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OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND  
MATAYOS CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE 2016**



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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-  
MATAYOS CONSTITUENCY**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

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Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –  
MATAYOS CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016**

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**CONSTITUENCY DEVELOPMENT FUND- MATAYOS CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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**I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2013. The Constituencies Development Fund is represented by the Cabinet Secretary for Devolution and Planning, who is responsible for the general policy and strategic direction of the Constituencies Development Fund. The objective of the fund is to ensure that specific portion of the national annual budget is devoted to the constituency for the purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

**(b) Key Management**

The MATAYOS Constituency's day-to-day management is under the following key organs:

- i. Constituencies Development Fund Board (NGCDFB)
- ii. NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND Committee (NGCDFC)

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	<b>Yusuf Mbuno</b>
2.	A.I.E holder	<b>Boaz Omondi Odeyo</b>
3.	Accountant	<b>Denis Abuya</b>

**(d) Fiduciary Oversight Arrangements**

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of MATAYOS Constituency. The reports and recommendation of ARMC when adopted by the NGCDF Board are forwarded to the NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND Committee (NGCDFC) for action. Any matters that require policy guidance are forwarded by the Board to the Cabinet Secretary and National Assembly Select Committee.

**(e) MATAYOSNGCDF Headquarters**

NGCDF Office Building.  
P.O Box 1055- 50400  
BUSIA.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MATAYOS  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016**

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**(f) MATAYOSNGCDF Contacts**

E-mail: [cdformatayos@cdf.go.ke](mailto:cdformatayos@cdf.go.ke)  
Website: [matayosconstituency.co.ke](http://matayosconstituency.co.ke)

**(g) MATAYOSNGCDF Bankers**

Equity Bank Busia Branch  
P.O Box 553  
Busia.

**(h) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(i) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MATAYOS  
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**II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY  
DEVELOPMENT FUND COMMITTEE (NGCDFC)**

Within the financial year 2015/2016, the constituency was allocated a total of ksh.117,531,915.00 and at the end of the financial year we had received a total of ksh.95,441,646 translating almost 60 % of the total allocation. This enabled the constituency to implement a number of projects such as Health, Roads and Bridges Education Facilities, Education Bursaries Agriculture ETC

NGCDF-Matayos constituency within the financial year had got a number of success stories for instance successful implementation of projects at 90%, improvement of the educational infrastructure in the constituency and the provision of scholarship to the bright and needy students in the constituency within the financial year just to mention few.

On the challenges, within the financial year there was a lot of expectation from the public on which types of the projects to be financed by the CDF as some of the projects which had a lot of impact on community are not covered in NGCDF Act 2015 and subsequent NGCDF Act regulations 2016, therefore there is need for thorough public awareness on the CDF funded projects also there was a challenge in management of procurement exercises with the project Management Committees as the law recognises pmc's as procuring entities and therefore there is need to orient the pmc's on public Procurement Disposal Act so that they understand the Act and implement it fully without deviation.

Sign.....  
CHAIRMAN NGCDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MATAYOS  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016**

**III. STATEMENT OF NGCDF MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government NGCDF shall prepare financial statements in respect of that NGCDF. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the MATAYOS NG-CDF is responsible for the preparation and presentation of the NGCDF's financial statements, which give a true and fair view of the state of affairs of the NGCDF for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NGCDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the NGCDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the MATAYOS NGCDF accepts responsibility for the NGCDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NGCDF's financial statements give a true and fair view of the state of NGCDF's transactions during the financial year ended June 30, 2015, and of the NGCDF's financial position as at that date. The Accounting Officer charge of the MATAYOS NGCDF further confirms the completeness of the accounting records maintained for the NGCDF, which have been relied upon in the preparation of the NGCDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the MATAYOS NGCDF confirms that the NGCDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NGCDF's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the NGCDF's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The NGCDF's financial statements were approved and signed by the Accounting Officer on 30<sup>th</sup> August 2016.



\_\_\_\_\_  
Fund Account Manager



\_\_\_\_\_  
Chairman

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- MATAYOS CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Government Constituencies Fund Development- Matayos Constituency set out on pages 5 to 16, which comprise the statement of assets as at 30 June 2016, and the statement receipts and payments, statement of cash flows for the year then ended, summary statement of appropriation: recurrent and development combined for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 of the Constitution. The audit was conducted in accordance with International Standards of Supreme Auditing Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

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*Report of the Auditor General on the Financial Statements of National Government Constituencies  
Development Fund- Matayos Constituency for the year ended 30 June 2016*



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

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

## **Basis for Adverse Opinion**

### **1. Cash and Cash Equivalents**

The cash and cash equivalents balance of to Kshs.34,421,674 reflected in the financials statement differs with the bank reconciliation statement balance of Kshs.8,767 resulting to a variance of Kshs.34,412,907.

