12th October 2012 while the work on the ground was still in progress. In addition, the project was implemented without technical supervision and payments were not supported with works completion certificates as required balance and expenditure returns for audit review MOU 1/14.

The Committee recommends -

- (1) that the NGCDF Board undertakes an investigation into the dispute between Kamirithu Jua Kali Association and the contractor M/s Lexum Enterprise to establish the facts of the dispute and table recommendations on the completion of the project to ensure that residents of the constituency receive value for money spent. A status of this investigation should be submitted to Committee within three (3) months of the adoption of this report by the House ; and

- (ii) That the NGCDF Board allocates funds for public participation to ensure that there is sufficient public consultation and ownership before projects are undertaken. This should be effected in subsequent financial years.

AUDIT QUERY NO. 4: UNSUPPORTED BURSARY FUNDS

During the year under review, payment of bursaries amounting to Kshs. 3,875,000 was made to various schools and colleges. However, no confirmations were done to acknowledge receipt of funds. Consequently, it has not been possible to ascertain that the bursaries reached the intended beneficiaries and were properly accounted for as at 30th June 2014.

Committee Recommendations

- (i) The Committee directs that the Fund Account Manager write to the beneficiary institutions under the query and avail written acknowledgement to the Auditor General for verification within three (3) months of the adoption of this report;
- (ii) The Committee recommends that National Government Constituencies Development Fund Board reviews guidelines on issuance of bursaries to enhance efficiency; and
- (iii) The Committee recommends that the National Government Constituencies Development Fund Board fast-tracks adoption of electronic funds transfer in disbursement of bursaries.

AUDIT QUERY NO.5 : CONSTRUCTION OF ADMINISTRATION POLICE

(AP) LINE ON DONATED LAND

During the year under review, a total of Kshs. 3,700,000 was incurred in respect of construction of Nazareth AP line Limuru Constituency. However, the AP lines were constructed on Land which had been donated by a local resident. It was further observed that surveying and transfer of the land to the CDF had not been done before the commencement of the construction and therefore the ownership of land was still in the name of the resident who donated the land. Further, despite the project being complete it had not been put into use. In the circumstances, the ownership of the project could not be ascertained.

The Committee recommended -

(i) that the NGCDF Board intervenes to ensure that the transfer process of the land is expedited and that the ownership of the

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(ii) that the National Treasury expedites the preparation of the Draft National Asset Policy which will provide guidelines on the acquisition of Public Assets and the use of public funds in acquisition of Assets; and

(iii) that the NG-CDF Board to issue a circular directing Fund Account Managers to ensure that is purchased first before any project is commenced where the same is not a public land.

FINANCIAL YEAR 2014/2015

AUDIT QUERY NO. 1: UNSUPPORTED EXPENDITURE ON COMMITTEE EXPENSES

The statement of receipt and payments for the year ended 30th June 2015 includes committee expenses amount of Kshs. 3,809,100. Included in this expenditure is an amount of Kshs. 850,000 in respect of sitting allowances paid to CDF committee members for the year ended 30 June 2015. However, the allowances paid for monitoring and evaluation of projects were not supported by relevant documents including site visit minutes, evidence of travel and monitoring and evaluation reports for the Projects. In the circumstances, the propriety and completeness of committee expenses figure of Kshs. 3,809,100 for the year ended 30 June 2015 could not be confirmed.

The Committee observed that the management provided supporting schedules and monitoring and evaluation report were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 2: TRANSFER TO OTHER GOVERNMENT ENTITIES

The statement of receipts and payments reflect transfers to other government entities balance of Kshs. 36,469,758 for the year ended 30 June 2015. However, note 7 on the same item reflects total payments of Kshs. 37,369,758 resulting to unexplained variance of Kshs. 900,000. In the circumstances, it has not been possible to confirm the accuracy of transfers to other government entities expenditure of Kshs. 37,369,758 for the year ended 30 June 2015.

The Committee observed that the statement of receipts and payments was provided and verified. The matter therefore stands resolved.

AUDIT QUERY NO. 3: STALE CHEQUES

The statements of assets reflect cash and cash equivalents balance of Kshs. 14,566,762.75 as at 30 June 2015. A review of the bank reconciliation statement however, indicates that unpresented cheques totaling Kshs. 629,000 were already stale as at 30th June 2015. No reason was provided for the failure to reverse the cheques in the cashbook. In circumstances, the accuracy of cash and cash equivalents balance of Kshs. 14,566,762 as at 30th June 2015 could not be confirmed.

The Committee observed that an extract of schedules to show that the cheques were reversed were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO.4: IRREGULAR AWARD OF TENDER FOR NGECHA JUA KALI SHEDS

Examination of records maintained by Limuru CDF office revealed that an amount of Kshs. 3,000,000 had been allocated for construction of Ngecha Jua Kali sheds during the financial year 2014/2015 which involved construction of boundary wall and compacting of floor. Further, requests for quotations were opened on 4th March 2015. However, the contract was awarded to the third lowest bidder at a contract sum of Kshs. 3,369,527. No explanation has been given as to why the lowest bidder Kshs. 2,584,250 was not considered contrary to section 66 (4) of public procurement and Disposal Act, 2005. An extra cost of Kshs. 785,277 was incurred on the project. In addition, it was not clear how the extra cost was financed given that the approved budget for the project had been estimated at Kshs. 3,000,000.00.

Further, physical verification of the project in April 2016 revealed that the boundary wall was incomplete despite the contractor receiving full contract sum. Compacting of the floor was also not complete as specified in the bill of quantities. In the circumstances, it was not possible to ascertain the propriety and value for money incurred on this project.

The Committee observed that the management provided contract documents and completion certificates were submitted and verified by the Office of the Auditor General hence the matter stands resolved.

AUDIT QUERY NO. 5: OTHER MATTERS

1.1. Budget Performance

1.1.1. Overall Budget Execution

Review of statement of budget appropriation revealed 65% and 65% overall budget utilization on receipts and expenditures respectively as follows-

Item	Budget -Kshs	Actual Kshs	Difference -Under Kshs	Actual as % of budget.
Receipts	145,918,115	94,139,360	51,778,755	65%
Expenditure	134,688,193	87,030,768	47,657,425	65%

The above analysis, reflects actual receipts of Kshs. 94,139,360 against the budgeted amount of Kshs. 145,918,115 resulting in a shortfall of Kshs. 51,778,755 undisbursed funds from the CDF Board. Further, the CDF incurred an under-expenditure of Kshs. 47,657,425 or 35 % of the approved budget of Kshs. 134,688,193. The low utilization of the budget was attributed to delay in disbursement of funds by the CDF board.

The Committee observed that poor performance was occasioned by the late disbursement of funds. The matter stands resolved.

1.2. Development Projects Implementation

During the year under review, Limuru CDF had a total budget of Kshs. 74,548,589 for development projects. However, the CDF spent an amount of Kshs. 58,266,055 resulting in under expenditure of Kshs. 16,282,534 or (22 %) on the approved budget as analyzed below-

Project Category	No. Budget ed	Budget Amo unt Kshs	Actual Expenditur e- Kshs	Not compl eted	Not Ongoi ng	Not starte d	Not impleme nted	% of implement ation.
Education	48	37,137,931	32,886,549	18	15	4	11	89

Health			4,482,759	-	1			
Security	8	9,800,000	7,200,000	1	4	1	2	73%
Water	2	10,000,000	1,200,000			1	1	12%
Youth & Sports	1	2,055,200	2,000,000		1			97%
Roads	2	5,000,000	445,380		1		1	9%
Environment	1	2,055,200	2,080,350		1			101%
Emergency	7	5,400,259	1,835,340		7			34%
Other Projects	6	3,100,000	6,134,777	2	2	1		198%
Totals	75	74,548,589	58,266,055	21	32	7	15	78

As at 30 June 2015, twenty-one (21) projects were complete, thirty two (32) projects were ongoing, seven (7) projects had not started and fifteen (15) had not been implemented. No reason was provided for failure to implement the funded projects within the year. The above analysis shows that the CDF had budgeted to implement a total of seventy-five (75) projects during 2014/2015 financial year, including thirty-five (35) projects relating to 2013/2014 period.

The Committee observed that the delay in disbursement of funds occasioned the delay in completion. However, the project has been completed and is operational. The matter hence stands resolved.

1.3. Unutilized Funds

During the year under review, the CDFC disbursed funds to Ngenia Water Project and Ndeiya Health Centre for construction of prefabricated staff house amounting to Kshs. 1,200,000 and Kshs. 4,482,759 respectively. However, as the time of this audit in April 2016 the funds had not been utilized and remained in project account. No reason was provided for failure to utilize the funds as intended.

The Committee observed that the projects satisfactorily completed and completion certificates submitted and verified by the Office of the Auditor General and therefore the matter stands resolved.

AUDIT QUERY NO. 1: USE OF GOODS AND SERVICES

The statement of receipts and payments for the year ended 30th June 2016 reflects use of goods and services balance of Kshs. 6, 484, 995. However, Note 5 to the financial statements reflects expenditure balance of Kshs. 7,284,995 against the account resulting in unexplained variance of Kshs. 800, 000. Consequently, the accuracy of use of goods and services balance of Kshs. 6,484,995 for the year ended 30th June 2016 cannot be confirmed.

The Committee observed that the Fund Account Manager submitted revised financial statements to the Office of the Auditor General and therefore the matter has been resolved.

AUDIT QUERY NO. 2: COMPENSATION OF EMPLOYEES

The statement of receipts and payments reflects compensation of employees balance of Kshs. 1,222,847 for the year ended 30th June 2016. However, Note 4 to the financial variance of Kshs. 10,400. In the circumstance, it has not been possible to confirm the accuracy of compensation of employees expenditure of Kshs. 1,222,847 for the year ended 30th June 2016.

The Committee observed that the error in the financial statements was corrected and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO.3: OTHER GRANTS AND PAYMENTS

Other grants and payments balance of Kshs. 40,050,325 reflected in the statement of receipts and payments for the year ended 30th June 2016 includes bursary awards amounting to Kshs. 18,278,403; Kshs. 3,334,000 and Kshs. 847,000 for secondary schools, tertiary institutions and special schools respectively totaling to Kshs. 22,459,403. However, acknowledgment letters and receipts from institutions that received bursary totaling Kshs. 12,449,783 were not received by the management and have not therefore accounted for. Consequently, it has been possible to ascertain whether the bursaries awarded reached the intended beneficiaries and were properly accounted for as at 30th June 2016.

The Committee recommends that:

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

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

AUDIT QUERY NO. 4: BUDGET PERFORMANCE

4.1 Overall Budget Execution

Review of the statement on budget appropriation revealed 69% and 56% overall budget utilization on receipts and expenditure respectively as follows-

Item	Budget -Kshs	Actual-Kshs	Difference- Under Kshs	Actual as % of budget.
Receipts	175,201,488	120,345,517	54,855,971	69
Expenditure	175,201,488	98,055,965	77,145,523	69

NG-CDF Limuru during the financial year 15/16 incurred expenditure of Kshs. 98,055,965 which is 58 % of the approved budget of Kshs. 175,201,488 resulting to under expenditure of Kshs. 22,289,552 equivalent to 19% under-utilization. The management has not explained the underutilization of the budget. Delay in completion of projects and poor budget execution translates to under-spending denies residents benefits due from project and increase the risk of project costs.

The Committee observed that the late disbursement of funds caused the poor performance of the overall budget. The matter therefore stands resolved.

AUDIT QUERY NO.5: EXPENDITURE ON DEVELOPMENT PROJECTS

The Limuru NG-CDF had a budget of Kshs. 61,244,766 for development expenditure as per their projects proposal for the 2015/2016 financial year. Audit verification revealed that the CDF office spent Kshs. 63,864,820 resulting to over-expenditure of Kshs. 3,464,643 or (5.5%) on the approved budget as per the projects implementation status report for the year ended 30th June 2016. Further, the NG-CDF had budgeted to implement a total of 37 projects at the beginning of the year. As at 30th June 2016, 35 projects

were complete and two projects were ongoing as evidenced in the table below:

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Project Category	No budgeted	Budget amount	Actual expenditure	Not completed	No on-going	% of implementation
Education	29	44,800,000	47,217,398	25	4	86.2%
Security	4	5,500,000	6,736,424	3	1	75%
Youth and Sports	1	2,177,119	1,241,530	1	0	100%
Roads	1	1,000,000	4,212,300	1	0	100%
Emergency	1	5,767,647	3,110,118	1	0	100%
Markers	1	2,000,000	1,347,050	1	0	100%
Total	37	61,244,766	63,864,820	32	5	86.5%

The NG-CDF management did not explain the reasons for over-utilization of the CDF funds during the year under review.

The Committee observed that the circumstances for over expenditure were beyond the Fund Account Manager control. This has since been verified by the Office of the Auditor General and the matter stands resolved.

AUDIT QUERY NO.6: CONSTRUCTION OF KAMIRITHU JUA KALI SHEDS

Records availed for audit indicated that KamirithuJua Kali sheds project was allocated Kshs. 11,000,000 over the years beginning from 2009/2010 financial year for construction of sheds for use by informal sector traders. During the year under review the project was allocated Kshs. 1,000,000 at Kamirithu. Audit verification revealed that the contractor was not on site and therefore no construction had stalled. However, a few stalls had been completed through previous year's allocations.

None the less, the sheds were not occupied due to what was termed a politicization of the sheds. Correspondence reviewed suggested there were wrangles between the management and other stakeholders. Further, an amount of Kshs. 1,500,000 was transferred to the project Management Committee on 11th November 2015 and it was not clear whether this

amount was still in the bank since bank statements for the project were not availed for audit.

In addition, minutes of the Inspection and Acceptance Committee, and bills of quantities (BQS) prepared by the Ministry of Works were not presented for Audit. It was therefore not possible to confirm whether the works were executed as specified in the contract agreement.

The Committee recommends –

- (i) that the NGCDF Board undertakes an investigation into the dispute between KamirithuJua Kali Association and the contractor M/s Lexum Enterprise to establish the facts of the dispute and table recommendations on the completion of the project to ensure that residents of the constituency receive value for money spent. A status of this investigation should be submitted to Committee within one(1) month of the adoption of this report by the House ; and
- (ii) That the NGCDF Board develops public participation guidelines for constituencies to ensure that there is sufficient public consultation and ownership before projects are undertaken. This should be affected within one (1) month of the adoption of this report by the House.

AUDIT QUERY NO.7: AWARD OF TENDERS TO HIGHEST BIDDERS

Available records indicate that the NG-CDF awarded tenders totaling Kshs. 5,956,690 to various contractors in 2015/2016 for the following projects. In addition, the budgeted amount for construction of a multipurpose hall at Ngenia high school was Kshs. 2,000,000 as specified in the 15/2016 approved budget availed for audit.

Project	Bidders	Lowest bidder.	Highest bidde	Winning Bidder	Winning Bid -Kshs	Saving /Lost (Kshs)
		Kshs	(Kshs)			
Ngenia High school	4	1,502,230	2,160,110	NdaneConst Co.Ltd	2,160,110	657,880
Multipurpose hall						

Makutano secondary Sch	4	123,450	973,220	MaayaConst Ltd	973,220	549,770
Ngũgĩ Kali Sheds	2	2,447,890	2,823,360	Mahindi Building Ltd	2,823,360	381,560
Total		4,367,480			5,956,690	1,589,210

However, in all the instances, awards were made to the highest bidders and therefore the NG-CDF may have incurred loss of Kshs. 1,589,201 by awarding the contracts to the highest bidders. However, it was not explained how the extra cost of Kshs. 160,110 was financed. In the circumstances, it has not been possible to confirm the propriety and value for money for the expenditure incurred on these projects as at 30th June 2016.

The Committee observed that the award to the highest bidders was occasioned by the non-responsive lowest bidders and procurement documents were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 8: CONSTRUCTION OF MBARI YA GIATHI ACCESS ROAD

The contract for construction of MbariyaGiathi Access road project was awarded to Noakim Enterprises at a contract price of Kshs. 1,400,630 during the 2015/2016 financial year .However, the NG-CDF did not provide procurement documents such as tender notices, tender opening ,a and evaluation and award minutes for the project to show how the procurement was initiated and awarded. Further, the project had been allocated Kshs. 1,000,000 in the financial year and it was not clear how the over-expenditure of Kshs. 400,630 was financed. In addition, the NG CDF did not constitute a project management committee but instead engaged the contractor directly. In the circumstances, the propriety and value for money on the expenditure of Kshs. 1,400,630 cannot be confirmed.

The Committee observed that the expenditure analysis and support documents were availed and verified by Office of the Auditor General and the matter therefore stands resolved.

AUDIT QUERY NO. 1: UNSUPPORTED BURSARIES

Payment of bursaries of Kshs. 14,135,000.00 was made during the year to various schools and colleges. However, out of the total bursaries disbursed, an amount of Kshs. 3,265,000.00 was disbursed as grants for Mocks and Continuous Assessments and Tests (CATs) projects in various schools. No expenditure returns were, however, availed to account for Kshs. 3,265,000.00 disbursed for the Mocks and CATs. Consequently, the propriety of Kshs. 3,265,000.00 disbursed as bursary grants for mocks and CATs project could not be confirmed.

The Committee observed that the expenditure analysis were availed and reviewed by Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 2: UNSUPPORTED EXPENDITURE

A total of Kshs. 6,128,468.50 was disbursed by the Constituency Development Fund Committee to various projects. However, no expenditure returns were made available to audit verification. In the circumstance, it has not been possible to confirm the propriety of the expenditure amounting to Kshs. 6,128,468.50 during the year ended 30th June 2014.

2.1 MuiriChiboni Road – Kshs. 928,468.50

The works along entailed supply and overlaying of Murrum as well as excavation of drainage channels at either side of the approx. 1.3 Kms damaged section of the road. Due to the urgency to repair the damaged roads that were impassible by the residents, it was a priority to undertake a labor based contract to speed up the process. Procurement processes were adhered to and request for quotations was received from three suppliers to supply 24" Loads each at a cost of below bids. The winning bidder, Watharao General Hardware was awarded the contract amounting to Kshs. 633,600 and the balance was labour charges and supervision was done by the office of Sub County Roads Engineer.

2.2 Ha Edward Kirasha Road – Kshs. 1,400,000.00

The works along the said road entailed supply and overlaying of Murrum as well as excavation of drainage channels at either side of the approx. 2.1 kms damaged sections of the road. The works were labor based and the project

file with the supporting documents was availed to the Auditors later, since the file was on site during the audit exercise. The Procurement processes were adhered to and request for quotations was received from three suppliers. Escarpment Mukuru Quarry & Transporters supplied the Murram and overlaying was done and the work was under supervision of the office of Sub County Roads Engineer.

2.3 GithirioniKwaregi Road – Kshs. 1,600,000.00

The works along the said road entailed supply and overlaying of Murram as well as excavation of drainage channels at either side of the approx. 2.4 kms damaged section of the road. The works were labor based whereby the Murram supplier was sourced through request for quotations where three suppliers had submitted. The winning bidder, Kaguongo Hardware &Transporters supplied the Murram and overlaying was done under supervision by the office of Sub County Roads Engineer. This is adequately supported in the project file, However there were delays in forwarding.

2.4 Kamahindu Police Post – Kshs. 700,000.00

The funds allocated for shattering/completion of ground floor slab was unutilized as at the time of the audit this was as a result of technical advice from clerk of works and public works officer to the Project Management Committee that the available Kshs. 700,000 was not adequate to undertake the constructions to completion level. The CDPC factored an additional Kshs. 800,000 to the project in the 2014/15 Financial Year which was approved by the CDF Board and has since been released.

2.5 Lari CID Office - Kshs. 1,000,000.00

The Kshs. 1,000,000 was allocated to the project for construction of a new office block to host the Criminal Investigation Department whose newly posted officers had no offices following elevation of Lari Police Post into divisional HQs. The works were labor based whereby the suppliers for construction materials were sourced through request for quotations. Since the Materials were sourced from different suppliers some supporting documents were missing in the project file. However the materials purchased cost and significant supporting documents were available. The Sub county Works Officer and the Station OCPD supervised and monitored the construction to completion stage. The total project cost was estimated at

Kshs. 1,000,000 as per the BQ. ODFC has since allocated additional funds to the project and is now complete and in use.

2.5 Kamuchege Chief's Office - Kshs. 1,000,000.00

The Kshs. 1,000,000 was allocated to the project for construction of a new office block to host the Kamuchege location chief whose office was at rented premises at Kamuchege shopping Centre. The works were labor based, Procurement processes were adhered to. Request for quotation was received for supply of materials and labour was sourced from the community. The project file in the support of the above was later availed to the auditors. The building was completed and is now occupied by the area chief.

