

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY PAPERS LAID		DAY: <i>Thursday</i>
DATE:	<i>18 AUG 2019</i>	
TABLED BY:	<i>Majority Whip</i>	
CLERK-AT THE-TABLE:	<i>Arundecheba</i>	

REPORT

PARLIAMENT  
OF KENYA  
LIBRARY

OF  
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND -  
TESO NORTH CONSTITUENCY

FOR THE YEAR ENDED  
30 JUNE 2018

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NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - TESO NORTH  
CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018

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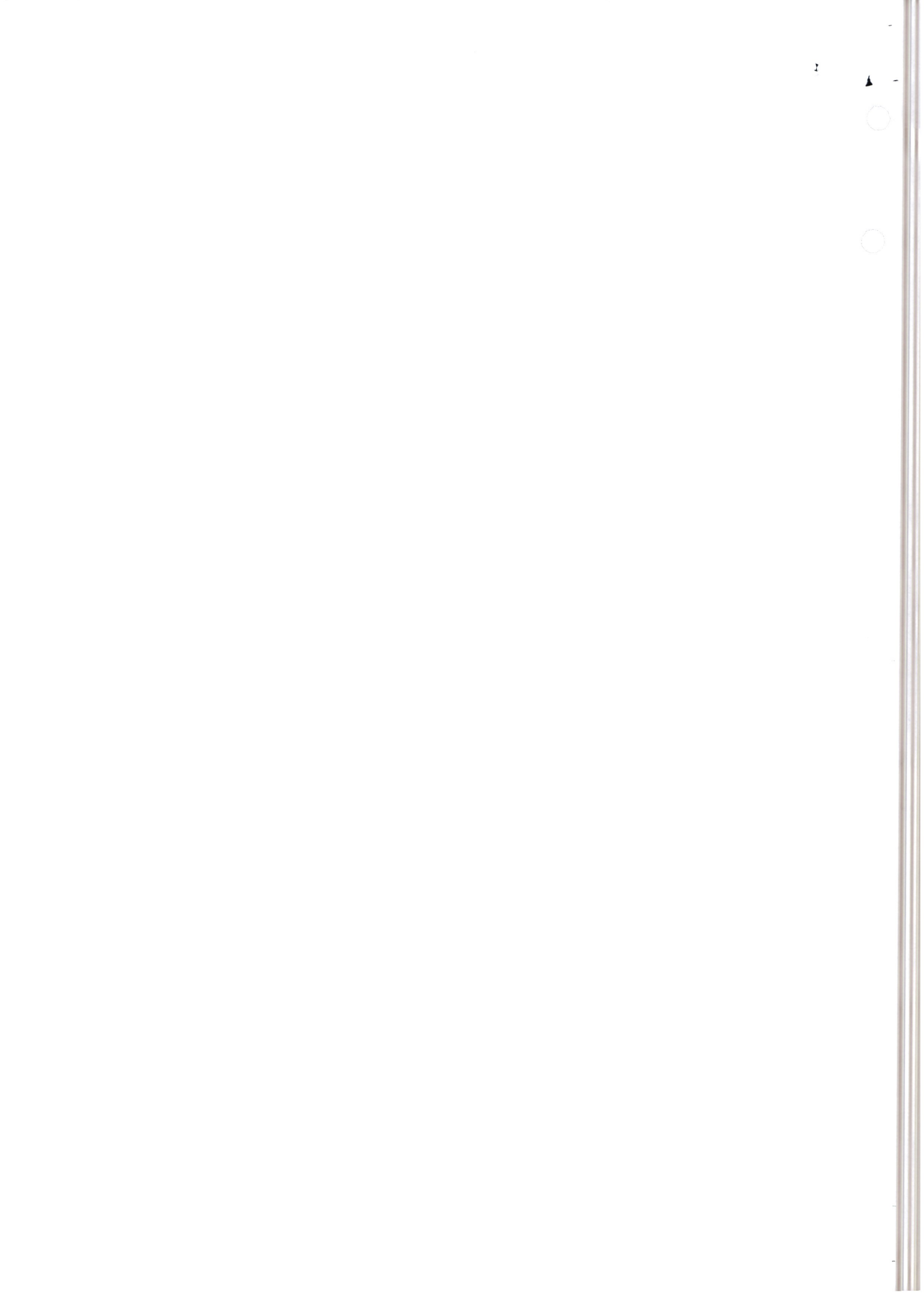
Prepared in accordance with the Cash Basis of Accounting Method under the International Public  
Sector Accounting Standards (IPSAS)



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TESO NORTH CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30<sup>th</sup> 2018**

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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The National Government Constituencies Development Fund (NG-CDF) (hereafter referred to as the Fund) formerly Constituencies Development Fund (CDF), is a fund established in 2003 through an Act of Parliament, the Constituencies Development Fund Act, 2003. The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013. The latter was subsequently succeeded by the current NG-CDF Act, 2015. At cabinet level, NG-CDF is represented by the Cabinet Secretary for Devolution, who is responsible for the general policy and strategic direction of the Fund.

**Mandate**

The mandate of the Fund as derived from sec (3) of NG-CDF Act, 2015 is to:

- a) Recognize the constituency as a platform for identification, performance and implementation of national government functions;
- b) Facilitate the performance and implementation of national government functions in all parts of the Republic pursuant to Article 6(3) of the Constitution;
- c) Provide for the participation of the people in the determination and implementation of identified national government development projects at the constituency level pursuant to Article 10(2)(a) of the Constitution;
- d) Promote the national values of human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination and protection of the marginalized pursuant to Article 10 (2) (b) of the Constitution;
- e) Provide for the sustainable development of all parts of the Republic pursuant to Article 10 (2) (d) of the Constitution;
- f) Provide a legislative and policy framework pursuant to Article 21 (2) of the Constitution for the progressive realization of the economic and social rights guaranteed under Article 43 of the Constitution;
- g) Provide mechanisms for the National Assembly to deliberate on and resolve issues of concern to the people as provided for under Article 95 (2) of the Constitution;
- h) provide for a public finance system that promotes an equitable society and in particular expenditure that promotes equitable development of the country by making special provisions for marginalized groups and areas pursuant to Article 201 (b) (iii) of the Constitution;
- i) Authorize withdrawal of money from the Consolidated Fund as provided ' under Article 206 (2) (c) of the Constitution;
- j) Provide mechanisms for the National Assembly to facilitate the involvement of the people in the identification and implementation of projects for funding by the national government at the constituency level; and
- k) Provide for mechanisms for supplementing infrastructure development at the constituency level in matters falling within the functions of the national government at that level in accordance with the Constitution.



**Vision**

Equitable Socio-economic development countrywide

**Mission**

To provide leadership and policy direction for effective and efficient management of the Fund

**Core Values**

1. **Patriotism** – we uphold the national pride of all Kenyans through our work
2. **Participation of the people** -We involve citizens in making decisions about programmes we fund
3. **Timeliness** – we adhere to prompt delivery of service
4. **Good governance** – we uphold high standards of transparency, accountability, equity, inclusiveness and integrity in the service of the people
5. **Sustainable development** – we promote development activities that meet the needs of the present without compromising the ability of future generations to meet their own needs.