Consequently, it has not been possible to confirm that the cash and cash equivalents balance of Kshs.34,421,674 as at 30 June 2016 is fairly stated.

### **2. Budgetary Control Performance**

#### **2.1 Under Expenditure**

The National Government Constituencies Development Fund Board had an approved budget of Kshs.154,973,561 and spent Kshs.63,280,257 resulting to an under expenditure of Kshs.91,693,304 representing 40% overall budget representation. Consequently, the failure to fully utilize the allocated budget is likely to impact negatively on service delivery to the residents of the constituency.

#### **2.2. Undisbursed Allocation**

The Fund received Kshs.95,441,646 in the year against total allocation by NGCDF Board of Kshs.117,531,915 resulting to undisbursed allocation of Kshs.22,090,269. This situation is likely to hinder the implementation projects in the year under review and subsequently have an impact on the following year's performance.

### **3. Project Implementation Status**

During the year under review, the Fund was to implement a total of 91 projects/programmes by different sectors during the financial year. Further analysis indicated that 58 or 63% of the project had not started, 32 or 35% of the projects were still on going and 1 or 1% of the project had been completed. Therefore, the fund did not fully meet the budget target and effective delivery of service.

#### 4. Unauthorised Re-Allocations

A review of project files and examination of the payment documents in respect to roads projects revealed that payments amounting Kshs.6,100,000 were diverted to projects that were not originally approved by the NGCDF Board for the 2015/16 financial year as shown below.

<b>Unauthorised Roads Projects Re-allocations</b>			
<b>No.</b>	<b>Re-allocation from</b>	<b>Re-allocation to</b>	<b>Amount Kshs.</b>
1	Labour & Machine Based Maintenance of Busibwabo-Bumakunda Road	Labour & Machine based maintenance of Kubumba Asani Road	2,400,000
2	Labour & Machine Maintenance of Siguata-Suo Road	Labour & Machine based maintenance of Nubisiongo-Suo Road	1,000,000
3	Construction of Boda boda Shades	Labour & Machine based maintenance of Nubisiongo-Suo Road	100,000
4	Labour & Machine Maintenance of Busiwabo-Bumakanda Road	Labour & Machine based maintenance of Nubisiongo-Suo Road	200,000
5	Labour & Machine Maintenance of Lunga-Aroma Road	Labour & Machine based maintenance of Mabunge Junction-Alatsu Road	2,000,000
6	Labour & Machine Maintenance of Busiwabo-Bumakanda Road	Labour & Machine based maintenance of Mabunge Junction-Alatsu Road	400,000
	<b>Grand Total</b>		<b>6,100,000</b>

Consequently, the propriety and validity of these projects could not be confirmed.

#### 5. Unsupported Procurement

The Fund management procured works and services amounting to Kshs.9,179,700 as detailed below;

	<b>Payee</b>	<b>Amount Kshs.</b>	<b>Description</b>	<b>Description</b>
1	Basejim Public Address System	120,000	All procurement records not availed	PA system for 7 days
2	Nafoy Tents & Chairs	150,000	All procurement records not availed	Hire of tents and chairs
3	Nafoy Tents & Chairs	119,700	All procurement records not availed	Hire of tents and chairs and PA
4	Tom Junior Transport	140,000	All procurement records not availed	Ferrying players & Supporters
5	Tom Junior	140,000	All procurement records	Ferrying players &

	Transport		not availed	Supporters
6	Tom Junior Transport	70,000	All procurement records not availed	Ferrying players & Supporters
7	Tumaini Groceries	300,000	All procurement records not availed	Catering services to officials, players & supporters
8	Tumaini Groceries	200,000	All procurement records not availed	Catering services to officials, players & supporters
9	Vivid Media	85,000	All procurement records not availed	Printing of certificates, design & layout
10	Western Travellers	107,000	All procurement records not availed	Hire of vehicle for seven days
11	Western Security Service	50,000	All procurement records not availed	Providing security & field marking
12	Busende Sec School	800,000	Evaluation minutes not priced.	Constructions
13	Murende Sec School	1,000,000	All procurement records not availed	Constructions
14	Igero Primary School	675,000	All procurement records not availed	Constructions
15	Mabunge Youth Polytechnic	775,000	All procurement records not availed	Constructions
16	Esikulu Health Centre	548,000	BQs and All procurement records not provided.	Constructions
17	Alungoli Primary School	600,000	Procurement done by the CDF. All procurement records not availed.	Constructions
18	Busidibu Primary School	675,000	All procurement records not availed	Constructions
19	Busidibu Special School	775,000	All procurement records not availed the land was single sourced.	Constructions
20	Nasira RC primary School	675,000	Procurement done by the CDF. All procurement records not availed.	Constructions
21	Bukalama Primary School	500,000	BQs and All procurement records not provided.	Constructions
22	St. Joseph Primary School	675,000	Procurement done by the CDF. All procurement records not availed.	Constructions
<b>Total</b>		<b>9,179,700</b>		