2.5 Soko Water Project – Kshs. 500,000.00

The Kshs. 500,000 allocated to the project was a re-allocation from Kariaini Primary School land purchase project as approved by the CIDP Board towards purchase and installation of water pipes to extend the water distribution network from the borehole to Soko area residents. The purchase and installation project was implemented by the PMC on labor based contract basis where pipes/pipes accessories were produced from local suppliers using requests for quotations. The project was under the supervision of the office of the Sub County Water Officer.

The total project cost was estimated at Kshs. 506,500 as per the BQ. The intended phase is now complete with water reaching as far as Utugi Secondary School from Soko water project borehole site.

The Committee observed that the analysis of how the amount was expended submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

FINANCIAL YEAR 2014/2015

AUDIT QUERY NO. 1: CASH AND CASH EQUIVALENTS

The statement of assets reflects cash and bank balances of Kshs. 36,792,870.45 as at 30 June 2015. However, the cash book balance as at the same date was Kshs. 11,929,949.25 resulting in unreconciled difference of Kshs. 24,862,921.20. Consequently, it has not been possible to confirm

the accuracy of the cash and bank balances of Kshs. 36,792,870.45 as at 30 June 2015.

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The Committee observed that the updated transaction in the cash book was verified by the Office of the Auditor General. The matter stands resolved.

AUDIT QUERY NO. 2: OTHER MATTERS

1.1. Overall Budget Analysis

Review of summary statement of appropriation revealed 100% and 74% overall budget utilization on receipts and expenditure respectively as follows-

Item	Budget-Kshs	Actual-Kshs	Difference-Under Kshs	Actual as % of budget
Receipts	134,273,297.50	134,273,297.50	0.00	100%
Expenditure	139,846,574.95	103,084,704.50	36,761,870.45	74%

The above analysis, reflects that the CDF incurred an under expenditure of Kshs. 36,761,870.50 or 26% of the approved budget of Kshs. 139,846,574.95. The low utilization of the budget was attributed to delay in disbursement of funds by the CDF Board.

The Committee observed that the bank reconciliation was provided to the Office of the Auditor General and the matter therefore stands resolved.

2.2 CDF Project Expenditure

A review of actual expenditure in the summary statement appropriation revealed that the CDF has approved development budget of Kshs. 109,760,903 allocated to thirty seven (37) projects, out of which thirty three (33) projects were implemented at a cost of Kshs. 89,076,200 as below-

Description	No. of approved projects	No. of projects implemented	Not Implemented	Budget Kshs	Actual expenditure Kshs	Actual as % of budget
Other grants and transfers	17	15	2	62,018,983	55,176,815	86
Transfer to Government	20	18	2	47,741,920	35,899,385	75

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Total	37	33	4	109,760,903	89,076,200	81
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The above analysis shows that four (4) projects were not implemented during the year. No reason was provided for the under-utilized funds.

The Committee observed that the delay in disbursement of funds caused the poor budget performance. The matter therefore stands resolved.

AUDIT QUERY NO. 3: BUDGET ANALYSIS ON TRANSFERS TO OTHER GOVERNMENT UNITS

The CDPC budgeted to undertake twenty (20) projects on transfers to other government units during the year. Rolled over projects relating to 2013/2014 worth Kshs. 6,261,454 were also implemented during the year under review. However, the CDPC managed to complete only 6 projects and twelve (12) projects were ongoing projects as at the end of the year as follows-

Project category	No. Budgeted	Budget Kshs	Actual Kshs	No. completed	No. Ongoing	No. not started	%level of Implementation
Primary Schools	11	10,037,931	9,237,931	2	7	2	92
Secondary Schools	7	7,900,000	7,900,000	3	4	0	100
Tertiary Schools	0	-	10,000,000	0	1		
Health Project	2	2,500,000	2,500,000	1	1	0	100
Total	20	20,437,931	29,637,931	6	13	2	145
Expenditure on Projects for 2013/2014			6,261,454				
Total Actual Expenditure 2014/2015			35,899,385				

According to the above analysis an amount of Kshs .10 Million disbursed for tertiary education for construction of Lari Technical Institute was not budgeted for. It was not explained why approval was not obtained from the CDPC Board for the expenditure.

The Committee observed that the projects have been completed and operating and therefore the matter has been resolved.

AUDIT QUERY NO.4: BUDGET ANALYSIS ON OTHER GRANTS AND TRANSFERS

The CDF office had also allocated in the budget Kshs. 48,963,104 to implement seventeen (17) projects under other grants and transfers as

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Project Category	Budget Kshs.	Actual Expenditure Kshs	No of Projects Budgeted	No of Projects Completed	No of Projects Ongoing	No of projects Not yet started	%level of Implementation Variance
Environment	1,989,034	1,900,000	-	-	-	-	96
Security	4,600,000	4,300,000	6	1	3	2	93
Roads	10,121,855	10,121,855	11	11	-	-	100
Emergency	5,400,259	-	-	-	-	-	0
Sports	1,989,034	1,900,000	-	-	-	-	96
Bursary	20,862,922	16,840,330	-	-	-	-	81
Mocks/cats	4,000,000	4,000,000	-	-	-	-	100
Total	48,963,104	39,062,185	17	12	3	2	80
Expenditure on projects for 2013/2014		14,114,630					
Total 2014/2015		53,176,815					

The above analysis show that, out of the 17 projects only 12 were completed, 3 projects were ongoing while two other projects, under security sector were not implemented. No explanation was provided for the failure to implement these projects. Rolled over projects 2013/14 was also implemented in 2014/2015 at a cost of Kshs. 14,114,630.

The Committee observed that the late disbursement of funds caused the poor implementation of the projects. These have since been completed and are operational. The matter therefore stands resolved.

FINANCIAL YEAR 2015/2016

AUDIT QUERY NO. 1: UNSUPPORTED PRIOR YEAR ADJUSTMENTS

The statement of financial assets as at 30th June 2016 includes prior year adjustment figure of Kshs. 24,866,921.20. However, no explanation in notes to the financial statement and supporting documents for the adjustments

were provided for audit review. Consequently, the accuracy and validity of the prior year adjustments of Kshs. 24,866,921.20 for the year ended 30th June 2016 could not be confirmed.

The Committee observed that the Fund Account Manager submitted amended financial statements for verification by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO.2: NON-COMPLIANCE WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) REPORTING TEMPLATE

The statement of receipts and payments, Statement of assets and statement of cash flows indicates note 1 to12. However, the referenced notes to the financial statements were not numbered and the financial statements lacked page numbers making it difficult to understand the financial statements. In the circumstances, the financial statements under review do not comply with the requirements of International public sector accounting standards prescribed by public sector accounting standard board.

The Committee observed that the management revised financial statements in compliance with International Public Sector Accounting Standards (IPSAS) and submitted to the Office of the Auditor General. These were verified and therefore the matter stands resolved.

AUDIT QUERY NO. 3- ACCURACY OF RECEIPTS FROM CDF BOARD

The statement of receipts and payment for the year ended 30th June 2016 reflects transfer from CDF Board of Kshs. 76,862,921.20. However, the summary statements of appropriation; recurrent and development combined reflect actual receipts of Kshs. 88,792,870.45, Resulting in an explained and un- reconciled difference of Kshs. 11,929,948.80. Consequently, the accuracy of receipts of Kshs. 76,862,921.20 for the year ended 30th June 2016 could not be confirmed.

The Committee observed that the revised financial statements were submitted and reviewed by Office of the Auditor General and the matter therefore stands resolved.

AUDIT QUERY NO. 4: USE OF GOODS AND SERVICES

The statement of receipts and payment reflects use of goods and services balance of Kshs.6 892,072 for the year ended 30th June 2016. However, review of records presented for audit revealed expenditure of Kshs.1, 856,780 were not included in the reported balance. Consequently, the

accuracy of use of goods and services balance of Kshs. 6,892,072 for the year ended 30th June 2016 could not be confirmed.

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The Committee observed that the rectified financial statements were provided and reviewed and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 5: OTHER GRANTS AND TRANSFERS - GRADING AND GRAVELLING OF ROADS

The statement of receipts and payments reflects other grants and payments of Kshs. 45,608,010 for the year ended 30 June 2016. Included in the balance are various projects totaling Kshs. 9,672,000 awarded to various contractors for grading, gravelling and bush clearing of various roads. However, no completion certificate and inspection reports from the ministry of works were provided for audit review to confirm that the work was done and completed before the payments were made. In the circumstances, the propriety of expenditure of Kshs. 9,672,000 during the year under review could not be confirmed.

The Committee observed that the completion certificated availed and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 6: BANK BALANCES

The statement of financial assets as at 30th June 2016 reflects bank balance of Kshs. 21,205,995.45. However, the bank reconciliation statement includes un-presented cheques totaling to Kshs. 711,310 that were stale as at 30 June 2016, and could not be presented in the bank for payment. No reason was provided for the failure to reverse the cheque in to the cash book. Consequently the accuracy of bank balances of Kshs. 21,205,995.45 as at 30th June 2016 could not be confirmed.

The Committee observed that the financial statement were amended and submitted to the Office of the Auditor General for verification. The matter hence stands resolved.

AUDIT QUERY NO. 7: OTHER MATTERS

7.1 Budget Execution

7.1.1 Overall Budget Execution

Review of statement on budget appropriation revealed 62% and 61% overall budget utilization on receipts and expenditure respectively as follows-

Item	Budget Kshs	Actual Kshs	Difference Under Kshs	Actual as % of Budget
Receipts	142,115,472	88,792,870	53,322,602	62%
Expenditure	142,115,472	86,586,875	55,528,597	61%

The above analysis reflects actual receipts of Kshs. 88,792,870 against budgeted amount of Kshs. 142,115,472 resulting in a short fall in receipts of Kshs. 53,322,602. Further, the CDF incurred expenditure of Kshs. 86,586,875 Or 61% of the approved budget of Kshs. 142,115,472 resulting to under expenditure of Kshs. 55,528,597 or 39% underutilization. The underutilization of the Budget provision was not explained. Delay in completion of project and poor budget execution which translates to under spending denies residents the project benefits as well as risk of cost escalation.

The Committee observed that twenty-nine (29) projects verified by the Office of the Auditor General and the matter was resolved.

7.2 Budget Performance on Transfer to other Government Units-

During the financial year 2015/16, Lari NG-CDF approved budget for the transfers to Other Government units amounted to Kshs.44,550,000.00. A total of Kshs.32,057,000.00 was spent representing a 72.96% budget performance on transfers to other Government Units. Further, out of 43 projects budgeted for implementation in the year, only 15 of them were implemented while 29 had not started as at 30th June, 2016 as shown in the table below-

Project Category	2015/16 Budget Kshs	No. Of Projects	No of projects implemented		Projects not started	Actual Expenditure Kshs	Absorption Rate (%)
			2014/15	2015/16			
Primary Schools	33,750,000.00	30	6	12	18	16,257,000.00	48
Secondary Schools	9,800,000.00	11	3	1	10	2,500,000.00	26

Tertiary Institutions	0	0	1	0	10,000,000.00	
High Institutions	1,000,000.00	2	6	1	1	3,300,000.00 330
TOTAL	44,550,000.00	43	15	15	29	32,057,000.00 72

The Committee observed that the CDF Board disbursed the remaining funds and the Constituency has implemented the projects to completion. The matter was therefore resolved.

7.3 Employment of CDF staff

The statement of receipts and payments for the year ended 30th June 2016 reflects employees cost of Kshs 2,029,793. However, a review of records maintained by CDF office revealed that during the year under review, the CDF engaged five (5) employees at a gross salary of Kshs.263, 204 per month on a contractual basis for three (3) years. However, the process of appointing the staff appears not competitive since there was no evidence of advertisements requesting for applications, subsequent short-listing and appointments were presented for audit verification.

Further, although Employee salaries was reviewed and increased by an average of over 213% during the year, the necessary approval for the increment from the NGCDF Board was not made available for audit review. In addition, Employees' contracts indicated entitlement to a 31% gratuity after the end of the contract; no funds have been set aside to cater for gratuity. As a result of the foregoing, the propriety of employees cost for the year ended 30th June, 2016 could not be ascertained.

The Committee observed that the NGCDF revised the staff salaries and provided a three (3) year renewable contract for staff working in Constituencies Office. The matter stands resolved.

7.4 Delayed project implementation-Kamahindu Police Post

Available records indicate that Lari CDF awarded construction of Kamahindu police post project to Moses Kuria Njuguna in 2009 and has since then spent cumulative amount of Kshs. 3,150,000 as at 30th June 2016 on the project. An amount of Kshs. 500,000 was disbursed to the project during the FY 2015/16. However, site visit to the project reveals that it was incomplete since electrical works were yet to be done despite the

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significant funding. Consequently, value for money for the cumulative expenditure of Kshs. 3,150,000 as at 30th June 2016 on this project could not be confirmed.

The Committee observed that the management had implemented the project and availed photographs of the project photos to the auditors for review. The matter therefore the matter stands resolved

MIN.NO./NA./SFAC/2019/030 - GENERAL OBSERVATIONS AND RECOMMENDATIONS

During examination of these reports, the Committee made the following general observations and recommendations which cut across the twelve (12) Constituencies in Kiambu County

1.1 Standardization of NG-CDF projects

The Committee observed that there were inconsistencies in the projects being implemented in terms of costs and design across the constituencies. For example, a class room in some instances costs Kshs. 1.5 million while in others it can cost as low as Kshs. 800,000. This makes creates a challenges in determining whether there is value for money.

The Committee recommends that the NGCDF Board fast-tracks the recruitment of independent quantity surveyors and architects to address the inconsistencies in the projects across the constituencies.

1.2 Implementation of projects and re-allocation of funds without approval of the NG-CDF Board

The Committee observed that some Fund Accounts Managers implemented projects and re-allocated funds without seeking prior approval of the NG-CDF Board. This was in contravention of section 6(2) and section 31 of the National Government Constituencies Development Fund Act, 2015 which provides that once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the NG-CDF Board.

The Committee also noted that some National Government Constituencies Development Fund Committees had not engaged the services of a Clerk of Works as provided in the NG-CDF Board guidelines. In addition, physical verification of projects by the Auditor- General revealed that the structural

integrity of some buildings was questionable as stated in various audit queries.

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The Committee recommends that:-

- (i) **The National Government Constituencies Development Fund Board takes administrative action against Fund Account Managers who allowed funds to be reallocated without the approval of the Board contrary to section 6 of the NG-CDF Act, 2015;and**
- (ii) **The Board to ensure compliance with section 6(2) and section 31 of the NG-CDF Act, 2015;**
- (iii) **The Board ensures that relevant government departments are involved during project implementation in line with the provisions of Section 36(1) of the NG-CDF Act, 2015;**
- (iv) **The NG-CDF Board in consultation with the County Public Works Office and the National Construction Authority assesses the structural integrity of projects in question and issues an occupational certificate.**

1.3 Underutilization of Administration Police Posts

The Committee observed that several constituencies including Gatundu North, Juja and Thika Town allocated funds for the construction of Administration Police Posts that remained unutilized. This was an indication that there was no consultation with the relevant Ministry before the project commenced to ensure that officers were deployed to the post.

The Committee recommends-

- (i) **That, the NGCDF Board should ensure consultation with the Ministry of Interior and Coordination of National Government at the project approval phase to ensure that officers can be deployed to the station; and**
- (ii) **That, the Constituencies Development Fund Board to carry out a survey on the number of un-utilized police posts and tbel a report with the relevant Committee of the national Assembly within six months.**

1.4 Guidelines on the use of emergency funds

The Committee observed that some of the projects funded using emergency funds did not reach the threshold set out in section 8 of the NCDF Act, 2015 and could have been planned for to ensure compliance with the law.

The Committee recommends that the National Government Constituencies Development Fund Board issues guidelines on the use of the funds earmarked for emergency.

1.5 Link between the office of the Auditor General and the Fund Account Managers

The Committee observed that there was poor coordination between the Office of the Auditor General and Fund Account Managers particularly regarding the timely response to audit queries. The Committee further observed that there is need for the NG-CDF Board to inform Fund Account Managers across the country to respond to audit queries promptly.

The Committee observed further that Fund Account Managers did not avail some documents that were subject of examination by the Auditor General for verification at the time of audit. The documents not availed for audit included cash books, bank statements, payment vouchers, project completion certificates, procurement records and Bills of Quantities.

The Committee recommends that:

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

1.6 Bursary allocations and disbursements

The Committee observed high incidences of delays in disbursement of bursaries to beneficiary institutions, non-presentation of issued bursary cheques to institutions and cancellation of issued bursary cheques.

The Committee recommends that:

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

1.7 Accuracy of financial statements

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

The Committee also established that the Public Sector Accounting Standards Board (PSASB) reviews the IPSAS Standards periodically to take into account emerging issues and conform to best accounting practices. The Committee found that some Fund Account Managers experience challenges in application of these standards while preparing financial statements as evidenced in the audit queries.

The Committee recommends that:

- (i) The Fund Account Managers complies to the International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and**
- (ii) The National Government Constituencies Development Fund Board in consultation with the Public Sector Accounting**

Standards Board (PSASB) conducts continuous capacity building on financial reporting standards for constituency staff.

MIN.NO./NA./SFAC/2019/031 - ADJOURNMENT/DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 6.30 p.m.

SIGNED.....

HON. KATHURI MURUNGI, M.P

(Chairperson)

DATE.....

18/02/2020

MINUTES OF THE SITTING OF THE SPECIAL FUNDS ACCOUNTS
COMMITTEE ON REPORT WRITING RETREAT IN MOMBASA COUNTY
FROM 21ST TO 23RD NOVEMBER, 2019 ON SATURDAY, 23RD
NOVEMBER, 2019 AT 9.00 A.M. IN ENGLISH POINT HOTEL.

PRESENT

1. Hon. Kathuri Murungi, M.P. - Chairperson
2. Hon. William Kamuren Chepkut, M.P. - Vice Chairperson
3. Hon. Marwa Kitayama Maisari, M.P.
4. Hon. Erastus Kivasu Nzioka, M.P.
5. Hon. James Kamau Wamacukuru, M.P.
6. Hon. Alfred Agoi Masadia, M.P.
7. Hon. Mwambu Mabonga, M.P.
8. Hon. Geoffrey Omuse, M.P.
9. Hon. Dr. Irene Kasalu, M.P.
10. Hon. Mohamed Ali Mohamed M.P.
11. Hon. Justus Kizito Mugali, M.P.

APOLOGIES

1. Hon. Shakeel Shabbir Ahmed, CBS, M.P.
2. Hon. Mohamed Ali Lokiru, M.P.
3. Hon. Mark Lomunokul, M.P.
4. Hon. Jared Okelo, M.P.
5. Hon. Dennitah Ghati, HSC, M.P.
6. Hon. Esther Muthoni Passaris, OGW, M.P.
7. Hon. Rehema Jaldosa, M.P.
8. Hon. Abdi Koropu Tepo, M.P.

COMMITTEE SECRETARIAT

1. Ms. Hellen Ekadeli - Second Clerk Assistant
2. Ms. Clare Kidombo - Researcher
3. Mr. Sydney Okumu - Senior Legal Counsel
4. Mr. Robert Ngetich - Fiscal Analyst
5. Mr. Josephat Bundolich - Serjeant-at-Arms
6. Ms. Fatuma Abdi - Audio-Recording Officer

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IN-ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. Francis Kabui - Manager – Audit
2. Mr. Thomas Kilei - Auditor, Kiambu County

NATIONAL TREASURY

1. Mr. Cyrus Munyua - Liaison/Manager – Accountant

MIN.NO./NA./SFAC/2019/011 - PRELIMINARIES

The meeting was called to order at 9.30 a.m. with a word of prayer from the Chairperson. The agenda of the meeting was as circulated:

1. Prayers
2. Preliminaries
3. Confirmation of Minutes
4. Matters Arising
5. **Consideration of draft reports of audited financial statements of NG-CDF Constituencies in Kiambu County for FY 2013/14, 2014/15 and 2015/16.**
6. Any Other Business
8. Adjournment.

MIN.NO./NA./SFAC/2019/012 - CONFIRMATION OF MINUTES

There were no minutes to be confirmed and therefore no matters arising.

MIN.NO./NA./SFAC/2019/013 - DRAFT REPORT FOR NG-CDF RUIRU CONSTITUENCY

FINANCIAL YEAR 2013/2014

AUDIT QUERY NO. 1: UNSUPPORTED COMMITTEE EXPENSES

The statement of Receipts and Payments for the year ended 30 June 2014 includes committee expenses figure of Kshs. 2,492,000. However, these expenses were not supported by the necessary ledgers or attendance register. Further included in the committee expenses account was an amount of Kshs. 1,525,050 paid to members of monitoring and evaluation committee. However, no separate attendance registers to confirm the payments to members of the committee were produced for audit review. In the circumstances, it has not been possible to confirm the accuracy and the propriety of committee expenses.