**(b) Key Management**

The NGCDF Teso North day-to-day management is under the following key organs:

- i. National Government 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 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Philip Odida
3.	Sub-County Accountant	Chrispinus Mandare
4.	Chairman NGCDFC	Ignatius Ipapo
5.	Member NGCDFC	Davis Mwasame

**(d) Fiduciary Oversight Arrangements**

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



*NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TESO NORTH CONSTITUENCY*  
**Reports and Financial Statements**  
**For the year ended June 30<sup>th</sup> 2018**

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**(e) NG-CDF Teso North Constituency Headquarters**

Teso North NG-CDF office,  
P.O. Box 255-50408, Kamuriai,  
Opposite Amagoro motel  
Along Bungoma – Malaba highway  
Busia County, Kenya

**(f) NG-CDF Teso North Constituency Contacts**

Telephone: (254) 0722882193  
E-mail: [cdftesonorth@cdf.go.ke](mailto:cdftesonorth@cdf.go.ke)

**(g) NG-CDF Teso North Constituency Bankers**

The Co-operative Bank of Kenya  
Malaba Branch  
A/c. No. 01141519587800  
P.O.BOX 173-50408  
KAMURIAI

**(h) Independent Auditors**

Auditor General  
Office of the auditor general  
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





Reports and Financial Statements  
For the year ended June 30<sup>th</sup> 2018

II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

**Budget performance against actual amounts for current year based on economic classification and programmes**

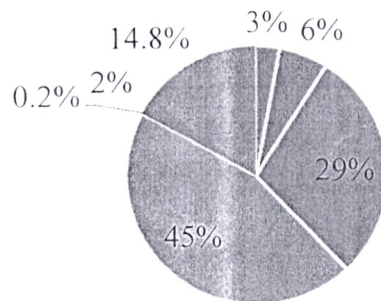
Teso North NG-CDFC pledges that all NG-CDFC activities and decisions will be based on and guided by the following values:

- Continuous learning
- Integrity
- Service Culture
- Team Work
- Objectivity
- Good corporate citizenship

I am pleased to report that 2017/2018 was fairly better to us. We managed to disburse 84% of the funds received from the Board to various projects within the year. Only 13% of the funds were still in our account awaiting wiring to the PMCs accounts and only 3% of the total budget for 2017/18 was still held by the CDF Board as at 30<sup>th</sup> June, 2018. Out of AIE received of ksh. 84,310,345 and the balance brought forward at the beginning of the year of ksh. 126, 694 totaling to ksh. 84,437,039 we managed to spend ksh. 73,396,390 constituting 84% as stated above.

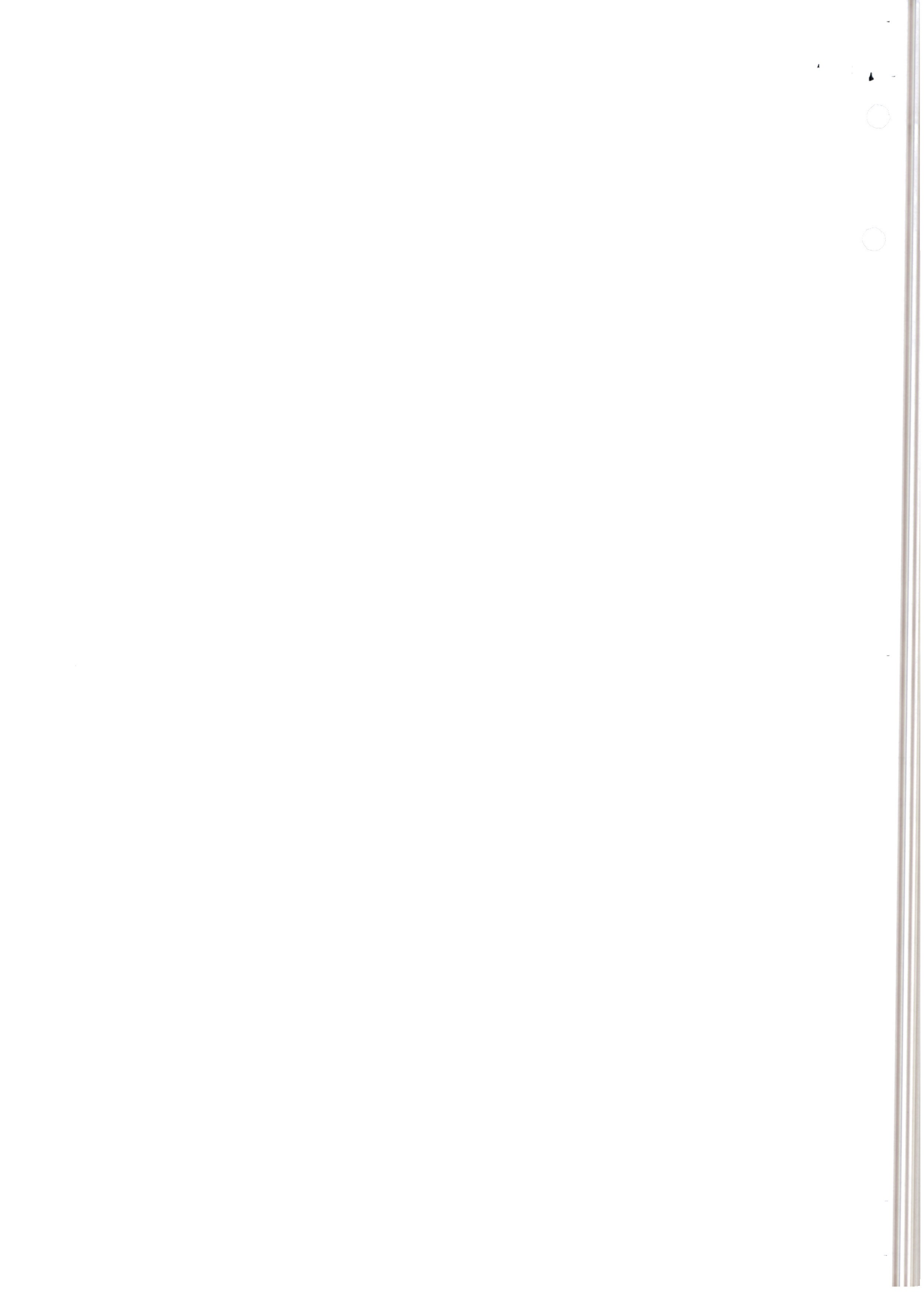
The actual expenditure is shown in the pie chart below in percentage form

**Actual expenditure vis - a - vis the receipts from the board**



- Compensation to employees
- Use of goods & services
- Transfer to other government units
- Other grants & transfers
- Acquisition of assets
- Other payments
- unspent funds





NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TESO NORTH CONSTITUENCY  
Reports and Financial Statements  
For the year ended June 30<sup>th</sup> 2018

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**Key achievements for the entity**

During the year, we managed to achieve the following:

1. Increased the number of fully sponsored students through the bursary fund. And also increased allocation to Orphaned children.
2. Completed the stalled projects.

**Emerging issues related to the entity,**

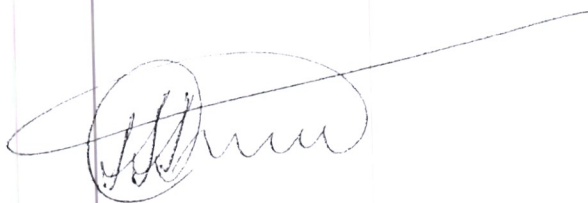
Some of the emerging issues that we underwent include;

1. Overwhelming demand for Bursary due to increased number of needy students who need support.
2. Need for water supply in the constituency.

**Implementation challenges and recommended way forward**

Some of the challenges encountered include increase in the prices of the items, increase in occurrences of natural calamities thus increasing demand for emergency funds. Is therefore my wish that the fund be increased to accommodate more demands at the grassroots level.

On behalf of Teso North NG CDPC and employees I assure you of our total dedication and commitment in serving the constituents of Teso North to our best. Thank you.



MR. IGNATIUS IPAFO  
CHAIRMAN NG-CDPC





Reports and Financial Statements

For the year ended June 30<sup>th</sup> 2018

I. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. 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.