However, it was not possible to ascertain how they were sourced as procurement records were not availed for audit review. In the absence of competitive bidding and supporting documents the authenticity of the expenditure and value for money from the transactions could not be ascertained.

## 6. Irregular Variations in Procurement

A review of records in respect to procurement of equipment for sports project revealed that the supply of sports materials was varied upwards as shown below without the approval by procurement tender committee.

In view of the forgoing, the propriety and completeness of these supplies could not be accurately ascertained.

Item	Quantity Tendered	Quantity Ordered	Variation	Unit Price Kshs.	Total Variation Kshs.
Soccer uniforms	5	15	10	45,472	454,720
Foot balls (Mikasa)	8	48	40	5,800	232,000
Printing T-shirts	0	20	20	1,000	20,000
					<b>706,720</b>

## 7. Irregular Procurement of Works on Behalf of the Project Management Committees

The scrutiny of procurement records revealed that the CDF procured several contracts amounting to Kshs.4,698,000 on behalf of registered institutions without involving the management of the respective institutions as highlighted below;

No.	Institution	Amount (Kshs.)
1	Igero Primary School	675,000
2	Esikulu Health Center	548,000
3	Alungoli Secondary	775,000
4	Busidibu Primary School	675,000
5	Nasira RC	675,000
6	St Joseph	675,000
7	St Theresa	675,000
<b>Total</b>		<b>4,698,000</b>

In the absence of involvement of the institutions' Project Management Committees (PMCs), the authenticity of the expenditure and value for money from the transactions could not be ascertained.

## 8. Failure by the PMCs to Submit Expenditure Returns

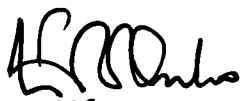
The expenditure returns indicating how funds disbursed were utilized for education projects funded through the Project Management Committees (PMCs) were not submitted for audit verification as detailed below;

No.	Institution	Amount (Kshs.)
1	St Eugene	700,000.00
2	Murende Primary	700,000.00
3	Igero Primary	675,000.00
<b>Total</b>		<b>2,075,000.00</b>

Consequently, the validity and completeness of these projects could not be confirmed.

### **Adverse Opinion**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of National Government Constituencies Development Fund-Matayos Constituency as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply National Government Constituencies Development Fund Act, 2015.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**12 March 2018**

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MATAYOS  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016**

**IV. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE  
2016**

	Note	2015 - 2016	2014 - 2015
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from CDF board-AIEs' Received	<b>1</b>	95,441,646	94,000,997
<b>TOTAL RECEIPTS</b>		<b>95,441,646</b>	<b>94,000,997</b>
<b>PAYMENTS</b>			
Compensation of employees	<b>2</b>	2,292,958	1,241,642
Use of goods and services	<b>3</b>	10,722,631	10,034,179
Transfers to Other Government Units	<b>4</b>	30,193,000	25,836,070
Other grants and transfers	<b>5</b>	20,071,668	46,542,196
Acquisition of Assets	<b>6</b>	-	12,562,390
Other Payments	<b>7</b>	-	3,008,042
<b>TOTAL PAYMENTS</b>		<b>63,280,257</b>	<b>99,224,519</b>
<b>SURPLUS/DEFICIT</b>		<b>32,161,389</b>	<b>(5,223,522)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MATAYOSNGCDF financial statements were approved on 30<sup>th</sup> August 2016 and signed by:



**Chairman - NGCDFC**



**Fund Account Manager**

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MATAYOS  
CONSTITUENCY**


**Reports and Financial Statements**


**For the year ended June 30, 2016**

**V. STATEMENT OF ASSETS AS AT 30<sup>TH</sup> JUNE 2016**

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	8	34,421,674	2,260,285
<b>TOTAL FINANCIAL ASSETS</b>		<u>34,421,674</u>	<u>2,260,285</u>
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July...	9	2,260,285	7,483,807
Surplus/Deficit for the year		32,161,389	(5,223,522)
<b>NET LIABILITIES</b>		<u>34,421,674</u>	<u>2,260,285</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MATAYOS NGCDF financial statements were approved on 30<sup>th</sup> August 2016 and signed by:

  
\_\_\_\_\_  
**Chairman - NGCDFC**

  
\_\_\_\_\_  
**Fund Account Manager**

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MATAYOS  
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**Reports and Financial Statements**


**For the year ended June 30, 2016**

**VI. STATEMENT OF CASHFLOW FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2016**

<b>Receipts for operating income</b>		<b>2015 - 2016</b>	<b>2014 - 2015</b>
Transfers from CDF Board	1	95,441,646	94,000,997
		<b>95,441,646</b>	<b>94,000,997</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	2	2,292,958	1,241,642
Use of goods and services	3	10,722,631	10,034,179
Transfers to Other Government Units	4	30,193,000	25,836,070
Other grants and transfers	5	20,071,668	46,542,196
Other Payments	7	-	3,008,042
		<b>63,280,257</b>	<b>86,662,129</b>
<b>Net cash flow from operating activities</b>		<b>32,161,389</b>	<b>7,338,868</b>
 <b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	6	-	(12,562,390)
<b>Net cash flows from Investing Activities</b>		<b>-</b>	<b>(12,562,390)</b>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
		<b>32,161,389</b>	<b>(5,223,522)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	8	<b>2,270,299</b>	<b>7,483,807</b>
<b>Cash and cash equivalent at END of the year</b>		<b>34,421,673</b>	<b>2,270,299</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MATAYOS NGCDF financial statements were approved on 30<sup>th</sup> August 2016 and signed by:

  
**Chairman NGCDFC**

  
**Fund Account Manager**



CONSTITUENCY DEVELOPMENT FUND- MATAYOS CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2016

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND  
 DEVELOPMENT COMBINED FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2016

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Transfers from CDF Board	117,531,915	37,441,646	154,973,561	95,441,646	59,531,915	61.6%
<b>TOTAL</b>	<b>117,531,915</b>	<b>37,441,646</b>	<b>154,973,561</b>	<b>95,441,646</b>	<b>59,531,915</b>	<b>61.6%</b>
<b>PAYMENTS</b>						
Compensation of Employees	5,851,915	-	5,851,915	2,292,958	3,558,957	39.2%
Use of goods and services	4,725,958	6,374,210	11,100,168	10,722,631	377,537	96.6%
Transfers to Other Government Units	40,402,140	11,451,060	51,853,200	30,193,000	21,660,200	58.2%
Other grants and transfers	54,051,902	19,616,376	73,668,278	20,071,668	53,596,610	27.2%
Acquisition of Assets	11,000,000	-	11,000,000	-	11,000,000	0.0%
Other Payments	1,500,000	-	1,500,000	-	1,500,000	0.0%
<b>TOTAL</b>	<b>117,531,915</b>	<b>37,441,646</b>	<b>154,973,561</b>	<b>63,280,257</b>	<b>91,693,304</b>	<b>40.8%</b>

The MATAYOS NGCDF financial statements were approved on 30<sup>th</sup> August 2016 and signed by:

  
 \_\_\_\_\_  
 Chairman NGCDF

  
 \_\_\_\_\_  
 Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MATAYOS  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016**

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**VIII. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**1. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the NGCDF and all values are rounded to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the NGCDF.

**2. Recognition of revenue and expenses**

The NGCDF recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the NGCDF. In addition, the NGCDF recognises all expenses when the event occurs and the related cash has actually been paid out by the NGCDF.

**3. In-kind contributions**

In-kind contributions are donations that are made to the NGCDF in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the NGCDF includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**4. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public office rs and/or institutions which were not surrendered or accounted for at the end of the financial year.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the NGCDF at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**6. Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The NGCDF's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the NGCDF's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

**7. Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**8. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

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**IX. NOTES TO THE FINANCIAL STATEMENTS**