The Committee observed that the required information submitted and verified by the Office of the Auditor and therefore the issue was resolved.

**AUDIT QUERY NO. 2: USE OF UNREGISTERED CONTRACTOR-
CONSTRUCTION OF KAHAWA SUKARI POLICE STATION**

Ruiru NG-CDF Advertised for construction of staff quarters at KahawaSukari. One key qualification was that the winner of the tender was to be registered with the National Construction Authority. However, a construction company was awarded the contract without the NCA certificate at a cost of Kshs. 5,722,360. The basis and criteria of the selection of the contractor was not given. In the circumstances, it has not been possible to ascertain the propriety of the works expenditure and whether the expenditure on the project effectively and efficiently met the intended purposes.

The Committee observed that the certificate of registration from the National Construction Authority for the contractor was submitted and verified by Office of the Auditor General and the matter therefore stands resolved.

FINANCIAL YEAR 2014/ 2015

AUDIT QUERY NO. 1: ACCURACY OF RECEIPTS

The statement of receipts and payments reflects receipts from NG-CDF Board totaling Ksh. 110,564,605. However the balance excludes an amount of Kshs. 11,900,000 received in the Ruiru NG-CDF bank account on 26 June 2015. No justification was provided for the omission. In the circumstances, the accuracy of receipts for the year ended 30 June 2015 could not be confirmed.

The Committee observed that the 2015/2016 financial statements incorporating the previously omitted amount (Kshs.11,900,000) was submitted and verified and therefore the matter was resolved.

**AUDIT QUERY NO. 2: CONSTRUCTION OF POLICE RESIDENTIAL
HOUSES AT KAHAWA SUKARI**

Examination of records indicates that Ruiru NG-CDF constructed 6 two-bedroom houses on a donated piece of land at KahawaSukari for police

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officers at a total cost of Kshs. 12,515,925 including an amount of Kshs. 8,000,000 allocated to the project in 2014/15 financial year. However it was not explained whether land transfer and ownership documents were obtained contrary to Constituency Development Fund Board Circular reference CDF/BOARD/CIRCULARS/VOL. 1/108 dated 24th August 2010 on guidelines of land ownership for Constituency Development Fund related projects. Ownership disputes therefore may arise in future if the transfer of land ownership is not realised. The basis and logic of constructing buildings before securing title deeds for the land was not clear.

The Committee recommends -

- (i) that the NGCDF Board and the Fund Account Manager reports on the progress of obtaining the certificate of ownership within three (3) months of the adoption of this report; and**
- (ii) that the National Treasury reports of the progress on the process of identification of public assets and liabilities and formulating a National Asset Register; and**
- (iii) that the National Treasury fast tracks the process of identification of public assets and liabilities and formulating a National Asset Register within one (1) year of the adoption of this report;**

AUDIT QUERY 3: OTHER MATTERS

Ruiru NGCDF had planned to undertake fifty six (56) development projects during the year 2014/15 with an allocation of Kshs. 116,980,535 while actual expenditure realized was Kshs. 105,260,738 or 90% utilization against the budget. As at 30th June 2015 forty five (45) projects were complete while eleven (11) projects had not been implemented. No reason was given for failure to implement the project as planned which may affect service delivery to the residents. My opinion is not qualified in respect of this matter.

The Committee observed that low absorption of funds was due to the late disbursement of Funds was occasioned by the failure by the National Treasury, the matter therefore remains resolved.

AUDIT QUERY NO. 1: PROJECT IMPLEMENTATION

During the period under review, the Ruiru NGCDF spent a total of Kshs. 94,508,930 against a budget figure of Kshs. 121,580,448 allocated for projects during the year. The NGCDF Committee had allocated a total of Kshs. 121,580,448 to forty six (46) projects, out of which forty three (43) were implemented and completed, one was ongoing and two projects were not started. Although the CDF Committee achieved absorption rate of 78% of allocated funds, failure to implement projects in time denies benefit to the public intended to improve the standards of living.

The Committee observed that the status of project implementation was provided and verified and therefore the matter remains resolved.

AUDIT QUERY NO. 2: CONSTRUCTION OF POLICE RESIDENTIAL HOUSES AT KAHAWA SUKARI

As previously reported, Ruiru NGCDF constructed 6 No. two-bedroom houses on a donated piece of land at Kahawa Sukari for Police officers at a cost of Kshs. 12,515,925 including an amount of Kshs. 1,600,000 allocated in the year under review. However it was not explained whether land transfer and ownership documents were obtained contrary to Constituency Development Fund Board Circular reference CDF/BOARD/CIRCULARS/VOL.1/108 dated 24th August 2010 on guidelines of land ownership for CDF related projects. Ownership disputes may arise in future if the transfer of land ownership is not finalized. The basis of constructing buildings before securing of title deed for the land was not clear.

The Committee recommends that the NGCDF Board and the Fund Account Manager reports on the progress of obtaining the certificate of ownership within three (3) month of the adoption of this report.

AUDIT QUERY NO. 1: ACCURACY AND COMPLETENESS OF FINANCIAL STATEMENTS

The financial statements presented for audit for the year ended 30th June 2014, did not include a statement of cash flows as required by International Public Sector Accounting Standards. In addition, no trial balance and ledgers were provided for audit review to support the financial statements balances as at 30 June 2014. No reason has been provided for failure to comply with these requirements.

The Committee observed that the adjusted cash statements availed and verified by Office of the Auditor General hence the matter remains resolved.

AUDIT QUERY NO. 2: INACCURACIES IN THE STATEMENT OF RECEIPTS AND PAYMENTS

Receipts and payments figures reflected in the financial statements categorized under respective class of items differ with the provided schedules supporting the same as detailed below-

Item 2013/2014	Amount as per financial statement(Kshs)	Amount as per schedules/bank statements(Kshs)	Variance(Kshs)
Total receipts	70,598,625	110,610,801	40,012,176
Compensation of employees	1,226,172	1,222,984	3,188
Use of Goods and Services	1,020,092	1,416,792	396,700
Transfer to other Gov't Entities	31,507,485	29,007,485	2,500,000
Other Grants and transfers	24,610,275	25,586,155	975,880

In view of the foregoing, the accuracy and correctness of the financial statements as at 30th June could not be confirmed.

The Committee observed that the statement of cash flow was provided and verified by the Office of the Auditor General and hence the matter stands resolved.

AUDIT QUERY NO. 3: UNSUPPORTED COMMITTEE EXPENSES

Included in the statement of receipts and payment are committee expenses and allowances amounting to Kshs. 5,291,500. However, these expenses and allowances were not supported by ledgers, attendance register and status reports. In the circumstances, the accuracy of the committee

expenses balance of Kshs. 5,291,500 for the year ended 30 June 2014 could not be confirmed.

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The Committee observed that the financial statements revised and all documents availed and reviewed. Therefore the matter stands resolved.

AUDIT QUERY NO. 4: CASH AND BANK BALANCES

The Githunguri CDF cash book for the year under review revealed that withdrawals amounting to Kshs. 2,643,958 made as per bank statement for the month of September 2013, were not posted to the main cash book. Further, it was observed that the bank reconciliation statement as at 30 June 2014 showed un-presented stale cheques amounting to Kshs. 267,720 which date way back to July 2011. The management did not explain why action has not been taken on stale cheques. In view of the foregoing, it has not been possible to confirm the accuracy and completeness of cash and cash equivalents balance of Kshs. 8,886,652 as at 30 June 2014.

The Committee observed that the relevant documents availed and transactions verified by the Office of the Auditor General hence the matter stands resolved.

AUDIT QUERY NO. 5: UNACCOUNTED FOR PROJECT GRANTS AND FAILURE TO AVAIL PROCUREMENT RECORDS

A total of Kshs. 2,902,500 grants were issued by the Constituency Development Committee to various projects as tabulated below-

Project	Amount Disbursed- Kshs	Description of work
Upper Githiga Water Project	1,000,000	Construction of intake
Githiga Borehole	500,000	Equipping of borehole
Wanjenga Dispensary	200,000	Fencing of compound
Githunguri Health Centre	400,000	Purchase of maternity equipments
Ngenwa-Kamondo-Githiga road	402,500	Grading and murraining of roads
Kamondo-Warotho road	400,000	Road grading and patching
Total	2,902,500	

However, no supporting expenditure documents were made available for audit verification. Further, the project procurement files were also not made available for audit verification. In the circumstances, it has not been possible to confirm the propriety of the expenditure amounting to Kshs. 2,902,500 for the year ended 30 June 2014. Further, it was not possible to

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confirm whether proper procurement procedures were followed on awarding of the project contracts.

The Committee observed that the project procurement file was submitted and verified by the Office of the Auditor General and that a physical verification of the projects was conducted. The matter therefore stands resolved.

AUDIT QUERY NO. 6: IRREGULAR EXPENDITURE OF PROJECT FUNDS

The Githunguri CDF operated Energy Saving Jikos Project account to help schools acquire energy saving jikos. During the year under review, a total of Kshs. 2,564,520 was disbursed to this project Account. Further, records maintained by the CDF showed that a total of Kshs. 499,000 was deposited in this Account by individuals between January and February 2014. Scrutiny of the bank statements for this account revealed that there were various cash withdrawals amounting to Kshs. 2,228,000 by certain individuals and two bankers cheques amounting to Kshs. 734,980 drawn from the Account, all amounting to Kshs. 2,962,980.

However, the drawers of the bankerscheques could not be identified and the purpose of the cash withdrawal could not also be established in the absence of the supporting documents for the payments made in cash. No explanation was given for such deposits. In addition, no project file for energy saving jiko project was provided for audit verification. In the circumstances, the propriety of the expenditure of Kshs. 2,962,980 from the energy saving jikos project account as at 30 June 2014 could not be confirmed.

The Committee recommended that the NGCDF Board should carry out project and bank reconciliation for the Energy Saving Jikos Project accounts to ascertain the veracity of this matter within three (3) months from the date of adoption of the report.

FINANCIAL YEAR 2014/2015

AUDIT QUERY NO. 1: CASH AND CASH EQUIVALENTS

The statement of assets as at 30th June 2015 reflects cash and cash equivalents balance of Kshs. 8,610,345. Included in the balance is a zero balance of cash at hand while records availed for audit revealed cash at

hand amount of Kshs. 9,446,490 as at the end of the financial year. No reconciliation or explanation was provided for omitting this balance in the financial statements.

Further, a review of bank reconciliation statements, indicates that un-presented cheques totaling to Kshs. 341,720, some dating back to July 2011, were already stale as at 30th June 2015 and could not be presented in the bank for payment. No reason was provided for the failure to reverse the cheques in the cashbook. Consequently the accuracy of Cash and Cash Equivalents of Kshs. 8,610,345 as at 30th June 2015 could be confirmed.

The Committee observed that the bank reconciliations were provided and verified by the Office of the Auditor General and therefore the matter was resolved.

AUDIT QUERY NO. 2: IRREGULAR PAYMENT OF CONSULTANCY SERVICES

During the financial year under review, the NG-CDF engaged the services of a private consultant, Master -Cost Ltd for technical advice in projects planning and management, including preparation of Bill of Quantities(BQs) and processing of payments certificates. During the year a total of Kshs, 573,301.30 was paid out to the consultant.

However, the firm was single sourced and the reasonableness of the prices charged could not be established. Further, the CDF being a public office is supposed to use the services of the county works office, which is a government department, but this was not the case and there were no correspondences to justify why the CDF opted for private firm. In addition, it was noted that the private firm did the bill of quantities, engineer's estimate and issued certificate of completion for payments which should have been done by different professionals. Therefore conflict of interest could not be ruled out. Consequently, the management could not ascertain the expenditure as a proper charge to public funds.

The Committee observed-

- (iv) that there was sufficient evidence to show that the due process was followed in the procurement of private consultants. The Committee further noted that the

- constituency could not be faulted for procuring private consultants if they would be able to get better value for money for the technical expertise needed as opposed to what they would have received from officials from public works; and
- (v) that the Accounting Officer conformed to section 25 (2) of the NGCDF Act, 2015. The Committee observed that the Department of Public Works should play a supervisory role and give certification on projects rather than project implementation. The matter therefore stands resolved.

AUDIT QUERY NO. 3: UNUTILIZED PROJECTS

Available records indicate that the NG-CDFC spent an amount of Kshs. 2,500,000 towards completion of three (3) AP Posts which had been started in the 2013/2014 financial year. These projects includes; Wanjenga AP Post Kshs. 1,500,000; Gatiiguru AP Post- Kshs. 500,000 and Ihiga AP Post- Kshs. 500,000.

A site visit of the projects revealed that all of them had been completed satisfactorily. However, it was noted that no sign boards or any other signage had been erected on the facilities to clearly mark them as NG-CDF projects as required by law. Further, it was noted that the Posts had not been handed over to the Deputy Administration Police Commander (DAPC) of the area in order for officers to be deployed there to enhance security of residents. Consequently, the management could not establish the value for money for the project.

The Committee observed that the status of all the projects undertaken was provided and verified by the Office of the Auditor General and therefore the matter stands resolved

AUDIT QUERY NO. 4: OTHER MATTERS

1.1. Overall Budget Analysis

Review of summary statement of appropriation revealed 100% and 92.8% overall budget utilization on receipts and expenditure respectively as follows-

Item	Budget-Kshs	Actual-Kshs	Difference-Kshs	Actual as % of budget
Receipts	120,208,026	120,208,026	0	100%

Expenditure	120,208,026	111,597,681	8,610,345	92.8%
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The above analysis, reflects that the CIDF incurred an under expenditure of Kshs, 111,597,681.00 or 92.8% of the approved budget of Kshs, 120,208,026. No reason was provided for underutilization of budget.

The Committee observed that the underutilization of budget was due to delay in disbursement of funds by the National Treasury and that the projects were implemented in the subsequent year. The matter stands resolved.

1.2. Budget Performance on Transfers to other Government

Units

The NG-CIDFC budgeted to undertake 55 projects under the transfer to other government units amounting to Kshs, 81,918,083. However, only 46 projects were completed while 9 projects were ongoing as at the end of the year as analyzed below-

Project category	Not budgeted	Not completed	Not started	Ongoing	Budget	Actual	Under expenditure
Prv. Schools	35	31	0	4	56,518,083	46,959,083	9,559,000
Sec. Schools	14	10	0	4	17,500,000	21,900,000	-4,400,000
Tertiary Schools	6	5	0	1	7,900,000	7,300,000	600,000
Total	55	46	0	9	81,918,083	76,159,083	5,759,000

The reason for the under expenditures observed was not explained.

The Committee observed that the poor performance of the overall budget was occasioned by the late disbursement of the exchequer. The matter was resolved.

1.3. Budget performance on other Grants and Transfers

The NG-CIDFC budgeted to undertake 15 projects under other grants and transfers amounting to Kshs, 32,672,666. However, only 13 projects were completed while 2 projects were ongoing as at the year end. Analysis as follows-

Project category	No. budgeted	No. completed	Not started	Ongoing	Budget	Actual	Under/over expenditure
Bursary	2	2			13,098,404.90	11,343,389	1,755,015.90
Water project	4	4	0	0	4,504,299	4,504,299	0

Security	7	7	0	0	9,080,000	9,080,000	0
Sports	2	1	-	1	2,488,168	1,244,084	1,244,084
Emergency	2	1	1	-	3,501,794.10	2,500,000	1,001,794.10
Total	15	13	1	1	32,672,666	28,671,772	4,000,894

From the analysis above, management should ensure that the rate of project implementation is accelerated to ensure that the residents enjoy the benefits of NG-CDF funds.

The Committee observed that the documentation detailing the projects and the implementation of the said projects was provided and verified by the Office of the Auditor General and hence the matter stands resolved.

FINANCIAL YEAR 2015/ 2016

AUDIT QUERY Other Matters – Budget Performance Analysis

1.1 Overall Budget Performance

During the financial year 2015/2016, Githunguri NG-CDF received a total of Kshs. 123,922,085 from the National Government Constituencies Development Fund Board against a budget of Kshs. 133,032,429 or 93% of the budget. Out of the total receipts, an amount of Kshs. 82,197,181 was spent during the year resulting in an under expenditure of Kshs. 50,835,249 equivalent to absorption rate of 62% as follows-

Item	2015/2016 Budget-Kshs	2015/2016 Actual Amounts-Kshs	Difference Kshs	Actual as % of budget
Receipts	133,032,429	123,922,085	9,110,344	93%
Expenditure				
Compensation of employees	1,949,131	1,472,738	476,393	76%
Use of goods and services	6,499,312	5,549,800	949,512	85%
Transfers to other Government Units	74,750,000	52,169,305	22,580,695	70%
Other Grants and transfers	47,833,987	23,005,338	24,828,650	48%
Acquisition	2,000,000	0	2,000,000	0%
Total Expenditure	133,032,430	82,197,181	50,835,249	62%

Although Githunguri Constituency Development Fund Committee attributed low absorption of funds to delay by NGCDF Board in releasing funds, the

committee should utilize resources on priority areas which highly impact on service delivery to the residents of the constituency.

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The Committee observed that poor performance of the budget and failure to implement projects on time was occasioned by the late disbursement of funds. This has however been implemented in the subsequent years and this was verified by the Office of the Auditor General. The matter hence stands resolved.

1.2 Project Implementation

During the year under review, Githunguri NG-CDF had planned to implement a total of 44 projects categorized under transfers to other Government entities; and other grants and transfers, out of which, 10 projects had been completed, 23 were on going while 11 had not yet started as at 30th June 2016. Project implementation status is given below-

Project category	Budget (Kshs)	Actual (Kshs)	No. of projects in Budget	Projects Completed	Ongoing Projects	No. of Projects not started
Pry & Sec Schools	74,750,000	52,169,305	36	10	23	3
Roads	7,000,000		3			3
Water	929,950		1			1
Environment	2,013,047		4			4
Emergency	5,767,647	5,400,259				
Sports	2,013,047	1,901,578				
Bursary-Sec schools	12,000,000	12,607,000				
Bursary-Tertiary Institutions	5,000,000	3,096,000				
Total	109,473,641	75,174,142	44	10	23	11

Further, records indicate that environment projects worth Kshs. 1,901,578 rolled over from 2014/2015 financial year had not been implemented as planned. No reason was provided for the delay in utilizing the funds allocated for the projects which deny service delivery to the residents.

The Committee observed that environment projects worth Kshs. 1,901,578 budgeted in financial year 2014/2015 had not been implemented as at 30th June, 2016. The delay in implementation was occasioned by delayed disbursement of funds by the NGCDF Board and

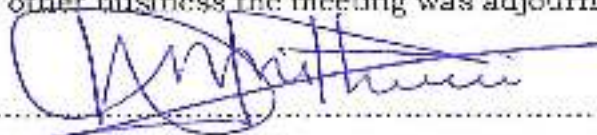
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a change in the management. As at 10th October, 2016 the projects had been implemented hence the matter stands resolved.

MIN.NO./NA./SFAC/2019/015 - ADJOURNMENT/DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 1.30 p.m.

SIGNED.....


HON. KATHURI MURUNGI, M.P

(Chairperson)

DATE.....

18/02/2020

**MINUTES OF THE SITTING OF THE SPECIAL FUNDS ACCOUNTS
COMMITTEE ON REPORT WRITING RETREAT IN MOMBASA COUNTY
FROM 21ST TO 25TH NOVEMBER, 2019 ON SATURDAY, 23RD
NOVEMBER, 2019 AT 2.30 P.M. IN ENGLISH POINT HOTEL.**

PRESENT

1. Hon. Kathuri Murungi, M.P. - **Chairperson**
2. Hon. William Kamuren Chepkut, M.P. - **Vice Chairperson**
3. Hon. Marwa Kitayama Maisori, M.P.
4. Hon. Erastus Kivasu Nzioka, M.P.
5. Hon. James Kamau Wamacukuru, M.P.
6. Hon. Alfred Agoi Masadia, M.P.
7. Hon. Mwambu Mabongah, M.P.
8. Hon. Geoffrey Omusc, M.P.
9. Hon. Dr. Irene Kasalu, M.P.
10. Hon. Mohamed Ali Mohamed M.P.
11. Hon. Justus Kizito Mugali, M.P.

APOLOGIES

1. Hon. Shakeel Shabbir Ahmed, CBS, M.P.
2. Hon. Mohamed Ali Lokiru, M.P.
3. Hon. Mark Lomunokol, M.P.
4. Hon. Jared Okelo, M.P.
5. Hon. Dennitah Ghati, HSC, M.P.
6. Hon. Esther Muthoni Passaris, OGW, M.P.
7. Hon. Rehema Jaldesa, M.P.
8. Hon. Abdi Koropu Tepo, M.P.