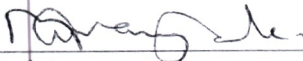
The Accounting Officer in charge of the NGCDF-Teso North Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018. 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 entity; (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 entity; (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 NGCDF-Teso North Constituency accepts responsibility for the entity'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 *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the NGCDF-Teso North Constituency further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

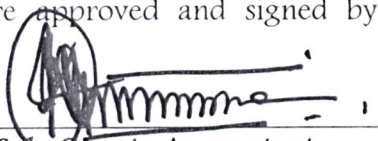
The Accounting Officer in charge of the NGCDF-Teso North Constituency confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity'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.

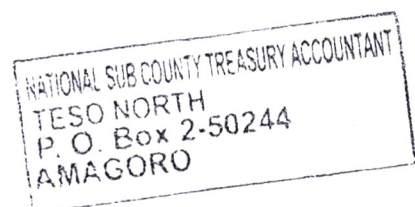
Approval of the financial statements

The NGCDF-Teso North Constituency financial statements were approved and signed by the Accounting Officer on \_\_\_\_\_ 2018.

  
Fund Account Manager  
Name: Mary Gorretti Wanjala



  
Sub-County Accountant  
Name: Nicholas K. Mue  
ICPAK Member Number: 17823







## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – TESO NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Teso North Constituency as set out on pages 1 to 17, which comprise the statement of financial assets and liabilities as at 30 June 2018, and statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of National Government Constituency Development Fund – Teso North Constituency as at 30 June 2018, 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 with the National Government Constituencies Development Fund Act, 2015.

#### **Basis for Adverse Opinion**

##### **1. Use of Goods and Services**

##### **1.1 Inaccuracies in Financial Statements**

Included in the use of goods and services figure of Kshs.5,232,932 are expenditure on staff training, fuel /oil and lubricants, other operating expenses and committee allowances totaling to Kshs.4,529,501. However, review of the expenditure records revealed the following anomalies;

##### **1.1.1 Training Expenses**

The training expenses figure of Kshs.392,200 disclosed under note 3 to the financial statements was supported with records of Kshs.1,160,309 leading to an unexplained difference of Kshs.768,109.

### 1.1.2 Fuel, Oil and Lubricants

The fuel, oil and lubricants figure of Kshs.321,192 as detailed under note 3 to the financial statements was not supported with the proper analysis. Further, management explanation that the payment vouchers relating to expenditure on fuel, oil and lubricants were taken over by the Ethics and Anti-Corruption Commission (EACC) were not supported with a summary of documents signed for by the EACC officials.

### 1.1.3 Other Operating Expenses

The other operating expenses figure of Kshs.366,109 as detailed under note 3 to the financial statements were supported with payment vouchers totaling Kshs.950,000, resulting to an excess expenditure totaling Kshs.583,891 not accounted for.

### 1.1.4 Committee Allowances

The committee allowances figure of Kshs.3,450,000 as detailed under note 3 to the financial statements was supported with payment documents of Kshs.2,992,000 occasioning to an unexplained and unsupported difference of Kshs.458,000 as detailed below:

Date	PV No.	Details	Amount Kshs.
23 May 2018	2	Monitoring and Evaluation	189,000
20 June 2018	265	Evaluation	120,000
26 February 2018	31	Administration	97,000
22 June 2018	256	Administration	52,000
		<b>Total</b>	<b>458,000</b>

In the circumstances, it was not possible to confirm the probity of Kshs.458,000 incurred on the use of goods and services during the year under review.

### 1.1.5 Irregular Payments of Committee Allowances

Included in the use of goods and services figure of Kshs.5,232,932 were payments made for committee allowances totaling Kshs.952,000. However, as at the time of audit, the committee allowances of Kshs.952,000 were not supported with meeting attendance register and minutes as detailed below:

<b>Date</b>	<b>Payee</b>	<b>PV No.</b>	<b>Details</b>	<b>Amount (Kshs)</b>	<b>Remarks</b>
09.02.2018	Philip Odinda	08	Allowances paid for meeting of 8 <sup>th</sup> December, 2017.	52,000	No minutes availed for that meeting.
16.02.2018	Philip Odinda	08	Allowances paid for three meetings.	75,000	Dates of the meetings not specified.
28.05.2018	Philip Odinda	32	Allowances paid during inspection of Emergency projects.	75,000	No report of the work done.
21.03.2018	Philip Odinda	39	Monitoring and evaluation allowances for 19 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> March, 2018.	150,000	No report of the work done.
''	''	''	Monitoring and evaluation payments for 22 <sup>nd</sup> , 24 <sup>th</sup> and 26 <sup>th</sup> March, 2018.	150,000	''
06.04.2018	''	44	Payments for conducting home visits for total and partial orphans.	120,000	No indication of when visits were done. No report on findings for the visits carried out.
28.06.2018	Philip Odinda	264	Payments during project implementation from 26 <sup>th</sup> to 28 June, 2018.	105,000	No report availed for audit.
20.06.2018	Philip Odinda	265	Allowances paid for monitoring and evaluation of projects.	90,000	No indication of when monitoring and evaluation took place. No minutes of monitoring and evaluation committee availed for audit.
''	''	266	Allowances paid during tender opening.	30,000	No indication of when the said tender opening took place. No minutes of the tender opening committee.
28.06.2018	Philip Odinda.	264	Payments made in respect of project inspection as from 26-28 <sup>th</sup> June, 2018.	105,000	No report on projects inspected.
			<b>Total</b>	<b>952,000</b>	

In the circumstances, the propriety of the expenditure on committee allowances of Kshs.952,000 could not be confirmed.

## 2. Transfer to Other Government Units

### 2.1 Unsupported Figures

Included in the transfer to other government entities figure of Kshs.24,805,738 were payment documents of Kshs.3,872,242 which were not availed for audit review, notwithstanding inclusion of the payments in the expenditure as detailed below:

Date	PV No.	Details	Kshs.
22 March 2018	26	Ikapolok Primary School	1,000,000
22 June 2018	208	Goromait Primary School	400,000
22 June 2018	201	SA Aboloi Secondary School	800,000
22 June 18	239	SA Aboloi Secondary School	1,672,242
		<b>Total</b>	<b>3,872,242</b>

In the circumstances, it was not possible to ascertain propriety, completeness and accuracy of the transfer to other Government entities figure of Kshs.3,872,242 incurred during the year.

### 2.2. Projects with no Expenditure Returns

Projects expenditure amounting to Kshs.4,050,000 did not have returns as detailed below:

Date	PV No.	Cheque No.	Payee	Details	Amount (Kshs)
22.03.2018	26		Akobwait CHA Secondary School.	Completion of a laboratory. Construction of school gate.	1,000,000
27.03.2018	27	5853	Kaaset Primary School.	Completion of administration block.	500,000
22.06.2018	242		Akobwait CHA Secondary School.	Construction of a twin laboratory.	1,500,000
22.06.2018	197		Kagutio Primary School.	Completion of one (1) classroom.	600,000
26.06.2018	244	6410	ACK Moding Girls' Secondary School.	Completion of two classrooms.	1,000,000
26.06.2018	242	6408	Akobwait CHA Secondary School.	Completion of a laboratory.	1,500,000
26.06.2018	199	6362	St Mary's Akiriamasit Primary School.	Construction of administration block.	540,000