**GFS 1 TRANSFERS FROM OTHER GOVERNMENT  
CODES AGENCIES**

<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>1330407</b> Normal Allocation		
AIE NO.796054	27,720,823	
AIE NO.750495	27,720,823	
AIE NO.820953	40,000,000	
AIE NO.750495		27,720,823
AIE NO.796611		14,632,494
AIE NO.796825		13,088,329
AIE NO.750196		38,559,352
<b>TOTAL</b>	<b>95,441,646</b>	<b>94,000,997</b>
<b>2110000</b> <b>2. COMPENSATION OF EMPLOYEES</b>		
<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
2110201 Basic wages of contractual employees	2,021,138	1,082,642
2110301 House allowance	-	123,000
2120101 Employer contribution to NSSF	271,820	36,000
<b>Total</b>	<b>2,292,958</b>	<b>1,241,642</b>
<b>2200000</b> <b>3. USE OF GOODS AND SERVICES</b>		
<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
2210104 Office rent	156,000	
2210200 Communication, supplies and services	617,095	262,930
2210300 Domestic travel and subsistence	170,000	220,483
2210500 Printing, advertising and information supplies & services	63,350	
2210700 Training expenses	443,600	2,519,198
2210802 Other committee expenses	2,265,900	2,990,000
2210809 Committee allowance	3,258,800	2,270,299
2211100 Office and general supplies and services	107,600	548,589
2211200 Fuel ,oil & lubricants	989,700	
2211300 Other operating expenses	308,375	
2220100 Routine maintenance – vehicles and other transport equipment	432,511	500,000
<b>Total</b>	<b>10,722,631</b>	<b>10,034,179</b>
<b>2630200</b> <b>4. TRANSFER TO OTHER GOVERNMENT ENTITIES</b>		
<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>

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	<b>Kshs</b>	<b>Kshs</b>
2630204 Transfers to primary schools	16,775,000	11,589,640
2630205 Transfers to secondary schools	11,470,000	9,600,000
2630206 Transfers to Tertiary institutions	1,375,000	700,000
2630207 Transfers to Health institutions	573,000	3,946,430
<b>TOTAL</b>	<b>30,193,000</b>	<b>25,836,070</b>

**2640000 5. OTHER GRANTS AND OTHER PAYMENTS**

<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
2640101 Bursary -Secondary	477,000	28,355,807
2640102 Bursary -Tertiary	2,295,000	9,263,000
2640105 Mocks & CAT	565,700	450,000
2640504 water	1,202,512	1,390,594
2640507 Security	1,587,776	133,000
2640508 Roads	10,870,048	2,188,995
2640509 Sports	3,073,632	619,000
2640510 Other capital grants and transfer		4,141,800
<b>Total</b>	<b>20,071,668</b>	<b>46,542,196</b>

**3100000 6. ACQUISITION OF ASSETS**

<b><u>Non-Financial Assets</u></b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
3110102 Purchase of Buildings		
3110202 Construction of Buildings		10,818,275
3111001 Purchase of Office furniture and fittings		890,115
3111002 Purchase of computers ,printers and other IT equipments		854,000
<b>Total</b>		<b>12,562,390</b>

**7. Other Payments**

Strategic plan	-	3,008,042
<b>TOTAL</b>	<b>-</b>	<b>3,008,042</b>

**8: Bank Balances (cash book bank balance)**

<b>Name of Bank, Account No. &amp; currency</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs (30/6/2016)</b>	<b>Kshs (30/6/2015)</b>
<i>EQUITY BANK BUSIA BRANCH A/C NO. 0780266047486</i>	34,421,674	2,260,285
<b>Total</b>	<b>34,421,674</b>	<b>2,260,285</b>