COMMITTEE SECRETARIAT

1. Ms. Hellen Ekadeli - Second Clerk Assistant
2. Ms. Clare Kidombo - Researcher
3. Mr. Sydney Okumu - Senior Legal Counsel
4. Mr. Robert Ngetich - Fiscal Analyst
5. Mr. Josephat Bundolich - Serjeant-at-Arms
6. Ms. Fatuma Abdi - Audio-Recording Officer

IN-ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. Francis Kabui - Manager – Audit
2. Mr. Thomas Kilei - Auditor, Kiambu County

NATIONAL TREASURY

1. Mr. Cyrus Munyua - Liaison/Manager – Accountant

MIN.NO./NA./SFAC/2019/016 - PRELIMINARIES

The meeting was called to order at 3.00 p.m. with a word of prayer from the Chairperson. The agenda of the meeting was as circulated:

1. Prayers
2. Preliminaries
3. Confirmation of Minutes
4. Matters Arising
5. **Consideration of draft reports of audited financial statements of NG-CDF Constituencies in Kiambu County for FY 2013/14, 2014/15 and 2015/16.**
6. Any Other Business
8. Adjournment.

MIN.NO./NA./SFAC/2019/017 - CONFIRMATION OF MINUTES

There were no minutes to be confirmed and therefore no matters arising.

**MIN.NO./NA./SFAC/2019/018 - DRAFT REPORT FOR NG-CDF
KIAMBU TOWN CONSTITUENCY**

FINANCIAL YEAR 2013/ 2014

**AUDIT QUERY NO. 1: ACCURACY AND COMPLETENESS OF
FINANCIAL STATEMENTS**

The financial statements presented for audit for the year ended 30th June 2014, did not include a statement of cash flows as required by International Public Sector Accounting Standards. In addition, no trial balance and ledgers were provided for audit review to support the financial statements balances as at 30 June 2014. No reason has been provided for failure to comply with these requirements.

The Committee observed that the adjusted cash statements availed and verified by Office of the Auditor General hence the matter remains resolved.

AUDIT QUERY NO. 2: INACCURACIES IN THE STATEMENT OF RECEIPTS AND PAYMENTS

Receipts and payments figures reflected in the financial statements categorized under respective class of items differ with the provided schedules supporting the same as detailed below-

Item 2013/2014	Amount as per financial statement(Kshs)	Amount as per schedules/bank statements(Kshs)	Variance(Kshs)
Total receipts	70,598,625	110,610,801	40,012,176
Compensation of employees	1,226,172	1,222,984	3,188
Use of Goods and Services	1,020,092	1,416,792	396,700
Transfer to other Gov't Entities	31,507,485	29,007,485	2,500,000
Other Grants and transfers	24,610,275	25,586,155	975,880

In view of the foregoing, the accuracy and correctness of the financial statements as at 30th June could not be confirmed.

The Committee observed that the statement of cash flow was provided and verified by the Office of the Auditor General and hence the matter stands resolved.

AUDIT QUERY NO. 3: UNSUPPORTED COMMITTEE EXPENSES

Included in the statement of receipts and payment are committee expenses and allowances amounting to Kshs. 5,291,500. However, these expenses and allowances were not supported by ledgers, attendance register and status reports. In the circumstances, the accuracy of the committee expenses balance of Kshs. 5,291,500 for the year ended 30 June 2014 could not be confirmed.

The Committee observed that the financial statements revised and all documents availed and reviewed. Therefore the matter stands resolved.

AUDIT QUERY NO. 4: CASH AND BANK BALANCES

The Githunguri CDF cash book for the year under review revealed that withdrawals amounting to Kshs. 2,643,958 made as per bank statement for

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the month of September 2013 were not posted to the main cash book. Further, it was observed that the bank reconciliation statement as at 30 June 2014 showed unrepresented stale cheques amounting to Kshs. 267,720 which date way back to July 2011. The management did not explain why action has not been taken on stale cheques. In view of the foregoing, it has not been possible to confirm the accuracy and completeness of cash and cash equivalents balance of Kshs. 8,886,652 as at 30 June 2014.

The Committee observed that the relevant documents availed and transactions verified by the Office of the Auditor General hence the matter stands resolved.

AUDIT QUERY NO. 5: UNACCOUNTED FOR PROJECT GRANTS AND FAILURE TO AVAIL PROCUREMENT RECORDS

A total of Kshs. 2,902,500 grants were issued by the Constituency Development Committee to various projects as tabulated below-

Project	Amount Disbursed- Kshs	Description of work
Upper Githiga Water Project	1,000,000	Construction of intake
Githiga Borchole	500,000	Equipping of borchole
Wanjenga Dispensary	200,000	Fencing of compound
Githunguri Health Centre	400,000	Purchase of maternity equipments
Ngemwa-Kamondo-Githiga road	402,500	Grading and murraining of roads
Kamondo-Warothu road	400,000	Road grading and patching
Total	2,902,500	

However, no supporting expenditure documents were made available for audit verification. Further, the project procurement files were also not made available for audit verification. In the circumstances, it has not been possible to confirm the propriety of the expenditure amounting to Kshs. 2,902,500 for the year ended 30 June 2014. Further, it was not possible to confirm whether proper procurement procedures were followed on awarding of the project contracts.

The Committee observed that the project procurement file was submitted and verified by the Office of the Auditor General and that a physical verification of the projects was conducted. The matter therefore stands resolved.

AUDIT QUERY NO. 6: IRREGULAR EXPENDITURE OF PROJECT FUNDS

The Finance Unit of the National Energy Saving Jikos Project account to help schools acquire energy saving jikos. During the year under review, a total of Kshs. 2,564,520 was disbursed to this project Account. Further, records maintained by the CDF showed that a total of Kshs. 499,000 was deposited in this Account by individuals between January and February 2014. Scrutiny of the bank statements for this account revealed that there were various cash withdrawals amounting to Kshs. 2,228,000 by certain individuals and two bankers cheques amounting to Kshs. 734,980 drawn from the Account, all amounting to Kshs. 2,962,980.

However, the drawers of the bankers cheques could not be identified and the purpose of the cash withdrawal could not also be established in the absence of the supporting documents for the payments made in cash. No explanation was given for such deposits. In addition, no project file for energy saving jiko project was provided for audit verification. In the circumstances, the propriety of the expenditure of Kshs. 2,962,980 from the energy saving jikos project account as at 30 June 2014 could not be confirmed.

The Committee observed that the NGCDF Board should carry out project and bank reconciliation for the Energy Saving Jikos Project accounts to ascertain the veracity of this matter within three (3) months from the date of adoption of the report.

FINANCIAL YEAR 2014/2015

AUDIT QUERY NO. 1: CASH AND CASH EQUIVALENTS

The statement of assets as at 30th June 2015 reflects cash and cash equivalents balance of Kshs. 8,610,345. Included in the balance is a zero balance of cash at hand while records availed for audit revealed cash at hand amount of Kshs. 9,446,490 as at the end of the financial year. No reconciliation or explanation was provided for omitting this balance in the financial statements.

Further, a review of bank reconciliation statements, indicates that un-presented cheques totaling to Kshs. 341,720, some dating back to July 2011, were already stale as at 30th June 2015 and could not be presented in

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the bank for payment. No reason was provided for the failure to reverse the cheques in the cashbook. Consequently the accuracy of Cash and Cash Equivalents of Kshs. 8,610,345 as at 30th June 2015 could be confirmed.

The Committee observed that the bank reconciliations were provided and verified by the Office of the Auditor General and therefore the matter was resolved.

AUDIT QUERY NO. 2: IRREGULAR PAYMENT OF CONSULTANCY SERVICES

During the financial year under review, the NG-CDF engaged the services of a private consultant, Master -Cost Ltd for technical advice in projects planning and management, including preparation of Bill of Quantities(BQs) and processing of payments certificates. During the year a total of Kshs, 573,301.30 was paid out to the consultant.

However, the firm was single sourced and the reasonableness of the prices charged could not be established. Further, the CDF being a public office is supposed to use the services of the county works office, which is a government department, but this was not the case and there were no correspondences to justify why the CDF opted for private firm. In addition, it was noted that the private firm did the bill of quantities, engineer's estimate and issued certificate of completion for payments which should have been done by different professionals. Therefore conflict of interest could not be ruled out. Consequently, the management could not ascertain the expenditure as a proper charge to public funds.

The Committee observed-

- (i) **that there was sufficient evidence to show that the due process was followed in the procurement of private consultants. The Committee further noted that the constituency could not be faulted for procuring private consultants if they would be able to get better value for money for the technical expertise needed as opposed to what they would have received from officials from public works; and**
- (ii) **that the Accounting Officer conformed to section 25 (2) of the NGCDF Act, 2015. The Committee observed that the Department of Public Works should play a supervisory role and**

give certification on projects rather than project implementation. The matter therefore stands resolved.

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AUDIT QUERY NO. 3: UNUTILIZED PROJECTS

Available records indicate that the NG-CDFC spent an amount of Kshs. 2,500,000 towards completion of three (3) AP Posts which had been started in the 2013/2014 financial year. These projects includes; Wanjenga AP Post-Kshs. 1,500,000; Gatiguru AP Post- Kshs. 500,000 and Ihiga AP Post-Kshs. 500,000.

A site visit of the projects revealed that all of them had been completed satisfactorily. However, it was noted that no sign boards or any other signage had been erected on the facilities to clearly mark them as NG-CDF projects as required by law. Further, it was noted that the Posts had not been handed over to the Deputy Administration Police Commander (DAPC) of the area in order for officers to be deployed there to enhance security of residents. Consequently, the management could not establish the value for money for the project.

The Committee observed that the status of all the projects undertaken was provided and verified by the Office of the Auditor General and therefore the matter stands resolved

AUDIT QUERY NO. 4: OTHER MATTERS

Overall Budget Analysis

Review of summary statement of appropriation revealed 100% and 92.8% overall budget utilization on receipts and expenditure respectively as follows-

Item	Budget-Kshs	Actual-Kshs	Difference-Kshs	Actual as % of budget
Receipts	120,208,026	120,208,026	0	100%
Expenditure	120,208,026	111,597,681	8,610,345	92.8%

The above analysis, reflects that the CDF incurred an under expenditure of Kshs. 111,597,681.00 or 92.8% of the approved budget of Kshs. 120,208,026. No reason was provided for underutilization of budget.

The Committee observed that the underutilization of budget was due to delay in disbursement of funds by the National Treasury and that the

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projects were implemented in the subsequent year. The matter stands resolved.

1.1. Budget Performance on Transfers to other Government

Units

The NG-CDPC budgeted to undertake 55 projects under the transfer to other government units amounting to Kshs. 81,918,083. However, only 46 projects were completed while 9 projects were ongoing as at the end of the year as analyzed below-

Project category	Not budgeted	Not completed	Not started	Ongoing	Budget	Actual	Under expenditure
Pry.Schools	35	31	0	4	56,518,083	46,959,083	9,559,000
Sec. Schools	14	10	0	4	17,500,000	21,900,000	-4,400,000
Tertiary Schools	6	5	0	1	7,900,000	7,300,000	600,000
Total	55	46	0	9	81,918,083	76,159,083	5,759,000

The reason for the under expenditures observed was not explained.

The Committee observed that the poor performance of the overall budget was occasioned by the late disbursement of the exchequer. The matter was resolved.

1.2. Budget performance on other Grants and Transfers

The NG-CDPC budgeted to undertake 15 projects under other grants and transfers amounting to Kshs. 32,672,666. However, only 13 projects were completed while 2 projects were ongoing as at the year end. Analysis as follows-

Project category	No.budgeted	No.com pleted	Not started	Ongoin g	Budget	Actual	Under/over expenditure
Bursary	2	2			13,098,404.90	11,343,389	1,755,015.90
Water project	4	4	0	0	4,504,299	4,504,299	0
Security	7	7	0	0	9,080,000	9,080,000	0
Sports	2	1	-	1	2,488,168	1,244,084	1,244,084
Emergency	2	1	1	-	3,501,794.10	2,500,000	1,001,794.10
Total	15	13	1	1	32,672,666	28,671,772	4,000,894

From the analysis above, management should ensure that the rate of project implementation is accelerated to ensure that the residents enjoy the benefits of PDCDF funds.

The Committee observed that the documentation detailing the projects and the implementation of the said projects was provided and verified by the Office of the Auditor General and hence the matter stands resolved.

FINANCIAL YEAR 2015/ 2016

AUDIT QUERY Other Matters – Budget Performance Analysis

1.1 Overall Budget Performance

During the financial year 2015/2016, Githunguri NG-CDF received a total of Kshs. 123,922,085 from the National Government Constituencies Development Fund Board against a budget of Kshs. 133,032,429 or 93% of the budget. Out of the total receipts, an amount of Kshs. 82,197,181 was spent during the year resulting in an under expenditure of Kshs. 50,835,249 equivalent to absorption rate of 62% as follows-

Item	2015/2016 Budget-Kshs	2015/2016 Actual Amounts-Kshs	Difference Kshs	Actual as % of budget
Receipts	133,032,429	123,922,085	9,110,344	93%
Expenditure				
Compensation of employees	1,949,131	1,472,738	476,393	76%
Use of goods and services	6,499,312	5,549,800	949,512	85%
Transfers to other Government Units	74,750,000	52,169,305	22,580,695	70%
Other Grants and transfers	47,833,987	23,005,338	24,828,650	48%
Acquisition	2,000,000	0	2,000,000	0%
Total Expenditure	133,032,430	82,197,181	50,835,249	62%

Although Githunguri Constituency Development Fund Committee attributed low absorption of funds to delay by NGCDF Board in releasing funds, the committee should utilize resources on priority areas which highly impact on service delivery to the residents of the constituency.

The Committee observed that poor performance of the budget and failure to implement projects on time was occasioned by the late disbursement of funds. This has however been implemented in the

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subsequent years and this was verified by the Office of the Auditor General. The matter hence stands resolved.

1.2 Project Implementation

During the year under review, Gilhunguri NG-CDF had planned to implement a total of 44 projects categorized under transfers to other Government entities; and other grants and transfers, out of which, 10 projects had been completed, 23 were on going while 11 had not yet started as at 30th June 2016. Project implementation status is given below-

Project category	Budget (Kshs)	Actual (Kshs)	No. of projects in Budget	Projects Completed	Ongoing Projects	No. of Projects not started
Pry & Sec Schools	74,750,000	52,169,305	36	10	23	3
Roads	7,000,000		3			3
Water	929,900		1			1
Environment	2,013,047		4			4
Emergency	5,767,647	5,400,259				
Sports	2,013,047	1,901,578				
Bursary-Sec schools	12,000,000	12,607,000				
Bursary-Tertiary Institutions	5,000,000	3,096,000				
Total	109,473,641	75,174,142	44	10	23	11

Further, records indicate that environment projects worth Kshs. 1,901,578 rolled over from 2014/2015 financial year had not been implemented as planned. No reason was provided for the delay in utilizing the funds allocated for the projects which deny service delivery to the residents.

The Committee observed that environment projects worth Kshs. 1,901,578 budgeted in financial year 2014/2015 had not been implemented as at 30th June, 2016. The delay in implementation was occasioned by delayed disbursement of funds by the NGCDF Board and a change in the management. As at 10th October, 2016 the projects had been implemented hence the matter stands resolved.

MIN.NO./NA/SFAC/2019/019

DRAFT REPORT FOR NG-CDF

KIAMBAA CONSTITUENCY

FINANCIAL YEAR 2013/2014

AUDIT QUERY NO. 1: ACCURACY AND COMPLETENESS OF THE FINANCIAL STATEMENTS

The financial statements presented for the year ended 30th June 2014 did not include a statement of cash flows and statement of comparative budget and actual amounts as required by IPSAS. In addition, no trial balance and ledgers were provided for audit review to support the financial statements balances. In the circumstances, the accuracy and completeness of the financial statements as at 30th June 2014 could not be confirmed.

The Committee observed that the trial balance and the transaction ledgers were provided and verified by the Office of the Auditor General and therefore the matter was resolved.

AUDIT QUERY NO.2: UNSUPPORTED EXPENDITURE

The statement of receipts and payments reflects total expenditure of Kshs. 27,736,309. However, a ledger and supporting schedules were not made available for audit review for the following expenditure categories totaling Kshs. 11,888,443.

Compensation of employees	214,800
Committee meeting allowance	2,150,293
Other Payments	<u>9,523,350</u>
Total	<u>11,888,443.00</u>

In the circumstances, the accuracy and propriety of these expenditures could not be confirmed.

The Committee observed that at the management has availed the trial balance and transaction ledgers for 2013/2014 for audit review. Matter therefore stands resolved.

AUDIT QUERY NO. 3- ACQUISITION OF ASSETS

The statement of receipts and payments also reflects acquisition of assets amounting to Kshs. 952,350. However, the schedules availed for audit review indicated the unrecorded acquired assets of Kshs. 2,857,650, resulting in recorded acquired assets of Kshs. 10,905,300. In the circumstances, the accuracy of acquisition of assets as Kshs. 952,350 for the year ended 30th June 2014 could not be confirmed.

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The Committee observed that financial statements have since been submitted and verified. Therefore the matter stands resolved.

AUDIT QUERY NO. 4: PROJECT IMPLEMENTED WITHOUT TECHNICAL SUPERVISION

During the year under review, the Kiambaa CDF disbursed Kshs. 3,041,640 for construction of a perimeter fence at Senior Chief Koinange High School. However, the CDF did not include technical supervision during the implementation of this project. Further, although the Bills of Quantities (BQ) was made available for audit review, the same was signed. In addition, a physical verification of the project revealed that fencing had not been completed by 30th June 2014. In the absence of technical supervision and submission of certificates of works of completion, it has not been possible to ascertain the propriety of the works expenditure and whether the project effectively and efficiently met the intended purpose.

The Committee observed that the bill of quantities, photos and all the relevant documents were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

FINANCIAL YEAR 2014/2015

AUDIT QUERY NO. 1: ACCURACY AND COMPLETENESS OF THE FINANCIAL STATEMENTS

As similarly reported previously in 2013/14, the financial statements balances presented for the year ended 30 June 2015 are not supported by ledgers as required by International Public Sector Accounting Standards (IPSASs). In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June 2015 could not be confirmed.

The Committee observed that expenditure ledgers were provided and verified by the auditor to reflect the correct position. The matter therefore stands resolved.

AUDIT QUERY NO. 2: ACCURACY OF TRANSFERS FROM CDF BOARD

The statement of receipts and payments reflects actual receipts amounting to Kshs.148,842,593, while schedule of disbursements from the CDF Board indicates a total of Kshs. 102,208,341.50 was released to the CDF account.

as at 30th June 2015 resulting in unexplained difference of Kshs. 46,634,251.50. Further, the summary statement of appropriation reflects a PDF receipts amount of Kshs. 154,641,869 during the year. However no reconciliation was provided for these three (3) different figures. In the circumstances, it has not been possible to confirm the accuracy of receipts of Kshs. 148,842,593.

The Committee observed that the summary statement of appropriation and corrected financial statement were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 3: INSTALLATION OF A DEFECTIVE WATER PUMP AT NJIKU FOCAL AREA

During the year under review, the Kiambaa CDF disbursed an amount of Kshs. 3,558,476 to Njiku Focal Area water project for the construction of water intake and piping networks. However, no procurement documents were made available for audit review and therefore it has not been possible to confirm whether procurement was competitively awarded as per public procurement laws. Further, an inspection carried out at the site of the project revealed that the water pump had broken down and was not in working condition.

In addition, there was no evidence indicating that the implementation of the project was supervised by relevant line ministry department as required by the CDF Act 2013. In the circumstance, it has not been possible to ascertain the propriety and value for money on the expenditure of Kshs. 3,558,476 incurred on this project.

The Committee recommends -

- (i) that Fund Account Manager provides the engineers certificate to confirm whether the water pump is working to the Auditor General for verification in compliance with section 62 of the Public Audit Act, 2015 and section 68 of the Public Finance Management Act, 2012; and**
- (ii) that the Auditor General conducts a physical verification of the water pump accompanied by the relevant Government agencies.**

AUDIT QUERY NO. 1: CASH AND CASH EQUIVALENTS

The statement of financial assets as at 30 June 2016 reflects Cash and Cash equivalents balance of Kshs. 15,841,422. However the Cash book reflected a balance of Kshs. 18,500,341 as at the same date resulting in unexplained and unreconciled variance of Kshs. 2,658,919. In the circumstances, it has not been possible to confirm the accuracy and completeness of Cash and Cash equivalents balance of Kshs. 15,841,422 as at 30 June 2016.