Date	PV No.	Cheque No.	Payee	Details	Amount (Kshs)
26.06.2018	238	6404	Bishop Sulumet Girls' High School.	Payment of three(3) termly installments for purchase of school bus.	1,777,710
26.06.2018	241	6407	St Augustine Kamolo Secondary School.	Payment of three (3) installments for purchase of a school bus.	1,499,642
26.06.2018	237	6403	St Joseph`s Kocholia Secondary School.	Payment of three(3) termly installments for purchase of school bus.	1,416,144
26.06.2018	235	6401	St. James Kateko Primary School.	Completion of one classroom.	300,000
26.06.2018	231	6402	Kongurakol Primary School.	Completion of one classroom.	300,000
26.06.2018	225	6390	Akobwait CHA Primary School.	Completion of one classroom.	300,000.
26.06.2018	224	6389	Achumet Primary School.	Completion of one classroom.	300,000
26.06.2018	223	6388	Kangelemuge Primary School.	Completion of one classroom.	280,000
26.06.2018	221	6386	Opaare Primary School.	Completion of one classroom.	370,000
26.06.2018	220	6385	Kamuriai Primary School.	Completion of one classroom.	300,000
26.06.2018	219	6383	Kiriko Primary School.	Completion of one classroom.	300,000
26.06.2018	217	6381	St James Osia Primary School.	Completion of one classroom.	250,000
26.06.2018	215	6379	St Mark Kidek Primary School.	Construction of pit latrines.	250,000
26.06.2018	207	6371	Kokare Primary School.	Renovation of two classrooms.	500,000
26.06.2018	206	6370	Kabukui Primary School.	Completion of one classroom.	300,000
26.06.2018	205	6369	St Gabriel Moru Primary School.	Completion of one classroom.	300,000
				<b>Total</b>	<b>4,050,000</b>

As a result, it was not possible to conduct necessary physical verification since there was no documented work done by the contractors.

In the circumstances, it was not possible to ascertain the probity of the expenditure Kshs.4,050,000.

### 3. Cash and Cash Equivalents

The cash book and bank reconciliation statements for the year under review revealed the following anomalies:

- The opening balances as at 1 July 2017 could not be confirmed because the cash book for 2017/2018 was not updated. The cash book did not include transactions for the month of July 2017.
- The cash book balance in August 2017 of Kshs.111,830 differed with the bank reconciliation statements, cash book balance of Kshs.105,630 leaving unreconciled variance of Kshs.6,201.
- The cash book balance as per the bank reconciliation statement for September 2017 was not agreeing to the cash book balancing figure. The bank reconciliation statement had a cash book balance of Kshs.105,631, whereas the cashbook had a balancing figure of Kshs.4,792,503, leading to an unexplained variance of Kshs.4,686,872.
- Further, the cash book was not updated for four months from of October 2017 to January 2018.

In the circumstances, it has not been possible to confirm that the cash and cash equivalents of Kshs.11,040,649 is fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund- Teso North Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Adverse Opinion section, I have determined that there are no key audit matters to communicate in my report.

### **Other Matter**

#### **1. Budgetary Control and Performance**

##### **1.1 Budget Analysis**

During the year under review, Fund had an approved budget of Kshs.86,810,345 from the NG-CDF Board but the actual receipts were Kshs.84,310,345, resulting into underfunding by Kshs.2,500,000 or 3%.

Further, the Fund had an adjustment of Kshs.11,879,310 and balance brought forward figure of Kshs.126,694 bringing the total to Kshs.12,006,004 and an overall budgeted receipts of Kshs.98,816,349. However, the Fund managed to spend only Kshs.73,396,390 or 74% of the total budgeted receipts as analyzed below:

Receipt/Expense Item	Original Budget Kshs.	Adjustments Kshs.	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilization Difference Kshs.	% of Utilization of budget
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfers from CDF Board	86,810,345	12,006,004	98,816,349	84,310,345	14,506,004	85%
<b>Total</b>	<b>86,810,345</b>	<b>12,006,004</b>	<b>98,816,349</b>	<b>84,310,345</b>	<b>14,506,004</b>	<b>85%</b>
<b>Payments</b>						
Compensation of Employees	2,859,438	302,759	3,162,197	2,537,194	625,003	80%
Use of goods and services	4,953,493	848,073	5,801,566	5,232,853	568,713	90%
Transfers to Other Government Units	28,655,198	4,400,000	33,055,198	24,805,738	8,249,460	75%
Other grants and transfers	41,965,189	3,974,172	45,939,361	38,930,228	7,009,133	85%
Social Security Benefits	0	913,000	913,000	0	913,000	
Acquisition of Assets	2,000,000	0	2,000,000	190,377	1,809,623	10%
Other Payments	6,377,027	1,568,000	7,945,027	1,700,000	6,245,027	21%
<b>Total</b>	<b>86,810,345</b>	<b>12,006,004</b>	<b>98,816,349</b>	<b>73,396,390</b>	<b>25,419,959</b>	<b>74%</b>

Failure to fully utilize the budget is an indication that the service delivery may not have been achieved as envisaged.

## 2. Projects' Implementation

According to the PIS Report, the CDFC Teso North had 607 projects with a value of Kshs.657,696,611 and had approved Kshs.440,321,320 and disbursed Kshs.425,166,873 to implement these projects which were at various levels as summarized below:

Status	No	Estimated Value Kshs.	Approved Kshs.	Disbursements Kshs.	Balance Kshs.
Completed	539	555,466,653	395,772,624	396,556,135	(783,511)
Ongoing	61	91,602,931	34,921,669	27,460,738	7,460,931
Stalled	2	1,700,000	1,100,000	1,100,000	-
Not Started	5	8,927,027	8,527,027	50,000	8,477,027
<b>Total</b>	<b>607</b>	<b>657,696,611</b>	<b>440,321,320</b>	<b>425,166,873</b>	<b>15,154,447</b>

From the above analysis, it was noted that 13 projects with a value of Kshs.8,700,000 that would have been completed by 30 June 2017 or earlier and had been advanced Kshs.5,000,000 and were still ongoing. Another two projects which had received

Kshs.1,100.00 had stalled while one project did not kick off. Further analysis of the PIS show that during the year under review, 48 projects with disbursements of Kshs.24,685,738 remained ongoing yet they should have been completed and handed over by December 2018. Another four (4) projects already approved and expected to cost Kshs.8,477,027 had not started as scheduled. Details of these projects are summarized below: -

Period	Status	Completed	Ongoing	Stalled	Not Started	Total
2016/17 & Earlier	<b>No of Projects</b>	498	13	2	1	<b>514</b>
	Estimate (Kshs)	542,818,680.45	8,700,000.00	1,700,000.00	50,000.00	<b>553,268,680.45</b>
	Approved (Kshs)	84,397,051.72	5,000,000.00	1,100,000.00	50,000.00	<b>390,547,051.72</b>
	Disbursements (Kshs)	387,522,051.72	2,775,000.00	1,100,000.00	50,000.00	<b>391,447,051.72</b>
2017/18	<b>No of Projects</b>	<b>41</b>	<b>48</b>	-	<b>4</b>	<b>93</b>
	Estimate (Kshs)	12,647,972.40	82,902,931.03	-	8,877,027.20	<b>104,427,930.63</b>
	Approved (Kshs)	11,375,572.40	29,921,669.03	-	8,477,027.20	<b>49,774,268.63</b>
	Disbursements (Kshs)	9,034,083.40	24,685,738.00	-	-	<b>33,719,821.40</b>

In the circumstances, the constituents of Teso North may not have obtained the much-needed services from the planned and budgeted projects.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

### Basis for conclusion

#### 1. Irregular Funding of School Bus Projects

Contrary to Section 5(4) of the National Government Constituencies Development Fund Act, 2015 which requires that payments for a joint project or joint procurement be made directly to the supplier or an established account for the purpose with due approval from the Board. However, payments in respect of three (3) secondary schools totaling to Kshs.4,673,496 were made by the Fund as installments for bank loans that the schools had taken for purchase of school buses instead of paying to the respective loan accounts as detailed below:

Date	Name of school	PV No.	Cheque No.	Amount (Kshs)
26.06.2018	St Augustine Kamolo Secondary School.	241	6407	1,479,642
26.06.2018	Bishop Sulumeti Girls` High School.	238	6404	1,777,710
22.06.2018	St Joseph`s Kocholia Secondary School.	237	6403	1,416,144
			<b>Total</b>	<b>4,673,496</b>

From the foregoing, it is evident that the loan repayments for the school buses made to the three secondary schools by the Fund were irregular.