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**ANNEXURE 1: SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost	Historical Cost
	(Kshs) 2015/16	(Kshs) 2014/15
Land	1,200,000	1,200,000
Buildings and structures	10,818,275	10,818,275
Transport equipment	4,257,536	4,257,536
Office equipment, furniture and fittings	890,115	890,115
ICT Equipment, Software and Other ICT Assets	854,000	854,000
Intangible assets	1,200,000	1,200,000
<b>Total</b>	<b>18,019,926</b>	<b>18,019,926</b>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue <i>(Name and designation)</i>	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>														
1. ACCURACY AND COMPLETENESS OF THE FINANCIAL STATEMENTS	<p>The Fund did not maintain a General Ledger during the year and thus the financial statements were prepared directly from the cash book records. The supporting schedules were not made available for audit review.</p> <p>Consequently, the accuracy and completeness of the financial statements of the Matayos CDF could not be confirmed as at 30<sup>th</sup> June 2014.</p>	We have prepared expenses analysis on monthly and yearly basis to facilitate financial statement preparation	FAM		28 <sup>th</sup> March 2017														
2. Unsupported Expenditure – Kshs. 31,326,545.00	<p>The statement of receipts and payments reflect an expenditure of Kshs 31,326,545 as at 30<sup>th</sup> June 2014. A ledger and supporting schedules were not made available for audit review for various expenditure categories as shown below</p> <table border="0"> <tr> <td><b>Expenditure</b></td> <td align="right"><b>Amount (Kshs)</b></td> </tr> <tr> <td>Compensation of employees</td> <td align="right">133,192.00</td> </tr> <tr> <td>Use of goods and services</td> <td align="right">878,365.00</td> </tr> <tr> <td>Committee meeting allowances</td> <td align="right">2,466,947.00</td> </tr> <tr> <td>Transfer to other Government Units</td> <td align="right">980,000.00</td> </tr> <tr> <td>Other Grants and Transfers</td> <td align="right">13,140,505.00</td> </tr> <tr> <td>Acquisition of Assets</td> <td align="right">5,457,536.00</td> </tr> </table> <p>In the circumstances, the composition and fair presentation of the reported amount of Kshs. 133,192.00 as compensation of employees could not be confirmed as at 30<sup>th</sup> June 2014.</p>	<b>Expenditure</b>	<b>Amount (Kshs)</b>	Compensation of employees	133,192.00	Use of goods and services	878,365.00	Committee meeting allowances	2,466,947.00	Transfer to other Government Units	980,000.00	Other Grants and Transfers	13,140,505.00	Acquisition of Assets	5,457,536.00	The vouchers have now been availed for verification.			
<b>Expenditure</b>	<b>Amount (Kshs)</b>																		
Compensation of employees	133,192.00																		
Use of goods and services	878,365.00																		
Committee meeting allowances	2,466,947.00																		
Transfer to other Government Units	980,000.00																		
Other Grants and Transfers	13,140,505.00																		
Acquisition of Assets	5,457,536.00																		

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<p><b>3. Project Execution and Management</b></p>	<p>i. An amount of Ksh. 3,000,000.00 outstanding in respect to a bus for Murende Secondary School is not disclosed in the notes to the financial statements as required by the accounting and financial reporting framework and template prescribed by the Public Sector Accounting Standards Board.</p> <p>ii. An amount of Kshs. 600,000.00 disbursed to Buriangi Primary School to buy land and lay a foundation was instead used as deposit for land without any foundation.</p> <p>iii. The project file and bills of quantities in respect of an amount of Kshs. 700,000.00 disbursed to complete an administration block at Nasira Youth Polytechnic were not availed for audit review. The polytechnic was also not operational for reasons that were not explained.</p> <p>iv. The work of renovating a dining hall at Busende Secondary School over which a total of Kshs 1,000,000.00 had been spent remained incomplete.</p> <p>In view of the foregoing, the propriety and accountability of the project funds and project execution could not be confirmed as at 30<sup>th</sup> June 2014</p>	<p>i. The money has now been disbursed.</p> <p>ii. The vouchers have now been availed for verification..</p> <p>iii. The bill of quantities have now been availed.</p> <p>iv. Funds have been allocated for the completion.</p>	<p>FAM</p>	<p>Feb 2017</p>
<p><b>4. Acquisition of Assets Kshs. 5,457,536.00</b></p>	<p>The statement of receipts and payments as at 30<sup>th</sup> June 2014 reflects acquisition of assets of Kshs. 5,457,536.00. however, ownership documents for land purchased at a cost of Kshs 1.2 million from a</p>	<p>The ownership titles have been received.</p>	<p>FAM</p>	<p>Feb 2017</p>



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	local hotel were not provided for audit review				
5. Unaccounted for Project Disbursements Kshs. 900,000.00	There were no files or returns in support of disbursements to projects amounting to Kshs. 900,000.00 for the year ended 30 <sup>th</sup> June 2014. As a result, the propriety of the disbursements could not be confirmed as at 30 <sup>th</sup> June 2014.	The funds have now been accounted vide the availed vouchers.	FAM		Feb 2017
6. Stores Kshs. 1,426,770.00	During the year, the Matayos CDF purchased stores amounting to Kshs. 1,426,770.00. However, the stores were not taken on charge and their utilization has not been explained. In the circumstances, the propriety of the expenditure could not be confirmed as at 30 <sup>th</sup> June 2014. <b>Disclaimer of Opinion</b> Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an		FAM		Feb 2017

The MATAYOS NGCDF financial statements were approved on 30<sup>th</sup> August 2016 and signed by:



Chairman NGCDF



Fund Account Manager