The Committee observed that the financial statements have been amended and verified by the auditor and the matter therefore stands resolved.

AUDIT QUERY NO. 2: CONSTRUCTION OF KIAMBAA CDF OFFICE

Examination of records maintained at Kiambaa CDF Office revealed that Kshs. 9,800,000 was allocated for the construction of CDF Offices at Karuri-Banana made up of Kshs. 5,000,000 and Kshs. 4,800,000 approved in the financial years 2014/2015 and 2015/2016 budgets respectively. Records further indicate that a local contractor was awarded the contract for the construction of the offices at a contract sum of Kshs. 8,835,570. Although the CDF management awarded the contract to the lowest responsive bidder among three other bids which were sourced through request for quotation contrary to national open tendering as required by Public Procurement and Disposal Regulations 2006, Section 26 (3) (b).

The contract prices of Kshs. 8,835,570 exceed the maximum threshold limit of Kshs. 4,000,000 for use of request for quotations. No explanation was given for the irregularities. Further, the contract sum included provisional sums totaling Kshs. 1,600,000 for various items and works which were not competitively procured. As a result, of these irregularities, the propriety of the expenditure incurred on the project during the year ended 30 June 2016, could not be confirmed.

The Committee recommends –

- (iii) that the Fund Account Manager ensures that engineers should specify the scope of works for all the provisional sums;**
- (iv) that the Fund Account Manager adheres to Section 60 (1) of the Public Procurement and Asset Disposal Act, 2015.**

AUDIT QUERY NO. 3: USE OF INAPPROPRIATE PROCUREMENT

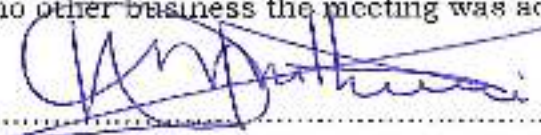
METHOD

PDF Compressor Free Version The statement of payments reflects transfers to other Government Units expenditure of Kshs. 60,700,040 which includes Kshs. 12,000,000 for Murraming of roads in various schools under three zones namely, Ndenderu and Kihara Zones each at Kshs. 4,000,000. However, a review of records for the projects showed that the CDF used request for quotations method and awarded contract sums of Kshs. 5,065,600 for Karuri, Kshs. 4,303,200 for Ndenderu and Kshs. 7,163,200 for Kihara Zone. The estimated value of works to be done on each of the three projects was above the set threshold of Kshs. 4,000,000 hence the works were to be advertised in the national process as required by the Public Procurement and Disposal Act, 2005. Further, engineer's estimates, inspection reports from the Ministry of works, expenditure returns, payment certificates and other relevant records for these projects were not presented for audit review. Consequently, the propriety of the expenditure of Kshs. 12,000,000 incurred during the year ended 30 June 2016 could not be confirmed.

The Committee observed that the documentation was submitted and verified and therefore the matter stands resolved.

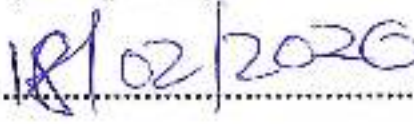
MIN.NO./NA./SFAC/2019/020 - ADJOURNMENT/DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 6.30 p.m.

SIGNED.....

HON. KATHURI MURUNGI, M.P

(Chairperson)

DATE.....

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**MINUTES OF THE SITTING OF THE SPECIAL FUNDS ACCOUNTS
COMMITTEE ON REPORT WRITING RETREAT IN MOMBASA COUNTY
FROM 21ST TO 25TH NOVEMBER, 2019 ON FRIDAY, 22ND NOVEMBER,
2019 AT 2.30 P.M. IN ENGLISH POINT HOTEL.**

PRESENT

1. Hon. Kathuri Murungi, M.P. - **Chairperson**
2. Hon. William Kamuren Chepkut, M.P. - **Vice Chairperson**
3. Hon. Marwa Kitayama Maisori, M.P.
4. Hon. Erastus Kivasu Nzioka, M.P.
5. Hon. James Kamau Wannacukuru, M.P.
6. Hon. Alfred Agoi Masadia, M.P.
7. Hon. Mwambu Mabongah, M.P.
8. Hon. Geoffrey Omuse, M.P.
9. Hon. Dr. Irene Kasahu, M.P.
10. Hon. Mohamed Ali Mohamed M.P.
11. Hon. Justus Kizito Mugali, M.P.

APOLOGIES

1. Hon. Shakeel Shabbir Ahmed, CBS, M.P.
2. Hon. Mohamed Ali Lokira, M.P.
3. Hon. Mark Lomunokol, M.P.
4. Hon. Jared Okelo, M.P.
5. Hon. Dennitah Ghati, HSC, M.P.
6. Hon. Esther Muthoni Passaris, OGW, M.P.
7. Hon. Rehema Jaldesa, M.P.
8. Hon. Abdi Koropu Tepo, M.P.

COMMITTEE SECRETARIAT

1. Ms. Hellen Ekdadi - Second Clerk Assistant
2. Ms. Clare Kidombo - Researcher
3. Mr. Sydney Okumu - Senior Legal Counsel
4. Mr. Robert Ngetich - Fiscal Analyst
5. Mr. Josephat Bundotich - Serjeant-at-Arms
6. Ms. Fatuma Abdi - Audio-Recording Officer

IN ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. Francis Kabui - Manager – Audit
2. Mr. Thomas Kiki - Auditor, Kiambu County

NATIONAL TREASURY

1. Mr. Cyrus Munyua - Liaison/Manager – Accountant

MIN.NO./NA./SFAC/2019/007 - PRELIMINARIES

The meeting was called to order at 3.00 p.m. with a word of prayer from the Chairperson. The agenda of the meeting was as circulated:

1. Prayers
2. Preliminaries
3. Confirmation of Minutes
4. Matters Arising
5. **Consideration of draft reports of audited financial statements of NG-CDF Constituencies in Kiambu County for FY 2013/14, 2014/15 and 2015/16.**
6. Any Other Business
8. Adjournment.

MIN.NO./NA./SFAC/2019/008 - CONFIRMATION OF MINUTES

There were no minutes to be confirmed and therefore no matters arising.

MIN.NO./NA./SFAC/2019/009 - DRAFT REPORT FOR NG-CDF

JUJA CONSTITUENCY

FINANCIAL YEAR 2013/2014

AUDIT QUERY NO.1: COMPLETENESS OF FINANCIAL STATEMENTS

The financial statements presented for the year ended 30 June 2014 did not include the statement of cash flows as required by International Public Sector Accounting Standards (IPSAS). In the circumstances, the completeness of the financial statements as at 30 June 2014 could not be confirmed.

The Committee observed that the correct statement for cash flow was prepared and availed to the auditors. This was verified and therefore the matter stands resolved.

AUDIT QUERY NO. 2: UNACCOUNTED FOR CDF DISBURSEMENTS

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Juja Constituency was split into three (3) Constituencies in 2012 and created Thika town, Juja and Ruiru Constituencies. It was however observe that after splitting, and although the three constituencies opened separate bank accounts for their respective CDF activities, the CDF account no. 1102120928 at the KCB Thika Branch operated by the former Juja CDF was not closed. Further, the amount of Kshs. 56,222,880 being the final disbursement for 2012/2013 for the larger Juja constituency and received vide AIE No.711834 on 15 July 2013 was deposited in this account.

The Committee recommends -

- (i) **that the Fund Account Officer provides an explanation of the the propriety and the expenditure of Kshs. 56,222,880 to the Cabinet Secretary of the National Treasury; and**
- (ii) **that where the Cabinet Secretary of the National Treasury is not satisfied with the explanation of the Fund Account Manager, forward the issue for resolution to the NGCDF Board for administrative action pursuant to the provisions of section 74 (2) (b) of the Public Finance Management Act, No. 16 of 2012.**

AUDIT QUERY NO. 3: UNSUPPORTED PAYMENTS

Included in the statement of receipts and payments balance of Kshs.30,398,478 as at 30 June 2014 were amounts of Kshs.1,207,530, Kshs.791,000 and Kshs.19,520,000 in respect of use of goods and services, committee expenses and other grants and other payments respectively. However, these balances were not supported by ledgers, an attendant register or expenditure schedules. In the circumstances, the propriety of expenditure totaling to Kshs.21,518,530 could not be confirmed.

The Committee observed that the management provided the expenditure schedules for verification by the Auditor General and the matter therefore stands resolved.

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FINANCIAL YEAR 2014/ 2015

AUDIT QUERY NO. 1: BANK BALANCE - STALE CHEQUES

The statement of assets as at 30 June 2015 reflects bank balance of Kshs.2,521,401.90. However, a review of the bank reconciliation statement as at 30 June 2015 revealed that included in the unrepresented cheques amounting to Kshs. 2,356,754.80 are cheques totaling Kshs. 272,643.00 which were issued between 4 April 2014 and 5 December 2014, which were already stale as at 30 June 2015 and could not be presented in the bank for payment. No justified reason was provided for the delay in reversing these cheques in the cashbook. In the circumstances, the accuracy of bank balances of Kshs. 2,521,401.90 as at 30 June 2015 could be confirmed.

The Committee observed that the Accounting Officer presented a copy of the cash book extracts indicating that unrepresented cheques were reversed and bank reconciliations subsequently made. The matter therefore stands resolved.

AUDIT QUERY NO. 2: BURSARY FUND

Included in note 8 on other grants and other payments of Kshs. 56,446,178 are bursary disbursements to secondary schools and tertiary institutions of Kshs. 19,904,646 and Kshs. 5,963,000 respectively. However, the expenditures were not supported by official receipts or acknowledgment letters from the beneficiary learning institution. Consequently, the propriety of the expenditure totaling Kshs. 25, 867,646 could not be confirmed.

The Committee observed receipts and acknowledgement letters were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 3: UNACCOUNTED FOR CDF DISBURSEMENTS

As previously reported, Juja Constituency was split into three (3) Constituencies in 2012 and creating Thika Town, Juja and Kiuru Constituencies. It was however observed that after splitting, and although the three constituencies opened separate bank accounts for their respective CDF activities, the CDF account No.1102120928 at the KCB Bank Thika Branch operated by the former Juja CDF was not closed. Further, an

amount of Kshs.56,222,880 being the final disbursement for 2012/2013 for the larger Juja Constituency and received vide A/E No. 711834 on 15 July 2013 was deposited in this account.

The Committee noted that the Constituency provided the schedule for breakdown of how funds were allocated to the Office of the Auditor General and the matter has since been resolved.

AUDIT QUERY NO. 4: UNSUPPORTED PAYMENTS

As similarly reported in 2013/2014 included in the statement of receipts and payments balance of Kshs.30,398,478 as at 30 June 2014, were amounts of Kshs.1,207,530, Kshs.791,000 and Kshs.19,520,000 in respect of use of goods and services, committee expenses and other grants and other payments respectively. However, these balances were not supported by ledgers, an attendant register or expenditure schedules and remained unsupported as at 30 June 2015.

The Committee observed that expenditure schedules were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 5: CONSTRUCTION OF AN ABLUTION BLOCK AT JUJA FARM CHIEF'S CAMP

During the year under review, an amount of Kshs.800,000 was disbursed for the construction of an ablution block at Juja Farm Chief's camp. However, no certificate of completion and inspection certificates were made available for audit review. Further, physical verification carried out on this project revealed that the ablution block was incomplete despite records showing that the contractor was paid the full contract sum. In the circumstances, it has not been possible to confirm the propriety of expenditure of Kshs. 800,000 on this project.

The Committee recommends-

- (i) that the NGCDF Board in consultation with the County Public Works Office and the National Construction Authority assesses the structural integrity of the Juja Farm Chief Camp; and
- (ii) that the National Construction Authority (NCA) investigates the conduct of the contractor who undertook the project with

a view of suspending or deregistering the said contractor pursuant to the National Construction Act, No.41 of 2011.

AUDIT QUERY NO. 6: OTHER MATTERS

6.1 Overall Budget Performance

Review of summary statement of appropriation revealed 54% and 80% overall budget utilization on receipts and expenditure respectively as follows:

Item	Budget-Kshs	Actual-Kshs	Difference Under - Kshs	Actual as % of Budget
Receipts	129,411,166	70,425,612	58,985,554	54%
Expenditure	129,411,166	103,414,561	25,996,605	80%

The above analysis, reflects actual receipts of Kshs.70,425,612 against the budgeted amount of Kshs.129,411,166 resulting in a shortfall of Kshs.58,985,554 which is also undisbursed funds from the CDF Board.

Further, the CDF had an under expenditure of Kshs.25,996,605 or 20% of the approved budget of Kshs.129,411,166. The low utilization of the budget was attributed to delay in disbursement of funds by the CDF Board.

The Committee observed that poor performance of the budget was occasioned by the late disbursement of funds by the National Treasury. The matter stands resolved.

6. 2 Project Implementation

An analysis of project implementation status as at 30 June 2015 is as follows-

Project Category	No. Budgeted Project	Budget	Actual Kshs.	No. Completed Projects	No. of ongoing Project	No. Projects not started	% level of Implementation
Primary Schools	10	18,950,000	16,650,000	7	1	2	88
Secondary Schools	4	10,150,000	8,550,000	3	0	1	84
School Rehabilitation	1	837,931	837,931	1	0	0	100
Environment	11	1,878,016	1,878,016	11	0	0	100
Electricity	8	500,000	210,000	4	2	2	42
Security	6	9,300,000	8,500,000	4	0	2	91
Roads	5	15,000,000	9,000,000	3	0	2	60
BodaBoda Sheds	2	1,000,000	500,000	1	0	1	50

CDF Office	1	3,000,000	0	0	0	1	0
Emergency	0	3,400,259	4,200,000	0	4	0	78
Sports		1,878,016	1,878,016				100
Bursary		15,956,537	16,379,537				103
Mock/Cats		1,000,000	1,000,000				100
Total	48	85,273,759	69,583,000	34	7	11	82
Expenditure on projects for 2013/2014			24,145,437				
Total Actual expenditure 2014/2015			93,728,937				

The above analysis shows that Juja CDF had planned to undertake forty eight (48) development projects during the financial year 2014/2015 with an allocation of Kshs.85,273,759 towards these projects and out of the budget allocation, an amount of Kshs.69,583,000 was utilized representing 82% budget utilization. Rolled over projects from 2013/2014 period were also implemented at a cost of Kshs.24,145,437.

As at 30 June 2015, thirty four (34) projects were complete, seven (7) were ongoing while eleven (11) projects had not been implemented. No reason was provided for failure to implement the projects as planned. This adversely affects services delivery to the residents of Juja Constituency.

AUDIT QUERY NO.7: UN-UTILIZED PROJECTS FUNDS

Records maintained at the CDF Office indicates that a total of Kshs. 3,200,000 was disbursed during the year to two PMCs in respect of construction of a classroom to completion at Juja Farm Secondary School with allocation of Kshs. 1,200,000 and construction of an administration block to completion at Ha Mundia AP Post at Kshs.2,000,000. However, a review of implementation status of the two projects revealed that none was implemented despite release of funds to the projects accounts. Money allocated to the two projects was still intact/ held at the project management committee's bank accounts. No reason was provided for failure to utilize the funds or return the money to the CDF bank account as required by section 41 (9) of the CDF Act,2013.

The Committee recommends that the NGCDF Board should ensure consultation with the Ministry of Interior and Coordination of National Government at the project approval phase to ensure that officers can be deployed to the station.

AUDIT QUERY 1: BUDGET PERFORMANCE

Expenditure on Development Projects

The Juja NGCDF had a budget of Kshs.107,267,645 for development expenditure as per their projects proposal for 2015/2016 financial year. Audit verification revealed that the CDF office spent Kshs.63,081,693 resulting in under expenditure of Kshs.44,185,952 or 41% on the approved budget as per the Projects implementation status report for the year ended 30th June 2016. Further, the NG-CDF had budgeted to implement a total of thirty four (34) projects as the beginning of the year. As at 30 June 2016, twenty seven (27) projects were complete while seven (7) were at various stages of completion as evidenced in table below-

Project category	No budgeted	Not completed	Ongoing	Budget	Actual experience	Variance
Primary Schools	12	8	4	25,337,931	13,337,931	67%
Secondary Schools	3	2	1	5,800,000	3,500,000	67%
Water project	2	2	0	1,626,397	626,397	100%
Access road	6	5	1	22,000,000	13,500,000	83%
Security	5	4	1	8,200,000	4,400,000	80%
Bursary	2	2	0	39,315,435	19,670,000	100%
Sports	1	1	0	1,987,882	1,278,016	100%
Environment	1	1	0	-	3,365,898	100%
CDF Office	1	1	0	3,000,000	-	100%
Development Stadiums and Factory	1	1	0	-	3,403,451	100%
Total	34	27	7	107,267,645	63,081,693	79%

The NG-CDF management did not provide reasons for under-utilization of the funds allocated to the Constituency during the year under review.

The Committee observed that the query was as a result of delayed disbursement of funds from the NGCDF Board and the matter stands resolved.

1.1. Accuracy of Budget Figures

The summary statement of appropriation: recurrent and development combined reflected final budget balances of Kshs.101,915,497.90 for both total receipts and payments for 30 June 2016. However, actual approved budget reflected final budget of Kshs.125,390,701.50. No explanation was given for variances. Consequently, the accuracy of the summary statement of appropriation: recurrent and development combined final budget balances of Kshs.101,915,497.90 for both total receipts and payments for the year ended 30 June 2016 could not be confirmed.

The Committee observed that the query was as a result of delayed disbursement of funds from the NGCDF Board and the matter stands resolved.

**MIN.NO./NA/SFAC/2019/010 - DRAFT REPORT FOR NG-CDF
THIKA TOWN CONSTITUENCY**

FINANCIAL YEAR 2013/ 2014

AUDIT QUERY NO. 1: UNSUPPORTED COMMITTEE EXPENSES

Included in the statement of receipt and payment for the year ended 30th June 2014 are committee expenses amounting to Kshs.2,003,942. However these expenses were not supported by the necessary ledger or attendance registers. Further an amount of Kshs.1,223,902 was paid in respect of allowances to the members of Project Monitoring & Evaluation Committee. However no separate attendance register were availed for the audit to confirm the payments were made to bona fide members. In the absence of supporting ledgers and attendance registers, it has not been possible to confirm the accuracy and the propriety of committee expenses.

The Committee observed that attendance schedules and expenditure returns were submitted for verification to the Office of the Auditor General and the matter has since been resolved.

AUDIT QUERY NO. 2: MUNYU WATER TREATMENT WORKS PROJECT

Thika Town CDF awarded the contract for construction of Munyu water treatment works project to a contractor at a contract sum of Kshs.

5,510,571. However, physical verification of the project revealed that although the project was complete, the tank for collecting water from river Ndarugu was leaking. Further, no tank was built at the water treatment area as it was omitted in the original BQ.

It should be noted that the water treatment could not be done without this tank and it will cost taxpayers more money to fund the construction of the tank. The contractor was paid a total of Kshs. 5,018,939 despite the fact the tank was leaking and the defect liability period was not over. Also no project completion and inspection and acceptance committee report to support the payment was made available for audit verification. In the circumstances, it was not possible to ascertain the propriety of the works expenditure and whether the project effectively and efficiently met the intended purpose.

The Committee observed that the relevant documentation to show that the project had been completed and was in use were submitted and these were verified by the Office of the Auditor General. The matter therefore stands resolved.

FINANCIAL YEAR 2014/ 2015

AUDIT QUERY NO. 1: CASH AND BANK BALANCES KSHS.

5,929,117.40

The statement of assets as at June 2015 reflects bank balance of Kshs. 5,929,117.40. A review of bank reconciliation statements however indicates that unpresented cheques as at 30th June 2015 totalling Kshs. 3,543,023.70 and out of this amount, cheques amounting to Kshs. 80,523.90 were already stale and could not be presented to the bank for payment. No reason was provided for the failure to reverse these cheques into the cashbook. Consequently, accuracy of the bank balances of Kshs. 5,929,117.40 as at 30th June 2015 could not be confirmed.

The Committee observed that the unpresented cheques totalling Kshs 3,543,023.70 were cleared and stale cheques reversed. The correct bank statement was submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 2: OTHER MATTERS

2.1 Under expenditure on Overall budget and delay in projects implementation

The CDF incurred an under expenditure of Kshs. 31,340,961 or 24% of the approved budget of Kshs. 129,057,907. The under utilisation of the funds may have impacted negatively on the delivery of services to the residents of Thika Town.

The Committee observed that the under expenditure was as a result of delay in the disbursement of funds from the National Treasury. The matter was resolved with the Auditor General.