## 2. Expenditure Returns

Included in the transfer to other government entities of Kshs.24,805,738 were payments made for various sampled projects totaling to Kshs.15,383,496 However, the following anomalies were noted;

### a) Poor Maintenance of Project Files

The project files availed for audit review lacked the following vital information;

- Project number assigned to the project.
- A brief description of the project.
- Contract agreement.
- Site meeting minutes.
- Partial/interim completion certificates issued for work done and certified.
- Copies of payment vouchers for each grant disbursed to the project.

Due to lack of vital information in the project files, it was not possible to confirm the status of the projects that the Fund was dealing with.

## 3. Other Grants and Transfers

### 3.1 Irregularities in Sports Expenditure

Included in the other grants and transfers figure of Kshs.38,930,148 was Kshs.1,700,000 for sports expenditure. However, examination of the payment vouchers on sports expenditure plus the supporting documents revealed the following anomalies:

- i. The sports equipment's purchased i.e. football boots, jerseys and socks were not taken on charge /received by the Fund's stores before issuance.
- ii. There was need of incorporating local sports federation representatives but they were not involved e.g. Athletics Kenya and Kenya Football Association.

In the absence of stores records for the procured sports equipment, it was not possible to confirm receipt and subsequent issue of the sports equipment and that the funds were put to the intended purpose.

### 3.2 Irregularities on Environment Projects Expenditure

Included in the other grants and transfers figure of Kshs.38,930,148 was Kshs.1,700,000 for environment projects which included trees planting & maintenance, installation of garbage collection tins, development of tree nursery for seedlings, installation of water tank and gutters within the Constituency. However, examination of payment vouchers for environment expenditure and a subsequent verification of projects carried out on 20<sup>th</sup> and 21<sup>st</sup> March 2019 respectively and revealed the following anomalies;

- The trees that were supposed to be planted, installation of water tanks and gutters, nurseries for seedlings in various schools and grafted avocados along Bungoma –Malaba road were not physically available.
- The people who were entrusted with the implementation of the project were Constituency Development Committee members instead of an independent Project Management Committee.
- The project stakeholders should have involved the relevant government departments such as Kenya Forest to help in identification of the trees varieties to be planted and on best practice technical know-how, but they were not involved since there was no evidence of their input.

In the absence of the projects that were supposed to be implemented, lack of expertise required and irregularities in the composition of the Committee involved, the propriety of the expenditure of Kshs.1,700,000 on environmental projects could not be confirmed.

### 3.3 Emergency Projects

Included in the figure of other grants and services of Kshs.38,930,148 was Kshs.800,000 disbursed to various Project Management Committees in four (4) primary schools at Kshs.200,00 each for construction of a six door pit latrines. However, examination of payment vouchers for disbursement and physical verification in the schools revealed the following anomalies:

School Name	Description	Disburse-ment Amount Kshs.	Remarks
Kocholia Primary School	Construction of six door pit latrines	200,000	-4 toilets constructed -No expenditure re returns -Guidelines required before commencement of construction (BQS)
Gara Primary School	Construction of six door pit latrines	200,000	-3 toilets constructed -No expenditure re returns

School Name	Description	Disbursement Amount Kshs.	Remarks
			-Guidelines required before commencement of construction (BQS)
St. Mary Akiriamasit	Construction of six door pit latrines	200,000	-2 toilets constructed -Expenditure re returns availed Kshs.175,000 -Guidelines required before commencement of construction (BQS)
Ekisegere Primary School	Construction of six door pit latrines	200,000	-2 toilets constructed -Expenditure re returns availed Kshs.170,000 -Guidelines required before commencement of construction (BQS)
<b>Total</b>		<b>800,000</b>	

In the absence of the bills of quantities to give guidelines on what was to be done, the expenditure was thus irregular.

#### **4. Irregular Procurement of Strategic Plan Developing Consultancy**

A local consultant was paid Kshs.1,700,000 vide payment on 3 May 2018 being part payment for procuring services for developing strategic plan for the period 2018-2022. The total amount as per their tender price was Kshs.3,268,000 which is above the minimum requirement for national open tender in case of services, but the method used for procurement of the services could not be determined.

From, the foregoing, it is evident there were flaws in procurement procedures.

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **Responsibilities of Management and Those Charged with Governance**

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

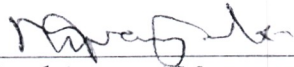
**07 July 2019**

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TESO NORTH CONSTITUENCY  
**Reports and Financial Statements**  
**For the year ended June 30<sup>th</sup> 2018**

III. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018	2016-2017
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from CDF board	1	84,310,345	86,296,552
<b>TOTAL RECEIPTS</b>		<b>84,310,345</b>	<b>86,296,552</b>
<b>PAYMENTS</b>			
Compensation of Employees	2	2,537,194	2,843,979
Use of goods and services	3	5,232,932.50	12,272,544
Transfers to Other Government Units	4	24,805,738	49,457,448
Other grants and transfers	5	38,930,148	48,569,965
Acquisition of Assets	6	190,377	9,591,907
Other payments	7	1,700,000	-
<b>TOTAL PAYMENTS</b>		<b>73,396,389.50</b>	<b>122,735,843</b>
<b>SURPLUS/(DEFICIT)</b>		<b>10,913,955</b>	<b>(36,439,291)</b>

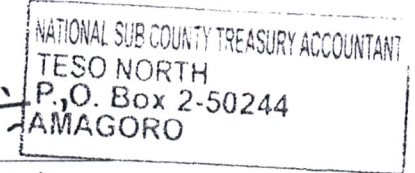
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NG-CDF Teso North Constituency financial statements were approved on \_\_\_\_\_ 2018 and signed by:

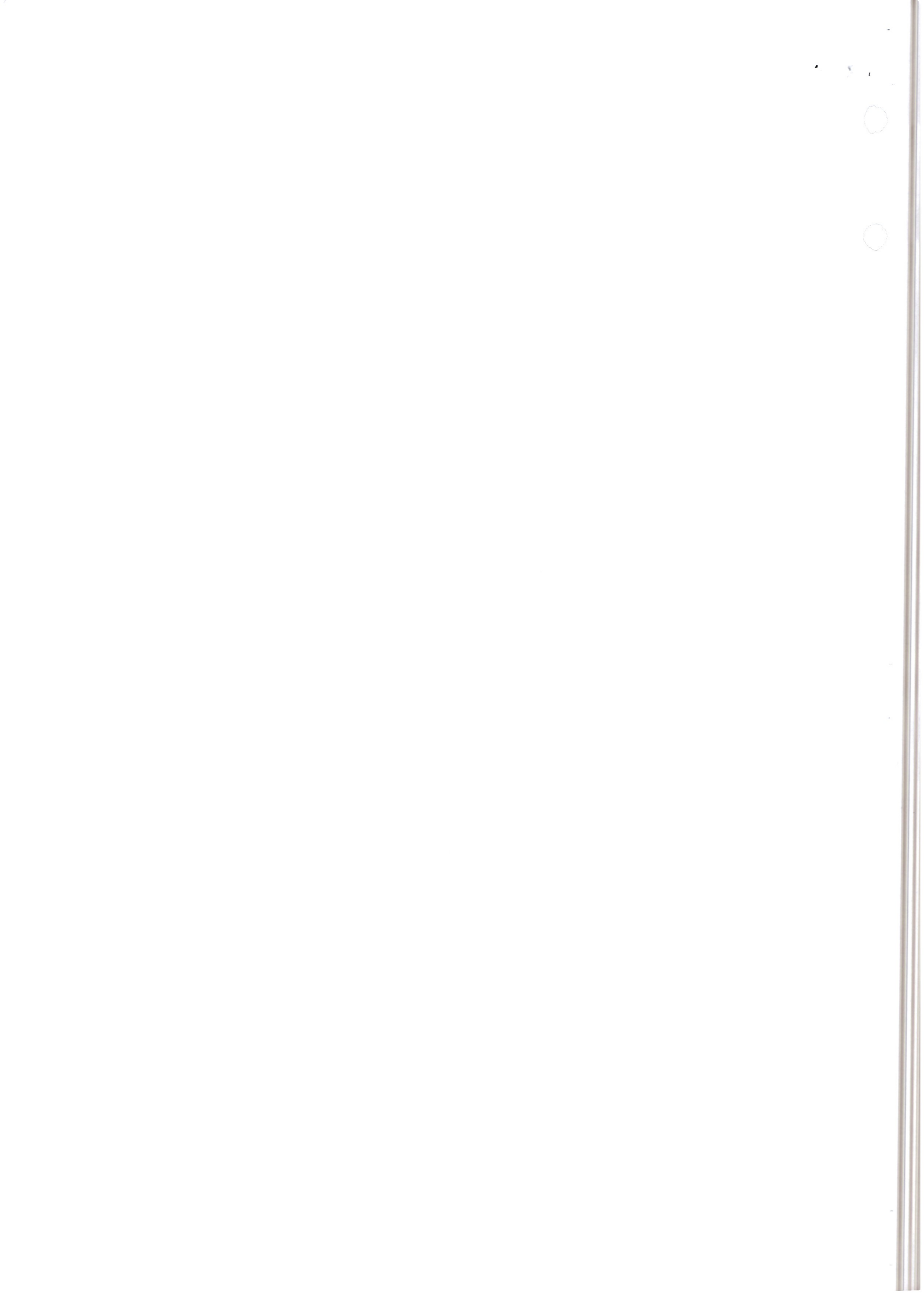


Fund Account Manager  
 Name: Mary Gorretti Wanjala




Sub-County Accountant  
 Name: Nicholas K. Mue  
 ICPAK Member Number: 17823





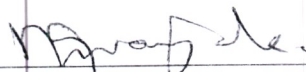
Reports and Financial Statements

For the year ended June 30<sup>th</sup> 2018

V. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

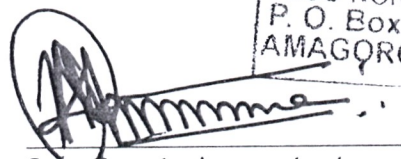
	Note	2017-2018	2016-2017
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
Cash and Cash Equivalents			
Bank Balances ( as per the cash book)	9	11,040,649	126,694.00
<b>Total Cash and Cash Equivalents</b>		<b>11,040,649</b>	<b>126,694.00</b>
Current receivables - Outstanding Imprests		-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>11,040,649</b>	<b>126,694.00</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts payable - Retention		-	-
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July...	8	126,694	36,565,985.00
Surplus/Deficit for the year		10,913,955	(36,439,291.00)
Prior year adjustments		-	-
<b>NET FINANCIAL POSITION</b>		<b>11,040,649</b>	<b>126,694.00</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NG-CDF Teso North Constituency financial statements were approved on \_\_\_\_\_ 2018 and signed by:



Fund Account Manager

Name: Mary Gorretti Wanjala



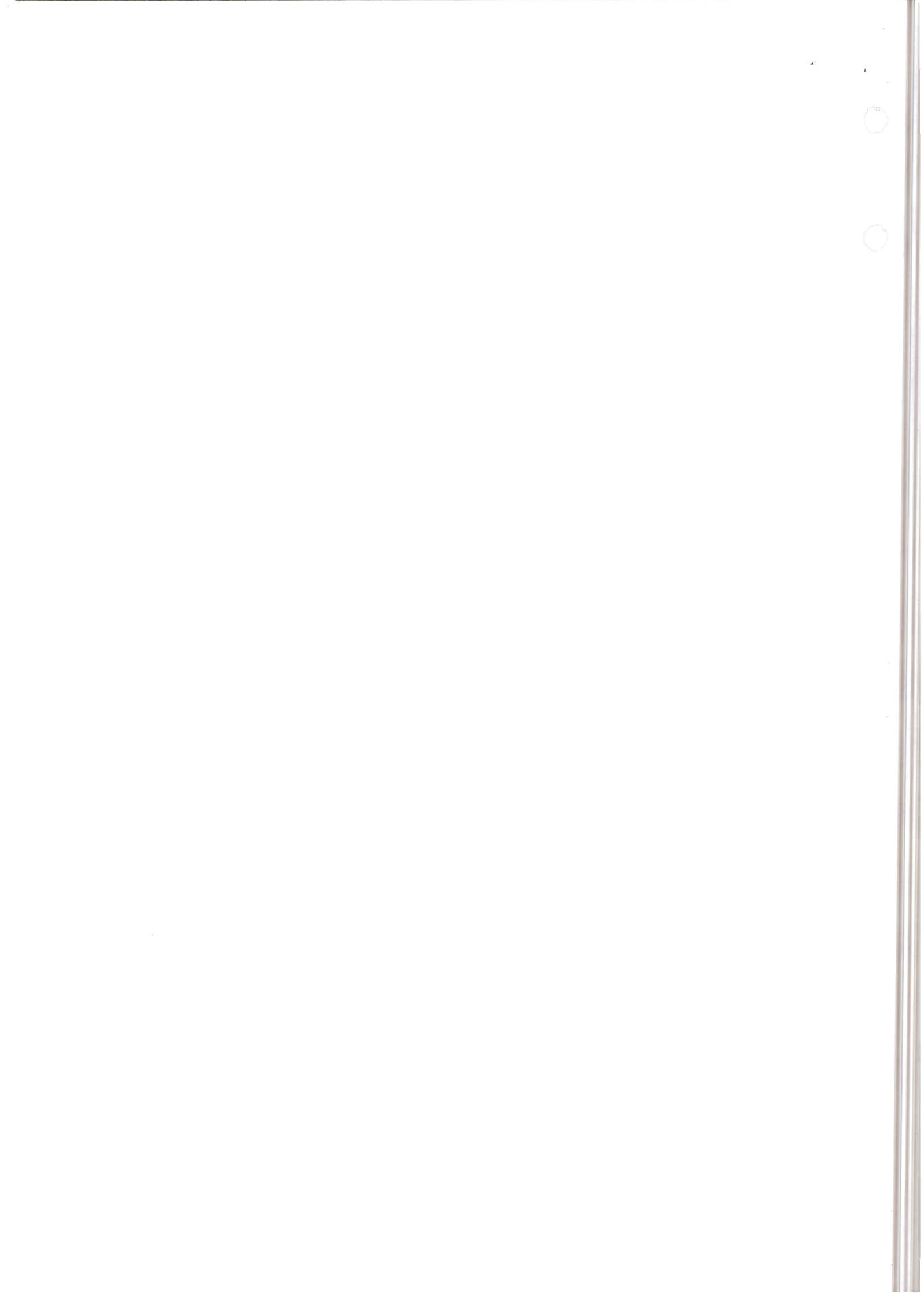
Sub-County Accountant

Name: Nicholas K. Mue

ICPAK Member Number: 17823

NATIONAL SUB COUNTY TREASURY ACCOUNTANT  
TESO NORTH  
P. O. Box 2-50244  
AMAGORO






**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - TESO NORTH CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30<sup>th</sup> 2018**