AUDIT QUERY NO. 3: UNUTILIZED ADMINISTRATION POLICE POSTS AT KIMUCHU AND ATHENA

An inspection carried out revealed that although the projects were complete, it had not been handed over to the user, deputy administration police commander (DAPC) and no officers have been deployed. The explanation given was that the posts require fencing to enhance security though no funds seem to have been set aside by the CDF office to complete the construction.

The Committee observed that the relevant documentation requesting the posting of Administration Police Officers were provided and verified by the Office of the Auditor General and therefore this matter stands resolved.

FINANCIAL YEAR 2015/2016

AUDIT QUERY NO. 1: UNDER ABSORPTION ON OVERALL BUDGET

During the year under review, Thika Town NG-CDF received a total of Kshs. 137,074,275 from the Board against an approved budget of cash kshs. 139,268,628 or approximately 98 % of the budget. The actual total expenditure was cash Kshs. 78,571,062 resulting in under expenditure of Kshs. 60,697,566 representing 46% of the total budget. The under absorption of budget funds indicates that the approved projects were not undertaken fully and therefore the public did not benefit from the expected services.

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The Committee observed that the relevant Authority to Incur Expenditure (AIEs) and bank statements had been submitted and reviewed and verified hence the matter stands resolved.

AUDIT QUERY NO. 2: PROJECTS IMPLEMENTATION ANALYSIS

The Thika Town NG-CDF committee had planned to utilise cash kshs.109,569,293 to implement a total of 29 projects during the year under review. However a review of project status report as at 30th June 2016 shows that out of the approved projects 22 had been completed while 7 had not been started.

The Committee observed that the list of projects that had been implemented by the Constituency was provided and verified by the Office of the Auditor General and therefore the matter was resolved.

MIN.NO./NA./SFAC/2019/011 - ADJOURNMENT/DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 6.30 p.m.

SIGNED.....



HON. KATHURI MURUNGI, M.P

(Chairperson)

DATE.....

18/02/2020.

MINUTES OF THE SITTING OF THE SPECIAL FUNDS ACCOUNTS
COMMITTEE ON REPORT WRITING RETREAT IN MOMBASA COUNTY
FROM 21ST TO 22ND NOVEMBER, 2019 ON FRIDAY, 22ND NOVEMBER,
2019 AT 9.00 A.M. IN ENGLISH POINT HOTEL.

PRESENT

1. Hon. Kathuri Murungi, M.P. - **Chairperson**
2. Hon. William K. Chepkut, M.P. - **Vice Chairperson**
3. Hon. Marwa Kitayama Maisori, M.P.
4. Hon. Erastus Kivasu Nzioka, M.P.
5. Hon. James Kamau Wamacukuru, M.P.
6. Hon. Alfred Agoi Masadia, M.P.
7. Hon. Mwambu Mabongah, M.P.
8. Hon. Geoffrey Omuse, M.P.
9. Hon. Dr. Irene Kasahu, M.P.
10. Hon. Mohamed Ali Mohamed M.P.
11. Hon. Justus Kizito Mugali, M.P.

APOLOGIES

1. Hon. Shakeel Shabbir Ahmed, CBS, M.P.
2. Hon. Mohamed Ali Lokiru, M.P.
3. Hon. Mark Lomunokul, M.P.
4. Hon. Jared Okelo, M.P.
5. Hon. Dennitah Ghati, HSC, M.P.
6. Hon. Esther Muthoni Passaris, OGW, M.P.
7. Hon. Rehema Jaldesa, M.P.
8. Hon. Abdi Koropu Tepo, M.P.

COMMITTEE SECRETARIAT

1. Ms. Hellen Ekadeli - Second Clerk Assistant
2. Ms. Clare Kidombo - Researcher
3. Mr. Sydney Okumu - Senior Legal Counsel
4. Mr. Robert Ngetich - Fiscal Analyst
5. Mr. Josephat Bundotich - Serjeant-at-Arms
6. Ms. Fatuma Abdi - Audio-Recording Officer

IN-ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. Francis Kabui - Manager – Audit
2. Mr. Thomas Kilci - Auditor, Kiambu County

NATIONAL TREASURY

1. Mr. Cyrus Munyua - Liaison/Manager – Accountant

MIN.NO./NA./SFAC/2019/001 - PRELIMINARIES

The meeting was called to order at 9.30 a.m. with a word of prayer from the Chairperson. The agenda of the meeting was as circulated:

1. Prayers
2. Preliminaries
3. Confirmation of Minutes
4. Matters Arising
5. **Consideration of draft reports of audited financial statements of NG-CDF Constituencies in Kiambu County for FY 2013/14, 2014/15 and 2015/16.**
6. Any Other Business
8. Adjournment.

MIN.NO./NA./SFAC/2019/002 - CONFIRMATION OF MINUTES

The minutes of the report writing retreat held on 10th to 14th October, 2019 in Mombasa County were confirmed as true records of the deliberations of the meetings as proposed and seconded by Hon. Erastus Nzioka, M.P and Hon. Geoffrey Omuse, M.P respectively.

MIN.NO./NA./SFAC/2019/003 - MATTERS ARISING

There were no matters arising.

**MIN.NO./NA/SFAC/2019/004 - DRAFT REPORT FOR NG-CDF
GATUNDU SOUTH CONSTITUENCY**

FINANCIAL YEAR 2013/2014

**AUDIT QUERY NO. 1: ACCURACY AND COMPLETENESS OF FINANCIAL
STATEMENTS**

The financial statements presented for audit for the year ended 30 June 2014, did not include the statement of cash flows as required by IPSAS.

Further, the summary statement of the appropriation reflected utilization difference of Kshs. 11,664,792.00 to the final budget which was not accurately computed. In addition, no notes to the financial statements explaining the material differences between the budget and actual expenditure amounts were provided. In the circumstances, the accuracy and completeness of the financial statements as at 30 June 2014 could not be confirmed.

The Committee observed that-

- (i) **the Fund Account Manager did not comply with the International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements; and**
- (ii) **the Fund Account Manager had submitted the revised cash flow statement as amended summary statement of appropriation. These were verified to be correct by the Office of the Auditor General and the matter therefore stands resolved.**

AUDIT QUERY NO.2: STATEMENT OF RECEIPTS AND PAYMENTS

The statement of receipts and payment in the financial statement presented reflects total receipts and payments balances of Kshs. 105,464,964 and Kshs. 78,634,628 respectively. However ledger and schedules availed for audit indicates total receipts of Kshs. 105,679,239.85 hence unexplained variance of Kshs. 214,275 and total payments of Kshs. 78,848,812.61 hence unexplained variance of Kshs. 214,184 totaling to an unreconciled total variance of Kshs. 428,460.46. In the circumstances, the accuracy of statement of receipts and payments balances of Kshs. 105,464,964.00 and Kshs. 78,634,628.00 reflected in the financial statement for the year ended 30 June 2014 could not be confirmed.

The Committee observed that the correct statement of receipts and payments and a copy of the cashbook extract were submitted and verified by the Office of the Auditor General and the matter hence stands resolved.

AUDIT QUERY NO.3: OTHER MATTERS

3.1 Irregular Awarding of Projects Contracts

The Gatundu CDF awarded 12 project contracts for renovation of classrooms in various primary schools at a cost of Kshs. 16,300,000.000 through floating of quotations. However, it was observed that the individual

projects values exceeded Kshs. 500,000 which is the threshold for open tender as stipulated by the Public Procurement and Disposal Act, 2005 and its 2006 Regulation. Further, the project tender evaluation report made available for Audit verification had not been signed and not show the ratings of each person doing the evaluation as required under section 16 (8) of Public Procurement and Disposal Regulations. In addition, no proper expenditure returns showing the actual expenditure incurred in each project were filled.

In the circumstances, the CDF management was in breach of the CDF Act, 2013 Public Procurement and Disposal Act 2005 and the Regulation of 2006. Further, no certificate of practical completion from Public Works Department, site/evaluation committee minutes or architectural designs was made available to support the project implementation.

3.2 Irregular re-allocation of Funds

The Garundu South CDF Committee reallocated Ksh.10,094,207 to fund various emergency and security projects in the constituency during the year under review. However, no approval from the Constituencies Development Fund Board authorizing such reallocation was availed for audit verification. The committee was therefore in breach of the law.

The Committee recommends -

- (i) That the National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who reallocated emergency funds in contravention of the then section 10(2) of the Constituencies Development Fund Act, 2013;**
- (ii) That the National Government Constituencies Development Fund Board to issue guidelines on the use of emergency funds to align emergency spending with the National Government Constituencies Development Fund Act, 2015; and**
- (iii) The National Government Constituencies Development Fund Board ensures that the Fund Account Managers complies with provisions of section 6(2) and section 8 of the National Government Constituencies Development Fund Act, 2015 on reallocation of funds and the use of emergency funds.**

FINANCIAL YEAR 2014/ 2015

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AUDIT QUERY NO.1: CASH AND BANK BALANCES

The statement of assets as at 30th June 2015 reflects bank balance of Kshs. 20,167,861. However, the cash book balance as at the same date had a balance of Kshs. 20,198,263, resulting in unreconciled difference of Kshs. 30,402. Further a review of bank reconciliation statement revealed that included in the list of unrepresented cheques of Kshs. 2,033,468.80, is an amount of Kshs. 323,974 in respect of cheques that were already stale as at 30th June 2015, and therefore cannot be presented to the bank for payment.

However, no reason was provided for not reversing them in the cashbook. In the circumstances, the accuracy of cash and bank balance of Kshs. 20,167,861 as at 30 June, 2015 could not be confirmed.

The Committee observed that the unrepresented cheques had been reversed and replaced in the cash book. This has since been verified by the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO.2: IRREGULAR PROCUREMENT OF CONTRACTOR FOR ERECTION AND COMPLETION OF A PERIMETER WALL AT KIMUNYU STADIUM

During the year under review, Gatundu South Constituency, through restricted tendering awarded contract for the erection and completion of a perimeter wall at Kimunyu Stadium to the lowest evaluated tender at a sum of Kshs. 11,996,328. However, records indicates that five (5) contractors were invited to bid instead of at least ten persons/ bidders selected from the annual pre-qualified list of registered tenderers as stipulated in section 53 (3) of the Public Procurement and Disposal Regulations, 2006.

Further, the contract sum of Kshs. 11,996,328 exceeded the prescribed minimum of Kshs. 4,000,000 for Class C entities in the first schedule of the regulations, and therefore national open tender should have been used. No justification was provided for the disregarding the law. In the circumstances, it has not been possible to confirm whether value for money was realized from this expenditure.

The Committee recommends that the Fund Account Manager ensures compliance with provisions of Public Procurement and Asset Disposal Act, 2015 and Public Procurement Regulations, 2006.

AUDIT QUERY NO.3: OTHER MATTERS

3.1 Overall Budget Performance

1. The overall budget analysis is as follows-

Description	Rolled over 2013/2014 budget	Budgeted for 2014/2015	Total Budgeted 2014/2015	Actual Expenditure	Over/(Under) Expenditure	Actual as % Budget
Employees Salaries		1,572,000	1,572,000	1,511,769	-60,231	96
Goods and services		1,900,000	1,900,000	1,672,302	-227,698	88
Purchase of Computers		200,000	200,000	102,000	-98,000	51
Purchase of furniture/equipment		303,360	303,360	157,360	-146,000	52
Construction/Refrishment of Buildings				595,447	595,447	100
NSSF		9,600	9,600	21,600	12,000	225
Committee Allowances		1,800,000	1,800,000	3,966,000	2,166,000	220
Monitoring & Evaluation		2,892,495	2,892,495	2,538,500	-353,995	88
Constituency Audit		500,000	500,000	-	-500,000	0
Emergency		5,400,259	5,400,259	6,495,264	1,095,005	120
Sports		1,868,414	1,868,414	1,868,414	-	100
Kimunya Stadium		10,000,000	10,000,000	10,000,000	-	100
Environment		1,928,330	1,928,330	1,928,330	-	100
Bursary		24,104,117	24,104,117	21,483,804	-2,620,313	89
2112 Primary Schools	9,200,000	20,187,931	29,387,931	27,687,931	-1,700,000	94
Secondary Schools	3,038,532	4,100,000	7,138,532	5,638,532	-1,500,000	79
Tertiary Education	-	150,000	150,000	150,000	-	100
Security	2,500,000	3,000,000	5,500,000	3,000,000	-2,500,000	55

Youth Centres	-	8,000,000	8,000,000	-	-8,000,000	0
BodaBoda Shades		4,000,000	4,000,000	4,000,000	-	100
Health	6,182,759	1,000,000	7,482,759	7,482,759	-	100
Total	21,221,291	92,916,506	114,137,797	100,300,012	-13,837,785	88

The above analysis indicates that the approved budget for Gatundu South CDF, for 2014/2015 financial year was Kshs. 114,137,797, including rolled over balance of Kshs. 21,221,291 for projects approved in 2013/2014. The CDF incurred actual expenditure of Kshs.100,300,012 resulting in an overall under expenditure of Kshs. 13,837,785.32 or 12% of the approved budget. However, the CDF incurred the highest over expenditure on committee expenses and exceeded the approved budget of Kshs. 1,800,000 by Kshs. 2,116,000 or 120% above the budget. No evidence was provided indicating that there was prior approval by the CDF Board as required by the CDF Act, 2013. No reason was provided for this anomaly.

The Committee observed that the copy of the code list for the year and the summary for the statement of appropriation had been availed and verified by the Auditor General and the matter stands resolved.

AUDIT QUERY NO.4: CDF PROJECTS IMPLEMENTATION

During the year under review, Gatundu South CDF had allocated a total of Kshs. 73,587,552 to implement sixty nine (69) projects which included an amount of Kshs. 21,221,291 for 18 rolled over projects implemented in 2014/2015. The CDF utilized a total of Kshs. 60,387,552 on the projects as follows:

Project Name	No. of budgeted projects			Budget Amount Kshs.	Actual Expenditure Kshs.	No. of Projects Implemented	No. of projects not Implemented	% level of Implementation
	2013/14	2014/15	Total					
Environment		8	8	1,928,330	1,928,330	8		100
Education - Primary	9	24	33	29,387,931	27,687,931	32	2	90

Education - Secondary	2	2	8	7,118,532	6,138,532	8		86
Education - Tertiary		1	1	150,000	150,000	1		100
Health	2	1	3	7,482,759	7,482,759	3		100
Security	2	1	3	5,500,000	3,000,000	2	1	55
Youth Centres		4	4	8,000,000	-		4	0
BodaBoda Shades		8	8	4,000,000	4,000,000	8		100
Stadium		1	1	10,000,000	10,000,000	1		100
Total (Kshs.)	18	51	69	73,587,552	60,387,552	61	7	82

The above analysis shows that out of the sixty nine (69) approved sixty one (61) projects were complete; one (1) project was ongoing while seven (7) projects had not been implemented as at 30 June 2015. No reason was provided for failure to implement all the planned projects.

The Committee observed that the relevant documentation in regard to the projects was presented and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 5: CONSTRUCTION OF CLASSROOM-WAMITAA PRIMARY SCHOOL

Records indicate that during the year under review, the CDF Committee awarded contract for renovation of six classrooms at Wamitaa Primary School at a sum of Kshs. 1,009,750. The scope of works included painting of the roof, plastering and painting walls, upgrading the veranda and repairing cracks on the floors. A physical verification carried out in March 2016 however, revealed that the contractor did shoddy works on the floors as big cracks had emerged and the entire floor was peeling off.

Further, the veranda was to about 50% complete while the completed sections had cracks due to poor workmanship. No actions appear to have been taken by the CDF Committee to compel the contractor to correct the

defects noted. In the circumstances, the public may not have realized value for money incurred on this project.

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The Committee recommends that the Accounting Officer ensures that relevant Government Departments are involved during project implementation in line with the provisions of Section 36(1) of the NGCDF Act, 2015.

AUDIT QUERY NO. 6: UNUTILIZED ADMINISTRATION POLICE POST AT GACHOKA

Available records indicate that construction of Gachoka AP Post allocated a total of Kshs.1,500,000 in 2013/2014 was completed in 2014/2015. However, the facility was not in use due to what the project management attributed to as failure by the Ministry of Interior and Coordination of National Government to post officers to the station to serve the community. It would appear that the amount of Kshs. 1,500,000 spent on this project would go to waste unless the post is put into use.

The Committee recommends that the NGCDF Board should ensure consultation with the Ministry of Interior and Coordination of National Government at the project approval phase to ensure that officers can be deployed to the station.

FINANCIAL YEAR 2015/ 2016

AUDIT QUERY NO.1: TRANSFERS FROM NG-CDF BOARD

The statement of receipts and payments for the year ended 30 June 2016 reflects receipts from NG-CDF Board of Kshs.105,080,933. However, the summary statement of appropriation; recurrent and development combined indicate actual receipts of Kshs.125,279,196 during the year under review resulting in unreconciled and unexplained variance of Kshs.20,198,263. Consequently, the accuracy and completeness of transfers from NG-CDF Board of Kshs. 105,080,933 for the year ended 30 June 2016 could not be confirmed.

The Committee observed that the correct statement of receipts and payments was presented and verified by the Office of the Auditor General and therefore the matter stands resolved.

AUDIT QUERY NO.2: UNACCOUNTED FOR DISBURSEMENT TO PROJECT MANAGEMENT COMMITTEES

The statement of receipts and payments for the year ended 30 June 2016 reflects transfers to other government units of Kshs.61,845,840 and other grants and transfers of an amount of Kshs.24,637,900 in respect of project implementation. However, out of these payments, an amount of Kshs.29,661,050 to various projects were not supported with expenditure returns and records. As a result, the accuracy and propriety of the Kshs.29,661,050 disbursed during the year to the projects' bank accounts could not be confirmed.

The Committee observed that expenditure returns for the projects had been submitted and verified by the Office of the Auditor General and therefore the matter stands resolved.

AUDIT QUERY NO.3: IRREGULAR SPORTS EXPENDITURE

Included in note 7 to the financial statements on other grants and payments, is an amount of Kshs. 596,800 spent on sports projects. The amount was paid to a Nairobi based firm for supply of 107 Mikasa balls and 30 pieces of goal post nets. Records indicate that requests for quotation were floated and opened and evaluated on 10 December 2015. However, the supplier delivered the supplies on 9 December 2015, a day before the quotations were opened and evaluated. Further, a Local Purchase Order (LSO) number 0719997 was issued to the supplier on 14th December, 2015 after the delivery of the items. In view of the above anomalies, the propriety of the expenditure of Kshs.596,800 incurred on sports during the year ended 30th June, 2016 could not be confirmed.

The Committee recommends that the Fund Account Manager ensures compliance with provisions of Public Procurement and Asset Disposal Act, 2015 and Public Procurement Regulations, 2006.

AUDIT QUERY NO. 4: OTHER MATTERS

4.1 Construction of Kigaa Administration Police (AP) Post

Constituencies Development Fund Board vide a letter reference CDF BOARD/GATUNDU SOUTH/VOL.1/31 dated 11 August 2015, approved reallocation of funds totaling to Kshs. 3,000,000 from Karatu Health Centre, and Ng'enda AP Post to Kigaa AP Post for construction of four(4) AP housing

units, a holding room, customer care bay, armory, a gate and fencing. Records indicate that three (3) bidders submitted bids for the works.

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However, tender opening minutes, tender evaluation report, tender award minutes, notification for the award of tender and a signed contract agreement expenditure documents including invoice, certificate of completion, payment vouchers and bank statements for the project were not presented for audit review. Further, a physical verification carried out in February 2017 revealed that the ceiling of the AP housing units was hanging loosely and there were visible cracks on the walls, an indication of poor workmanship and inadequate supervision. In the circumstances, the propriety and value for money on Ksh.3,000,000 incurred on the project could not be confirmed.

The Committee observed that the relevant documentation for the contract had been provided and verified by the Office of the Auditor General and therefore the matter stands resolved.

4.2 Construction of Gathage Police Patrol Base

The Constituencies Development Fund Board vide a letter reference CDF BOARD/GATUNDU SOUTH/VOL.1/31 DATED 11 August 2015, approved reallocation of funds totaling to Kshs.3,000,000 from Gichera Primary School and Kiarnugo Primary school to the construction of Gathage Police Patrol Base. The funds for construction of 4 AP housing units, a holding room, customer care bay, armory, gating and fencing was disbursed to the project on 4 November 2015. Records made available for audit review revealed that tenders for the construction works were invited vide a notice dated 17 November 2015 and out of five firms who quoted for the works, the tender was awarded to a Nairobi based firm. However, all the bids submitted for evaluation were incomplete and lacked important details such as dates, completed confidential business questionnaire and the bidders details and therefore all should have been non responsive.