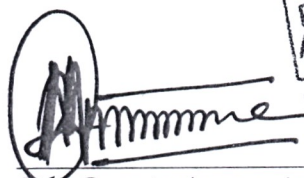
**VI. STATEMENT OF CASHFLOW**

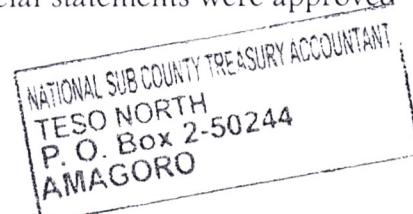
Receipts for operating income	Notes	2017 – 2018	2016 – 2017
Transfers from CDF Board	1	84,310,345	86,296,552
<b>Other Payments for operating expenses</b>			
Compensation of Employees	2	2,537,194	2,843,979
Use of goods and services	3	5,232,932.50	12,272,544
Transfers to Other Government Units	4	24,805,738	49,457,448
Other grants and transfers	5	38,930,148	48,569,965
Other payments	6	1,700,000	-
<b>Adjusted for:</b>			
Net cash flow from operating activities		11,104,332	(26,847,384)
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	7	(190,377)	(9,591,907)
Net cash flows from Investing Activities		(190,377)	(9,591,907)
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		10,913,955	(36,439,291)
Cash and cash equivalent at BEGINNING of the year	8	126,694	36,565,985
Cash and cash equivalent at END of the year	9	11,040,649	126,694

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NG-CDF Teso North Constituency financial statements were approved on \_\_\_\_\_ 2018 and signed by:

  
Fund Account Manager  
Name: Mary Gorretti Wanjala



  
Sub-County Accountant  
Name: Nicholas K. Mue  
ICPAK Member Number: 17823






Reports and Financial Statements  
For the year ended June 30<sup>th</sup> 2018

VII: SUMMARY STATEMENT OF APPROPRIATION

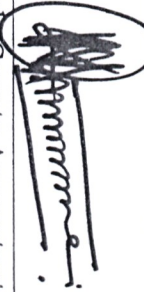
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Transfers from CDF Board	86,810,344.80	12,006,004.34	98,816,349.14	84,437,038.80	14,379,310.34	85
Proceeds from Sale of Assets						
Other Receipts						
Sub total	86,810,344.80	12,006,004.34	98,816,349.14	84,437,038.80	14,379,310.34	85
<b>PAYMENTS</b>						
Compensation of Employees	2,859,438	302,758.62	3,162,196.62	2,537,194.00	625,002.62	80
Use of goods and services	4,953,493	848,073.31	5,801,566.31	5,232,932.50	568,713.81	90
Transfers to Other Government Units	28,655,198.00	4,400,000.00	33,055,198.00	24,805,738.00	8,249,460.00	75
Other grants and transfers	41,965,188.59	3,974,172.41	45,939,361.00	38,930,148.00	7,009,053.00	85
Social Security Benefits	0	913,000.00	913,000.00	-	913,000.00	0
Acquisition of Assets	2,000,000.00	-	2,000,000.00	190,377.00	1,809,623.00	10
Other Payments	6,377,027.20	1,568,000.00	7,945,027.20	1,700,000.00	6,245,027.20	21
<b>Sub total</b>	<b>86,810,344.79</b>	<b>12,006,004.34</b>	<b>98,816,349.13</b>	<b>73,396,389.50</b>	<b>25,419,959.63</b>	<b>74</b>

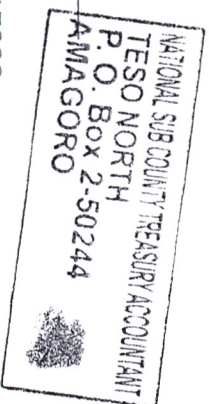
The expenditures for Acquisition of Assets and Other payments were spent below 50% as the funds and ALE were received on 6<sup>th</sup> and 18<sup>th</sup> June respectively making it impossible to implement all projects in the year in question,

The NG-CDF Teso North Constituency financial statements were approved on \_\_\_\_\_ 2018 and signed by:

  
Fund Account Manager  
Name: Mary Gorretti Warjala



  
Sub-County Accountant  
Name: Nicholas K. Mue  
ICPAK Member Number: 17823



## **II. 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 Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### **2. Reporting Entity**

The financial statements are for the NGCDF-Teso North Constituency. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012

### **3. Reporting Currency**

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

### **4. Significant Accounting Policies**

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

#### **a) Recognition of Receipts**

The Entity recognizes all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

#### **Tax Receipts**

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

#### **Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.



**Reports and Financial Statements**

For the year ended June 30<sup>th</sup> 2018

**SIGNIFICANT ACCOUNTING POLICIES**

**External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criterion is applied for loans received in the form of a direct payment.

During the year ended 30<sup>th</sup> June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

**b) Recognition of payments**

The Entity recognizes all payments when the event occurs and the related cash has actually been paid out by the Entity.

**Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

**Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.



**Reports and Financial Statements**

**For the year ended June 30<sup>th</sup> 2018**

**SIGNIFICANT ACCOUNTING POLICIES**

**5. In-kind contributions**

In-kind contributions are donations that are made to the Entity 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 Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**6. 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.

**7. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**8. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

**9. 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 Entity 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.

**10. Unutilized Funds**

Unutilized funds consist of bank balances in the constituency account and previous year(s) balances not yet disbursed by the Board to the constituency at the beginning of the financial year. These balances are available for use in the year under review to fund projects approved in the respective prior financial years consistent with sec 6(2) and sec 7(1) of NGCDF Act, 2015.



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**SIGNIFICANT ACCOUNTING POLICIES**

**11. Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2017 for the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018 as required by Law and there was one supplementary adjustment to the original budget during the year. Included in the adjustments are the unutilized funds.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

**12. Comparative Figures**

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

**13. 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 30<sup>th</sup> June 2018.

**14. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 14 explaining the nature and amounts.

**15. Related Party Transactions**

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.



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IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM CDF BOARD

Description			2017- 2018	2016 - 2017
			Kshs	Kshs
<b>NG-CDF Board</b>	<b>AIE NUMBER</b>	<b>FINANCIAL YEAR</b>		
AIE NO	A892518	2017/2018	5,500,000	-
AIE NO.	A892801	2017/2018	37,905,172	-
AIE NO.	A892685	2015/2016	500,000	-
AIE NO.	A896898	2017/2018	40,405,173	-
AIE NO.	A796232		-	5,500,000
AIE NO.	A839510		-	4,094,828
AIE NO.	A724057		-	36,853,449
AIE NO.	A855569		-	27,948,275
AIE NO.	A839715		-	11,900,000
			<b>84,310,345</b>	<b>86,296,552</b>

2. COMPENSATION OF EMPLOYEES

	2017- 2018	2016- 2017
	Kshs	Kshs
Basic salaries of permanent employees	2,346,730	1,514,106
<b>Personal allowances paid as part of salary</b>		
Gratuity	-	1,236,003
Employer contribution to NSSF	152,189	73,620
Employer contribution to NHIF	38,275	20,250
<b>Total</b>	<b>2,537,194</b>	<b>2,843,979</b>