Further, a certificate of registration with the National Construction Authority (NCA) for the winning bidder indicated that the company was registered as a civil engineering water works contractor category NCA 8 dealing with borehole drilling, equipping and servicing and not a building or

PDF Compressor Free Version, the tender evaluation was done on 15 December 2015 as per unsigned evaluation report provided.

It was however noted that on 23 December, 2015 (7 calendar days after evaluation) a final certificate of completion was issued by the District works officer Gatundu. This is considered impractical given the scope of works for the project including substructures, superstructures, and walling, roofing, finishes, septic tank plumbing and electrical works and could not have been substantially completed within a period of seven (7) days. Consequently, the propriety and validity of the expenditure of Kshs.3,000,000 disbursed to Gathage Police Patrol Base during the year could not be confirmed.

The Committee recommends that the Fund Account Manager ensures compliance with provisions of Public Procurement and Asset Disposal Act, 2015.

4.3 Gatitu Health Centre Project

Examination of records indicates that during financial year 2015/2016, Gatundu South CDF Committee disbursed Kshs.500,000 to Gatitu Health Centre for construction of septic tank, toilets, fencing and gating. Requests for quotation were floated for the project out of which three bids were received. However, all the bid documents were not dated and it was therefore not possible to establish when the procurement was done. Further, the winning bidder was registered by National Construction Authority as a civil Engineering Water Works Contractor under category NCA 8 to undertake borehole drilling, equipping and servicing and therefore not a building works contractor. Despite the above anomalies, the winning bidder was paid a total of Kshs. 499,400 on 14th March, 2016 through a bank transfer. In view of the above, the propriety of expenditure on the project could not be confirmed.

The Committee observed that the relevant documentation including the minutes for the tender opening were availed and verified by the Office of the Auditor General. The matter therefore stands resolved.

4.4. Unsupported Expenditure on Purchase of Land for Kiamugo Primary School

Records presented for audit showed that on 10 July 2015, Gatundu South CDF disbursed Kshs.2,500,000 to Kiamugo Primary School for purchase of

piece of land. However, no official search document and title deed was made available for audit review. Under the circumstances, it has not been possible to confirm how the money was spent and accounted for.

The Committee observed that the official search for the land and the Title Deed for Kimugo Primary School were submitted and reviewed by the Office of the Auditor General. The matter therefore stands resolved.

4.5 Irregular Procurement of Renovation Works at Kiamwangi AP Post

During the year under review, Kshs.4,400,000 was disbursed to Kiamwangi AP Post project management committee for renovation of the police post. However, the payment was irregularly charged on emergency vote without justification on why the project was urgent, unforeseen and could not be delayed without harming the public interest as prescribed under section 8 of the NG-CDF Act, 2015.

Further, contract for the works was awarded to M/s Egwithi Developers Ltd at contract sum of Kshs.4,499,300 out of which provisional sums of Kshs. 400,000 relating to plumbing and electrical works was not itemized in the bill of quantity for the bidders to quote. In addition, original form of tender, notice of tender, tender opening minutes, tender evaluation report and award minutes, signed contract agreement, and completion certificate for the project were not provided for audit verification. Consequently, the propriety of the payment to Kiamwangi AP Post of Kshs.4,400,000 could not be confirmed.

The Committee observed that the management availed original form of tender, notice of tender, tender opening minutes, tender evaluation report award minutes, signed contract agreement, and Completion certificate for audit verification. Physical verification was also done to ensure the depleted roofs had been repaired. The matter therefore has been resolved.

4.6 Construction of Classrooms – Githunguchu Primary School

During the year under review, Gatundu South CDF Committee disbursed an amount of kshs.3,990,940 to Githunguchu Primary School project account vide payment voucher number 193 dated 8 June 2016, for construction of five (5) classrooms. The designs and bill of quantities presented by the school indicated that Kshs.4 million would complete the project.

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However, the bill of quantities prepared by the District Quantity Surveyor and issued by District Works Officer was revised to cover construction of three (3) classrooms. In addition, notice of tender, tender opening minutes, evaluation report, award minutes, acceptance letter and a signed contract agreement were not provided for audit verification. As at the time of this audit, the contractor for the project was paid a total of Kshs.3,990,038. In the circumstances, the propriety of the expenditure on the project could not be confirmed.

The Committee observed relevant documentation including notice of tender, tender opening minutes, evaluation report, awards minutes, acceptance letter and a signed contract agreement were submitted and verified by the Office of the Auditor General. Physical verification of the project was done as well. The matter therefore stands resolved.

4.6 Construction of Classrooms at Gakunju Memorial School

Records indicate that Gatundu South CDF had allocated Kshs.4,000,000 for construction of four classrooms at Gakunju Memorial School. During the year under review, Kshs.1,750,000 being first installment were disbursed to the project account on 28 January, 2016.

However, expenditure returns, tender documents including notice of tender, tender opening minutes, evaluation report, tender award minutes, and a signed contract agreement, certificate of completion, payment vouchers and bank statements for the project were not provided for audit verification. In the circumstances, the propriety of Kshs.1,750,000 disbursed to the project during the year could not be confirmed.

The Committee observed relevant documentation including project expenditure returns, notice of tender, tender opening minutes, evaluation report, tender awards minutes, signed contract, certificate of completion, and Bank Statements were submitted and verified by the Office of the Auditor General. Physical verification of the project was done as well on 4th April, 2019. The matter therefore stands resolved.

4.7 Construction of a Laboratory Complex at Muhoho High School

The Gatundu South CDF allocated Kshs.10,000,000 for construction of laboratory complex at Muhoho High School in the financial year under

review. Available information indicate that the contract of the laboratory complex was awarded to M/s Numerical Strength Limited at contract sum of Kshs. 5,326,695 which is more than the budget allocation for the project. Further, tender documents such as notice of tender, tender opening minutes, and evaluation report and signed contract agreement were not provided for audit verification. In addition, bill of quantities provided for audit included provisional sums totaling to Kshs.1,800,000 which was not itemized for the bidders to quote against.

An Audit inspection carried out in February 2017 showed that the substructure, superstructure and roofing had been completed, although the contractor was not on site and the project appeared abandoned. Consequently, the propriety of the payment of Kshs.10,000,000 disbursed to the school during the year could not be confirmed.

The Committee recommends that the Fund Account Manager adheres to Section 60 (1) of the Public Procurement and Asset Disposal Act, 2015.

4.8 Overall Budget Performance

During the financial year 2015/2016, Gatundu South CDF received a total of Kshs.105,080,933 from the National Government Constituencies Development Fund Board against a budget of Kshs.125,779,196.45. Out of the total receipts for the year, the CDF incurred total expenditure of Kshs.94,019,948.50 equivalent to absorption rate of 75%. Although Gatundu south Constituency development committee attributed low absorption of funds to delay by NGCDF Board in releasing funds the committee should utilize resources on priority areas to improve on service delivery to the residents of the constituency.

The Committee observed that poor budget performance was occasioned by the delay in the release of exchequer by the National Treasury. However, the matter was resolved.

**MIN.NO./NA/SFAC/2019/005 - DRAFT REPORT FOR NG-CDF
GATUNDU NORTH CONSTITUENCY**

FINANCIAL YEAR 2013/ 2014

AUDIT QUERY NO. 1: UNSUPPORTED AND INCOMPLETE FINANCIAL STATEMENT

The financial statement presented for audit for the year ended 30 June 2014 did not include the statement of cash flows, as required by International Public Sector Accounting Standards (IPSAS). Further, there were no trial balances in the ledgers provided for audit review to support the financial statements balance. In addition, the statement of comparative budget and actual amounts has been wrongly titled as the summary statement. In the circumstance, the completeness and accuracy of the financial statement as at 30 June 2014 could not be confirmed.

The Committee recommended that the Fund Account Managers complies to the International Public Sector Accounting Standards (IPSAS) framework in preparation of financial statements.

AUDIT QUERY NO. 2: UNSUPPORTED PROJECT FUNDS

The summary statement of appropriation reflects balance of Kshs. 76,142,627.00 under budget utilization differences. However, no account status and schedules were availed to confirm the state of disbursed amounts totaling to Kshs. 76,142,627.00. Under the circumstances, the account status and disbursement of amount of Kshs. 76,142,627.00 as at 30 June 2014 could not be confirmed.

The Committee recommends –

- (i) that the Fund Account Officer provides an explanation of the variance of Kshs. 12,620,834 to the Cabinet Secretary of the National Treasury;**
- (ii) that where the Cabinet Secretary of the National Treasury is not satisfied with the explanation of the Fund Account Manager, forward the issue for resolution to the NGCDF Board for administrative action pursuant to the provisions of section 74 (2) (b) of the Public Finance Management Act, No. 18 of 2012; and**
- (iii) that the Fund Account Manager ensures compliance with the provisions of Section 62 of the Public Audit Act, No.34 of 2015 and Section 68 of the Public Finance Management Act, No. 18 of 2012 on the timely submission of documents.**

AUDIT QUERY NO.3: DELAY IN IMPLEMENTATION OF PROJECTS

An examination of project implementation status report dated 30 June 2014, revealed that several projects which were initiated way back in the year 2003/2004 have not been completed and other have not started despite the disbursement of funds. It was found that between the period 2003/2004 and 2013/2014 disbursement totaling Kshs. 129,119,184.50 were made to the Project Management Committee (PMC) from the Constituency Development Fund to finance projects under Education, Health, Water, Security etc. However, no evidence have been provided on the action being taken by the management to complete the projects for the community to realize the benefits from the Funds.

Gatundu North CDF management did not have the annual procurement policies and manual to give guidelines on procurement management. Further, the management did not provide the project implementation status for the year ended 30 June 2014 as required by CDF Act 2013. In the circumstances, the management could not confirm whether the disbursed amount was properly utilized and accounted for and the community got value for money in these projects.

The Committee recommends that the Fund Account Manager complies to the section 44 (2) (c) Public Procurement and Asset Disposal Act, 2015 on preparation of procurement plans and the Public Procurement and Disposal Regulations, 2006.

FINANCIAL YEAR 2014/ 2015

AUDIT QUERY 1: ACCURACY OF DISBURSED FUNDS FROM THE CDF BOARD

The statement of receipts and payments for the year 30 June 2015 reflects receipts amounting to Kshs. 86,075,112 while records of disbursement from the CDF board indicate a total of Kshs. 110,014,587 was released to the CDF account. The variance of Kshs. 23,939,475 has not been explained. Further, the summary statement of appropriation reflects actual receipts of Kshs. 155,846,371 during the year. However, no reconciliation was provided for these three (3) different figures on receipts. In the circumstances, it has not been possible to confirm the accuracy of receipts of Kshs. 86,075,112 for the year ended 30 June 2015.

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The Committee observed that updated and correct AIEs were submitted and reviewed by the Office of the Auditor General. This has since been verified and therefore the matter stands resolved.

AUDIT QUERY NO. 2: ACQUISITION OF ASSETS

The statement of receipts and payments for the year ended 30 June 2015 reflects acquisition of assets expenditure of Kshs. 11,625,000. However, schedule of expenditure provided for audit indicated a total amount of Kshs. 13,125,500, resulting to a difference of Kshs. 1,500,000. It was noted that the differences relates to expenditure on purchase of land Iruri Secondary School which was excluded from these financial statements. Consequently, it has not been possible to confirm the accuracy and completeness of acquisition of assets balance of Kshs. 11,625,500 as at 30 June 2015.

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

AUDITED QUERY NO. 3: UNSUPPORTED EXPENDITURE - MAKWA DISPENSARY

During the year under review, the CDPC disbursed a total of Kshs. 1,000,000 to Makwa Dispensary project management committee for the repair works. However, no expenditure returns, bill of quantities and other documents were made available for audit review. In the absence of expenditure returns and other relevant documents, it has not been possible to ascertain whether the allocated funds were used for the intended purpose.

The Committee observed that expenditure returns and bank statements confirming a payment of a total amount of Kshs. 1,000,000 to Franci Contractors Company Limited were submitted and verified to the Office of the Auditor General and therefore the matter stands resolved.

AUDIT QUERY NO.4 : OTHER MATTERS

4.1 CDF Projects Implementation

The CDF had allocated a total of Kshs. 154,082,239 to implement ninety seven (97) projects including 2013/2014 rolled over projects during the year review. The status of the project implementation is as follows-

Description	Approved projects	Budget	Actual Expenditure	No. of projects implemented	Not implemented	Actual as % of budget
Transfer to Government entities	60	93,020,000	87,325,376	51	9	94
Other grants	31	48,432,239	48,435,100	26	5	100
Acquisition of assets	6	12,630,000	11,625,000	6	0	92
Total	97	154,082,239	147,385,476	83	14	96

The above analysis shows that out of the total budget of Kshs. 154,082,239, the CDF utilized a total of Kshs. 147,385,476 to implement eighty three (83) projects representing 96% absorption rate. No reason was given to failure to implement the balance of fourteen (14) projects. Delay in implementation of projects affects service delivery to the residents of Gatundu North.

The Committee observed that the management provided evidence that the Authority to Incur Expenditure (AIE) for two financial years were submitted after the financial year thus causing the delays to implement the fourteen (14) projects. The documents were verified by the Office of the Auditor General and the matter therefore stands resolved.

FINANCIAL YEAR 2015/ 2016

AUDIT QUERY NO.1: OVERALL BUDGET PERFORMANCE

During the year under review, Gatundu North NG-CDF received a total of Kshs.106,784,345 from the National Government Constituencies Development Fund Board against a budget of Kshs. 124,155,710 resulting to shortfall in disbursements by Kshs. 17,371,365. Further, the actual expenditure for the year total Kshs. 98,089,222 representing absorption rate of 92% of actual receipts. The underutilization of the funds was attributed to delay in disbursement of funds by the NG-CDF Board.

The Committee observed that the correct Authority to Incur Expenditure (AIE) was provided, this was then reviewed and verified by the Auditor General and was confirmed to be correct. The matter therefore stands resolved.

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AUDIT QUERY NO. 2: PROJECT IMPLEMENTATION

During the period under review, the Gatundu north CDF spent a total of Kshs. 80,467,857 against budget figure of Kshs. 83,842,954 allocated for projects during the year as shown below-

Sector	No. of Budgeted Projects	Budget Kshs.	Actual Disbursements to Projects Kshs.	No. of Projects completed	No. not implemented	% level of implementation
Primary and sec. schools	27	65,889,689	63,489,072	17	10	63
Environment	13	1,055,687	81,207	1	12	8
Security	7	8,872,131	8,872,131	5	2	71
Acquisition of assets	1	1,202,113	1,202,113	1		100
Sports	1	1,055,687	1,055,687	1		100
Emergency	1	5,767,647	5,767,647	1		100
Total	50	83,842,954	80,467,857	26	24	52

The above analysis shows that, out of fifty (50) approved projects earmarked for implementation in the year, only twenty six (26) or 52% of the projects were implemented leaving twenty four (24) projects unimplemented. No explanation was provided for the under-

The Committee observed that the management provided a copy of the reallocation approval and 5 completion certificates. The management further explained that the tender was for 12 schools under environment projects. The documentary evidence was provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO.3 : IRREGULAR PROCUREMENT OF WORKS- NGORONGO HEALTH CENTRE

The statement of receipts and payments for the year ended 30 June 2016 reflects amount of Kshs. 63,489,072 in respect of transfer to other government units out of which Kshs. 10,370,870 was paid to Ngorongo Health Centre towards the upgrading of facilities to a hospital by constructing maternity wing, male wing and general ward. However, the CDFC Split the Works into Two Contracts of Kshs. 7,682,170 and Kshs 2,688,700 which were awarded to the same contractor on 7 August 2015 and 5 February 2016 respectively. No reason was provided for the splitting.

Further, records shows that the works were procured through request for quotations yet the value of works exceeded the Kshs. 4,000,000 threshold prescribed under class c of public procurement where CDF entities fall. Therefore the award was made contrary to section 88(b) of the Public Procurement and Disposal Regulations, 2006 and section 174 of the Public Procurement and Disposal Act, 2005. In addition, although the construction had been completed, physical verification carried out in January 2017 revealed that the building had marks of scaled cracks, while the wall had visible cracks a sign of poor workmanship. Consequently, it could not be confirmed whether the CDF obtained value for money on the expenditure incurred on this project.

The Committee observed that the reallocation approval, prequalified contractors list and the advert were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 4: PURCHASE OF LAND AND CONSTRUCTION OF IRURI SECONDARY SCHOOL

Included in transfer to other government units balance of Kshs. 63,489,072 in the statement of receipts and payments for the year ended 30 June 2016, is payment amounting to Kshs. 7,000,000 paid to Iruri secondary school for construction of four (4) classrooms, toilet block, front wall, new administration block and landscaping. Purchase of land on which the school is located was also financed by CDF at a cost of Kshs. 2,500,000 in 2014/2015 financial year. However, the land parcel No. Chania Mataara/534 had not been registered in the name of the school. Further, the construction works were procured through request for quotations and out of four contractor's bidders, a local contractor was awarded the contract at a sum of Kshs. 10,498,908.

The contract price of Kshs. 10,498,908 exceeded the set threshold limit of Kshs. 4,000,000 as per legal notice No. 106 18 June 2013 allowed for use of requests for quotations and therefore open national tendering method should have been used as the appropriate method according to the Public Procurement and Disposal Regulations, 2013 and the Public Procurement and Disposal Act, 2005. No explanation was provided for the failure to adhere to the procurement laws. In view of the foregoing, it was not possible

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to confirm the propriety of Kshs. 7,000,000 transferred to Ururi Secondary school.

The Committee observed that the Title Deed is in the name of the school and the prequalification of suppliers invited through the Nation Newspaper were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 5: PURCHASE OF LAND – MIRI PRIMARY SCHOOL

Records available at Gatundu North CDF Office shows that an amount of Kshs. 350,000 was paid to Miiri Primary school vide payment voucher No. 56 of 9 January 2016 to clear unpaid balance in respect of purchase of land for the expansion of the school initiated in August 2012. The purchase price had been agreed at Kshs. 1,250,000 for land LR No. Ndarugu/Karatu/2085.

Records made available for audit review indicated that the first installment of Kshs. 900,000 was paid by the school vide bankers cheque Number 10454 of 19 May 2014 and the balance of Kshs. 350,000 was payable on or before 19 August 2014. However, the title deed kept by the school was still in the name of the vendor instead of the school's name. It was not clear why the settlement of the balance of Kshs. 350,000 took too long to settle and why the school had not initiated the transfer process despite having paid for the land. Therefore, the ownership of the land could not be confirmed.

The Committee observed that the Title Deed was submitted and verified by the auditor general. The matter was therefore resolved.

MIN.NO./NA./SFAC/2019/006 - ADJOURNMENT/DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 1.30 p.m.

SIGNED.....


HON. KATHURI MURUNGI, M.P

(Chairperson)

DATE.....

18/02/2020

**MINUTES OF THE SITTING OF THE SPECIAL FUNDS ACCOUNTS
COMMITTEE ON REPORT WRITING RETREAT IN MOMBASA COUNTY
FROM 21ST TO 25TH NOVEMBER, 2019 ON SUNDAY, 24TH NOVEMBER,
2019 AT 9.00 A.M. IN ENGLISH POINT HOTEL.**

PRESENT

1. Hon. Kathuri Murungi, M.P. - **Chairperson**
2. Hon. William Kamuren Chepkut, M.P. - **Vice Chairperson**
3. Hon. Marwa Kitayama Maisori, M.P.
4. Hon. Erastus Kivasu Nzioka, M.P.
5. Hon. James Kamau Wamacukuru, M.P.
6. Hon. Alfred Agoi Masadia, M.P.
7. Hon. Mwambu Mabongah, M.P.
8. Hon. Geoffrey Omusc, M.P.
9. Hon. Dr. Irene Kasalu, M.P.
10. Hon. Mohamed Ali Mohamed M.P.
11. Hon. Justus Kizito Mugali, M.P.

APOLOGIES

1. Hon. Shakeel Shabbir Ahmed, CBS, M.P.
2. Hon. Mohamed Ali Lokiru, M.P.
3. Hon. Mark Lomunokol, M.P.
4. Hon. Jared Okelo, M.P.
5. Hon. Dennitah Ghati, HSC, M.P.
6. Hon. Esther Muthoni Passaris, OGW, M.P.
7. Hon. Rehema Jakdesa, M.P.
8. Hon. Abdi Koropu Tepo, M.P.

COMMITTEE SECRETARIAT

1. Ms. Hellen Ekadeli - Second Clerk Assistant
2. Ms. Clare Kidombo - Researcher
3. Mr. Sydney Okumu - Senior Legal Counsel
4. Mr. Robert Ngetich - Fiscal Analyst
5. Mr. Josephat Bundotich - Serjeant-at-Arms
6. Ms. Fatuma Abdi - Audio-Recording Officer

IN-ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. Francis Kabui - Manager – Audit
2. Mr. Thomas Kilei - Auditor, Kiambu County

NATIONAL TREASURY

1. Mr. Cyrus Munyua - Liaison/Manager – Accountant

MIN.NO./NA./SFAC/2019/021 - PRELIMINARIES

The meeting was called to order at 9.30 a.m. with a word of prayer from the Chairperson. The agenda of the meeting was as circulated:

1. Prayers
2. Preliminaries
3. Confirmation of Minutes
4. Matters Arising
5. **Consideration of draft reports of audited financial statements of NG-CDF Constituencies in Kiambu County for FY 2013/14, 2014/15 and 2015/16.**
6. Any Other Business
8. Adjournment.

MIN.NO./NA./SFAC/2019/022 - CONFIRMATION OF MINUTES

There were no minutes to be confirmed and therefore no matters arising.

MIN.NO./NA./SFAC/2019/023 - DRAFT REPORT FOR NG-CDF KABETE CONSTITUENCY

FINANCIAL YEAR 2013/2014

AUDIT QUERY NO. 1: ACCURACY AND COMPLETENESS OF FINANCIAL STATEMENTS

The financial statements presented for audit for the year ended 30 June 2014 did not include statement of cash flows as required by the International Public Sector Accounting Standards (Cash Basis). Further, the accounts balances reflected in the statements were not supported by a trial balance and ledgers as at 30 June 2014. As result, the completeness and accuracy of the financial statements as at 30 June 2014 could not be confirmed.

The Committee observed that the statements were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

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AUDIT QUERY NO. 2: FAILURE TO CLOSE BANK ACCOUNT

Kikuyu Constituency was split in two constituencies in 2012 creating Kabete and Kikuyu Constituencies. It was observed that after splitting, although the two constituencies opened separate bank accounts for their respective CDF activities, the CDF account No. 1102946036 at the KCB Kikuyu Branch, operated by the former Kikuyu CDF was not closed and the two new constituencies (Kikuyu & Kabete) jointly confirmed to operate it. However, the bank balances in this account as at 30th June 2014 attributed to each of the new constituencies were not disclosed.

The Committee observed-

- (i) that the bank account was closed and the relevant documentation was provided and verified by the auditors;
- (ii) that the matter of constituencies is split and accounts failing to be closed is cross cutting in most constituencies and that there is therefore need for the NGCDF Board to ensure that the accounts are closed.

AUDIT QUERY NO. 3: UNDISCLOSED RECEIPTS

The statement of receipts and payments reflects total receipts of Kshs. 26,942,361.20 for the year then ended. This amount comprises of transfers from CDF Board only. However, during the year, the CDF collected Kshs. 423,000 from the sale of tenders which was not disclosed as part of receipts in the statement of receipts and payments. Further, AIE No. A750127 date 17 June 2014 of Kshs. 20,413,541.50 disbursed to the CDF during the year had not been included as part of transfers from the Board under the category of receipts. Under the circumstances, the accuracy and completeness of the total receipts by the CDF during the year could not be ascertained.

The Committee observed the bank statement from the transfers was submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO.4: CASH AND BANK BALANCES INACCURACIES

The bank balance as per the cash book at Equity Bank as at 30 June 2014, reflected a balance of Kshs. 5,483,070.00. However, the bank certificate as shown in the bank reconciliation statement reflected a bank balance of Kshs. 27,836,246.00. Further the bank statements as per bank reconciliation statement reflected a bank balance of Kshs. 9,087,912.00 as at 30 June 2014. Included in one of the reconciling items, was a receipt in the bank statement not recorded in the cash book of Kshs. 20,413,541.80.

This amount relates to an AIE No. A750127 dated 17 June 2014 which was a disbursement from the CDF. The bank balance certificates and the bank statements indicated in the bank reconciliation statement were however not availed for audit verification. Consequently, it has not been possible to confirm the accuracy of the cash and bank balances of Kshs. 5,483,070.00 as at 30 June 2014.

The Committee observed that the differences between the cash book and the bank balance was occasioned by the A.I.E for Ksh 20,413,541.80 that was captured in the cashbook after the close of the financial year. The matter therefore stands resolved.

AUDIT QUERY NO. 5: OTHER GRANTS AND TRANSFERS

Included in the Other Grants and Transfers balance of Kshs. 18,795,608.00 as at 30 June 2014 in the statement of receipts and payment is an amount of Kshs, 14,626,000.00 being bursary to Secondary, Tertiary, and Special school Mocks and Cats. However, the expenditure of bursaries was not supported by schedules or details of the beneficiaries. As a result, it has not been possible to ascertain the propriety of the expenditure of these bursaries.

The Committee observed that the schedule with details of the bursary beneficiaries was provided and verified by the Office of the Auditor General and the matter stands resolved.

AUDIT QUERY NO. 6: UNAPPROVED APPROPRIATION OF EMERGENCY FUNDS

Audit of financial records maintained by Kabete CDF disclosed that the CDF re-allocated a total of Kshs. 3,587,012 from the Emergency budget to fund other activities which were not of emergency in nature. However, no Fund

Board Approval was availed for audit in regard to the re-allocation of funds for application to other unrelated activities. Under the circumstances, the emergency projects are likely to suffer funding due to diversion of emergency funds to non-emergency projects.

The Committee observed that projects funded were urgent in nature in line with section 8 of the NGCDF Act, 2015.

FINANCIAL YEAR 2014/2015

AUDIT QUERY NO. 1: FAILURE TO CLOSE BANK ACCOUNT

As previously reported, the larger Kikuyu Constituency was split into two constituencies in 2012 creating Kabete and Kikuyu Constituencies. It was observed that after splitting, although the two constituencies opened separate bank accounts for their respective CDF activities, the CDF bank account No. 1102946036 held at KCB Kikuyu branch, operated by the former Kikuyu CDF had not been closed as at 30 June 2015 and the two constituencies, Kabete and Kikuyu continued to operate it. However, the bank balances amounting to Kshs. 6,198,315.25 in this account as at 30 June 2015 attributed to each of the new constituencies were not disclosed.

Further, the total CDF disbursements received in the joint account during the year under review was not disclosed. Similarly, the payments made from the joint account in respect of projects and other expenses for Kabete Constituency were not disclosed in these financial statements.

The Committee observed that the financial reports were submitted and verified and hence the matter stands resolved.

AUDIT QUERY NO. 2: CONSTRUCTION OF PRE-FABRICATED STAFF HOUSES

During the year under review, Kabete CDF paid a total of Kshs. 4,200,000.00 to M/S Terki Limited in respect of construction of pre-fabricated staff houses for Uthiru and Kahuhu Dispensaries. However, the CDF office did not have pre-qualified contractors for pre-fabricated staff houses. Expenditure returns including tender documents, completion certificates and other records were not provided for audit review. Therefore,

it was not clear how the contractor was identified and awarded the contract and the validity of the expenditure of Kshs. 4,200,000.

Further, and although the staff houses had been completed, they had not been put into use. In the circumstances, it has not been possible to ascertain the propriety and value for money on the expenditure.

The Committee observed that completion certificates and the handing over report with photos of the complete projects were availed and photos of the same were submitted and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 3: DELAY IN IMPLEMENTATION OF KANJERU STADIUM AND BINS PROJECTS

An amount of Kshs. 20,000,000.00 was disbursed to Kanjeru Stadium in March 2015 for erection of a perimeter wall, fencing and construction of ablution block. However, a visit to the site of the project in January 2016 revealed that no work was ongoing on, approximately nine months after the disbursement of the funds. No explanation was given for the delayed implementation of the project. Further during the year 2013/2014 an amount of Kshs. 1,257,462.90 was allocated and disbursed in respect of purchase of designated waste bins for five (5) shopping centers within Kabete Constituency. However, as at the time of audit the waste bins had not been purchased. No justified reason was given for failure to purchase the waste bins, two years after the funds were disbursed.

The Committee observed that the projects were verified and the minutes confirmed to be correct by the Office of the Auditor General. The matter hence stands resolved.

AUDIT QUERY NO.4 : PRIOR YEAR AUDIT MATTER

As previously reported, an amount of Kshs. 423,000.00 collected from sale of tenders was not disclosed as part of receipts in 2013/2014 financial statements. No corrective action has been taken to include the receipts even in these financial statements.

The Committee observed that the financial statements for the project proposal were submitted and verified by the Officer of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 5: DEVELOPMENT PROJECTS

IMPLEMENTATION

A total of Kshs. 59,259,779.00 was allocated to finance twenty two (22) projects in 2014/2015 budget. However, the implementation of the projects was behind schedule although the budget funds was received and disbursed for project implementation, as at 30th June 2015 eight (8) projects were complete, nine (9) were ongoing and five (5) projects had not been implemented .

The Committee observed that the statement showing the cash received by the constituency and the project status were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

FINANCIAL YEAR 2015/2016

AUDIT QUERY NO. 1: BUDGET PERFORMANCE ANALYSIS

During the Financial year 2015/2016 Kabete NG-CDF received a total of Kshs. 147,280,964 from the NG-CDF Board against a budget of Kshs. 157,059,677 or 94% of the budget. Out of the total receipts an amount of Kshs. 112,457,094 was spent during the year resulting in under - expenditure of Kshs, 34,823,870, equivalent to an absorption rate of 72%.

The Kabete Constituency development Committee attributed the low rate of absorption of funds to delay by the NG-CDF Board in releasing funds and delay in enactment of the NG-CDF Board in releasing funds and delay in enactment of the NG-CDF Act, 2015.

The Committee observed that the late disbursement of funds was occasioned by the delay in the exchequer released by the National Treasury. The Matter therefore stands resolved.

AUDIT QUERY NO. 2: UNAUTHORIZED RE-ALLOCATION OF FUNDS TO KANYONGO-KAHINGAINI BRIDGE

In note 7 to the Financial Statements in relation to other grants and other payments balance of Kshs. 78,203,354.00 is an amount of Kshs. 1,500,000.00 in respect of road projects. Records presented for audit review indicate that the amount was originally allocated for the construction of Kanyongo - Kahingaini Bridge. However, the amount was re-allocated to pay

eight land owners for purchase of road way-leave to connect Kanyongo-Kahingaini areas. The CDF committee however did not provide documentary evidence indicating that a request for the re-allocation of the funds was submitted to the NG CDF Board as required under Section 30 of the NG-CDF Act, 2015. The CDF committee therefore breached the law by reallocating funds without approval by the NG-CDF Board.

The Committee recommends that the National Government Constituencies Development Fund Board takes administrative action against Fund Account Manager who reallocated funds contrary to section 6 (2) of the NG-CDF Act, 2015.

AUDIT QUERY NO. 3: UNAUTHORIZED USE OF EMERGENCY

RESERVE

Also included under note 7 to the Financial Statements are other grants and other payments expenditure on emergency projects totaling Kshs. 8,858,472.00 out of which Kshs. 1,849,546.00 was in respect of repair of various roads, purchase of furniture, construction of an ablution block and replacement of asbestos sheets at Wangige Market. These projects however could have been funded within the normal budget process as the projects were not justified as urgent and unforeseen needs as prescribed in Section 8 (2) of the NG-CDF Act, 2015. Further, the approval of the Board was not obtained before the payments were made. In the circumstances, the propriety of the emergency expense of Kshs. 1,849,546 incurred during the year under review cannot be confirmed.

The Committee recommended that:-

- (i) that the National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who reallocated funds contrary to section 6 (2) of the NG-CDF Act, 2015; and**
- (ii) the Fund Account Manager ensures emergency funds are spent in line with the provisions of Section 8 of the NG-CDF Act, 2015 and other guidelines provided by the NG-CDF Board.**

AUDIT QUERY NO. 1: FAILURE TO CLOSE BANK ACCOUNT

Kikuyu Constituency was split into two constituencies in 2012 creating Kabete and Kikuyu. It was observed that after splitting although the two constituencies opened separate bank accounts for their respective CDF activities, the CDF bank account No.1102946036 held at KCB Kikuyu branch previously operated by Kikuyu CDF had not been closed as at 30 June 2014 and the two constituencies continued to jointly operate it.

The bank -balances in this account as at 30 June 2014 attributable to each of the constituencies were not disclosed. Further the total CDF disbursements received in the joint account after splitting of the two constituencies was not disclosed. Payments/disbursements made from the joint account in respect of projects and other expenses for Kikuyu constituency were not disclosed in the financial statements.

The Committee observed that the bank statements of the accounts were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

FINANCIAL YEAR 2014/2015

AUDIT QUERY NO. 1: ACCURACY OF DISBURSEMENTS FROM THE CDF BOARD

The statement of receipts and payments reflects receipts amounting to Kshs.105,643,506 while records of disbursements from the CDF Board indicate a total of Kshs.176,612,974.50 was released to the CDF account during the year. The resultant variance of Kshs. 70,969,468.50 has not been reconciled. In the circumstance it has not been possible to confirm the accuracy of receipts of Kshs. 105, 643,506 for the year ended 30 June 2015.

The Committee observed that the AIEs were provided and verified by the Office of the Auditor General. The matter therefore stands resolved.

AUDIT QUERY NO. 2: FAILURE TO CLOSE BANK ACCOUNT

It was observed that after splitting although the two constituencies opened separate bank accounts for their respective CDF activities, the CDF bank account No.1102946036 held at KCB Kikuyu branch previously operated by Kikuyu CDF had not been closed as at 30 June 2014 and the two constituencies continued to jointly operate it. The amount of Kshs.

4,128,915.25 in this account as at 30 June 2015 attributable to each of the new constituencies was not disclosed.

Further the total CDF disbursements received in the joint account after splitting of the two constituencies was not disclosed. Payments/disbursements made from the joint account in respect of projects and other expenses for Kikuyu constituency were not disclosed in the financial statements.

The Committee recommended that the National Government Constituencies Development Fund Board conducts an audit on transfer of assets and liabilities, and ensure that incomplete projects transferred to newly created Constituencies are funded to completion.

AUDIT QUERY NO.3: OTHER MATTERS

3.1 CDF Project Implementation

During the year under review, Kikuyu CDF had allocated a total of Kshs. 146,456,235 to implement 75 projects which included 32 rolled over projects implemented in 2014/2015. The CDF utilized a total of Ksh.145,321,965 on the projects. Out of the 75 only 62 projects were implemented. No reason was given for failure to implement the balance of 10 projects.

The Committee observed that the delay in the implementation of projects was due to delayed disbursement of fund from the National Treasury. The matter was therefore resolved.

3.2 Irregular Utilization of Emergency Funds

Records maintained by the CDF office indicate that the CDPC approved payments amounting to Ksh.1,500,000 for the construction of Kari Health Centre. It was however noted that the expenditure was incurred on activities that would have fitted well under ordinary activities and was not urgent/unforeseen and therefore any delay would not have caused harm the public. No explanation was given for failure to seek approval from CDF Board. The expenditure was irregular and was paid in contravention of section 12(3) of the CDF Act 2013.

The Committee recommended -

- (i) that the National Government Constituencies Development Fund Board takes administrative action against the Fund Account Manager who reallocated funds contrary to section 6 (2) of the NG-CDF Act, 2015; and**
- (ii) that the Fund Account Manager ensures emergency funds are spent in line with the provisions of Section 8 of the NG-CDF Act, 2015 and other guidelines provided by the NG-CDF Board.**

FINANCIAL YEAR 2015/2016

AUDIT QUERY NO. 1: PRESENTATION OF THE FINANCIAL STATEMENTS

The summary statement of appropriation presented for audit review for the year ended 30 June 2016 do not have comparison of transfers from NGCDF Board and other receipts budget and actual amounts as per the approved reporting template prescribed by the Public sector Accounting Standards Board. The financial statements under review do not have an annex on summary of fixed assets schedule as at 30 June 2016. In view of these omissions, the completeness and accuracy of the financial statements for the year ended 30 June 2016 could not be confirmed.

The Committee observed that the summary of the appropriation and been provided and verified by the Office of the Auditor General hence the matter stands resolved.

AUDIT QUERY NO. 2: OTHER MATTER

2.1 Budget Performance Analysis

During the financial year under review, Kikuyu CDF received a total of Kshs. 100,012,761 from the National government Constituencies Development fund. Records indicate that the CDF had an expenditure of Kshs. 103,671,508 while actual amount spent Kshs. 95,472,786 during the year resulting in under expenditure of Kshs. 8,198,722 equivalent to absorption rate of 92%. The management has not provided explanation for the under expenditure and the failure to utilize all the approved budgetary provisions.

The Committee observed that the delayed disbursement of funds by the National Treasury affected the budget performance of the Constituency. The matter was therefore resolved.

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**MIN.NO./NA./SFAC/2019/025 - ADJOURNMENT/DATE OF
NEXT MEETING**

There being no other business the meeting was adjourned at 1.30 p.m.

SIGNED.....

HON. KATHURI MURUNGI, M.P

(Chairperson)

DATE.....18/02/2020

**MINUTES OF THE 2ND SITTING OF THE SPECIAL FUNDS ACCOUNTS
COMMITTEE HELD ON THURSDAY, 20TH FEBRUARY, 2020 IN COMMITTEE
ROOM 12, MAIN PARLIAMENT BUILDINGS AT 10.00 A.M.**

PRESENT

1. Hon. Kathuri Murungi, M.P - Chairperson
2. Hon. Marwa Kitayama Maisori, M.P
3. Hon. Geoffrey Omusc, M.P
4. Hon. Erastus Kivasu Nzioka, M.P
5. Hon. Jared Okelo, M.P
6. Hon. Rehema Jaldesa, M.P
7. Hon. James Kamau Wamucukuru, M.P
8. Hon. Dr. Irene Kasali, M.P
9. Hon. Mwambu Mabongah, M.P
10. Hon. Mohamed Ali Lokiru, M.P

APOLOGIES

1. Hon. William Kamuren Chepkut, M.P - Vice Chairperson
2. Hon. Esther Passaris, OGW, M.P
3. Hon. Mark Lomunokoi, M.P
4. Hon. Mohamed Ali Mohamed, M.P
5. Hon. Shakel Shabbir Ahmed, M.P
6. Hon. Justus Kizito Mugali, M.P
7. Hon. Dennitah Ghati, HSC, M.P
8. Hon. Alfred Agoi Masadia, M.P
9. Hon. Abdi Koropu Tepo, M.P

COMMITTEE SECRETARIAT

1. Ms. Hellen Ekadeli - Second Clerk Assistant
2. Mr. Nickson Mutai - Audio Officer
3. Ms. Nascrian Kaare - SAA

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4. Mr. Benson Sui - Intern

MIN.NO./NA./SFAC/2020/006 - PRELIMINARIES

The Chairperson called the meeting to order at 10.05 a.m. with a word of prayer. The following agenda of the meeting was adopted as circulated having been proposed and seconded by Hon. Mwambu Mabongah, M.P. and Hon. Erastus Kivasu, M.P. respectively.

1. Prayers
2. Preliminaries
3. Confirmation of minutes
4. Matters Arising
- 5. Adoption of the Report on audited financial statements for the NG-CDF in Kiambu County.**
6. Any Other Business
7. Adjournment/Date of Next Meeting

MIN.NO./NA./SFAC/2020/007 - CONFIRMATION OF MINUTES

The minutes of the 1st Sitting held on Tuesday, 18th February, 2020 were confirmed as true records of the deliberations of the meeting having been proposed and seconded by Hon. Geoffrey Omusc, M.P. and Hon. James Wamucukuru, M.P. respectively.

MIN.NO./NA./SFAC/2020/008 - MATTERS ARISING


Under **MIN.NO./NA./SFAC/2020/004** the Committee was informed that the proposed visits of the sub-committees to Western Kenya and Coastal Region could not take place due to a lean secretariat and therefore resolved to undertake the visit to Western Kenya from 8th to 14th March, 2020.

MIN.NO./NA./SFAC/2020/009 - ADOPTION OF THE REPORT ON
AUDITED FINANCIAL STATEMENTS FOR THE NG-CDF IN KIAMBU
COUNTY.

The Committee was satisfied with the contents of the report and thereafter adopted it as proposed and seconded by Hon. Geoffrey Omuse, M.P. and Hon. Erastus Kivasi, M.P. respectively.

MIN.NO./NA./SFAC/2020/010 - ADJOURNMENT/DATE OF NEXT
MEETING

There being no other business the meeting was adjourned at 11.10 a.m. and next meeting will be held on Tuesday, 25th February, 2020.

Signed.....  Date..... 25/2/2020

 for HON. KATHURI MURUNGI, M.P
(Chairperson)

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