3. USE OF GOODS AND SERVICES

	2017 - 2018	2016- 2017
	Kshs	Kshs
Utilities, supplies and services	-	-
Domestic travel and subsistence	130,000	910,000
Training expenses	392,200	1,380,000
Other committee expenses	110,450	1,042,412
Committee allowances	3,450,000	6,574,570
Office and general supplies and services	413,880	924,366
Fuel, oil & lubricants	321,191.50	165,000
Other operating expenses	366,109	1,244,580
Routine maintenance - vehicles and other transport equipment	49,102	31,616
<b>Total</b>	<b>5,232,932.50</b>	<b>12,272,544</b>





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**4. TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2017- 2018	2016- 2017
	Kshs	Kshs
Transfers to National Government entities		
Transfers to Primary schools	9,140,000	29,410,400
Transfers to Secondary schools	15,665,738	18,047,048
Transfers to Tertiary institutions	-	2,000,000
<b>TOTAL</b>	<b>24,805,738</b>	<b>49,457,448</b>

**5. OTHER GRANTS AND OTHER PAYMENTS**

	2017- 2018	2016- 2017
	Kshs	Kshs
Bursary-Secondary schools	15,434,154	12,561,593
Bursary -Tertiary institutions	12,195,994	15,481,875
Water	-	2,500,000
Agriculture (food security)	-	2,300,000
Security projects	3,980,000	8,200,000
Sports	1,700,000	1,417,248
Environment	1,700,000	2,273,249
Emergency projects	3,920,000	3,836,000
<b>Total</b>	<b>38,930,148</b>	<b>48,569,965</b>

**6. ACQUISITION OF ASSETS**

Non-Financial Assets	2017- 2018	2016- 2017
	Kshs.	Kshs.
Construction of Buildings	-	2,991,907
Purchase of Office Furniture	190,377	1,100,000
Purchase of motor vehicle	-	5,500,000
<b>Total</b>	<b>190,377</b>	<b>9,591,907</b>

**7. OTHER PAYMENTS**

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Strategic plan 2018 - 2022	1,700,000	-
<b>Total</b>	<b>1,700,000</b>	<b>-</b>

**8. BALANCES BROUGHT FORWARD AT THE BEGINING OF THE FINANCIAL YEAR**

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Bank accounts	126,694	36,565,985
<b>Total</b>	<b>126,694</b>	<b>36,565,985</b>





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**9. . BANK BALANCES (CASH BOOK BANK BALANCE) AT THE END OF THE YEAR**

Name of Bank, Account No. & currency	2017- 2018 Kshs	2016- 2017 Kshs
<i>Cooperative Bank, Malaba Branch A/c no. 01141519587800</i>	11,040,649	126,694
<b>Total</b>	<b>11,040,649</b>	<b>126,694</b>

**10. OTHER IMPORTANT DISCLOSURES**

**10.1: UNUTILIZED FUNDS (See Annex 2)**

	2017 - 2018 Kshs	2016 - 2017 Kshs
Amounts due to other Government entities (see attached list)	3,000,000	1,600,000
	<b>3,000,000</b>	<b>1,600,000</b>

**10.2: PMC account balances (See Annex 3)**

	2017 - 2018 Kshs	2016 - 2017 Kshs
PMC account Balances (see attached list)	1,220,413	2,260,532
	<b>2,222,897</b>	<b>1,614,607</b>





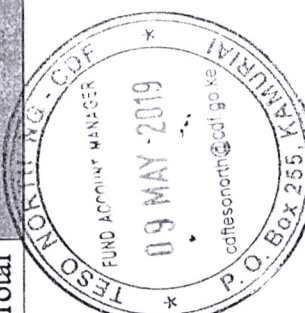
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X. ANNEXURES  
 ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs)	
	2017-18	2016-17
Land	800,000	800,000
Buildings and structures	15,183,779	15,183,779
Office equipment, furniture and fittings	1,985,377	1,795,000
Purchase of vehicle	8,375,000	8,375,000
Total	26,344,156	26,153,779

ANNEX 2 - UNUTILIZED FUNDS

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Amounts due to other Government entities		d=a-c		
1. Kolanya Teachers training college	Purchase of 5 acres land	3,000,000	-	Funds still held at the Board
<b>Sub-Total</b>		<b>3,000,000</b>	<b>-</b>	

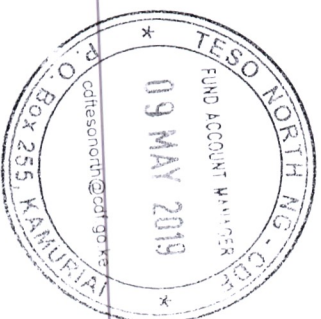




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**ANNEX 3 – PMC BANK BALANCES AS AT 30<sup>TH</sup> JUNE 2018 AND 30<sup>TH</sup> JUNE 2017**

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
Osopotoit Primary	Co-operative	01141519368000	1,502	8,802-
Kakoli Primary School	Cooperative	01141050757500	-	14,462
St.James Osia Primary	Cooperative	01141130647900	2,087	262,637
Kaaset Primary	Cooperative	01141519071800	32,852	44,282
Kamuriai Primary	Cooperative	01141058624501	1,595	256,535
Akobwait CHA Primary	Cooperative	01141769291100	48,335	48,335
Opare Primary	Cooperative	01141519878300	1,340	60,660
Kang'elemuge Sec Sch	Cooperative	01141519261700	5,300	533,825
Ikapolok Primary School	Cooperative	01141011842600	962,979	1,590
Achunet Primary	Cooperative	01139130188703	1,485	1,485
S.A Aboloi Sec Sch	Cooperative	01141050787800	-	2,384
St Joseph Kochohya Sec Sch	Cooperative	01141050756400	-	685
Katanyu Sec Sch	Cooperative	01141130608800	1,955	1,955
Kekalet Primary School	Cooperative	01139058688801	85,542	1,022
St Pauls Kokkare Sec Sch	Cooperative	01141519337000	1,392	1,392
Kamololo Sec Sch	Cooperative	01141011814400	660	349,804
Ornyunyur Sec Sch	Cooperative	01141130640200	9,253	9,253





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St James Koteko Primary School	Co-operative	01141058689100	9	74
Kirikio Primary Sch	Co-operative	0114049425500	-	155
Kamurirai Chief's Office	Co-operative	01141519048800	1,275	1,275
Chamasiri Chief's Office	Co-operative	01141519421700	237	237
Aloet Ass.Chief's Office	Co-operative	01141519165200	355	355
Kocholya Chief's Office	Co-operative	01141769290700	-	--
St Pauls Kakemer Secondary Sch.	Co-operative	01141130018500	775	775
Amoni Primary School	KCB	1101884177	3,969	21,430
Kolanya Boys high school	Equity		1,060,000	-
<b>TOTAL</b>			<b>2,222,897</b>	<b>1,614,607</b>

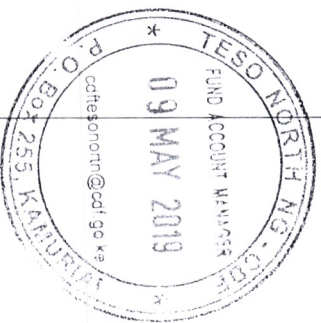




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**XI. PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS**

Reference No. on the external audit report	Issue/ Observations from Auditor	Management Comment	Focal point to resolve the issue ( Name and designation)	Status: Resolved/ Not Resolved)	( Put a date when you expect the issue to be resolved)
1.0	During the year under review, the fund purchased land amounting to ksh. 5,150,000 for various institutions in the constituency as detailed below; Moding Girls sec sch, St Bernards Kakurit sec sch, St Johns Kaijei mixed sec sch, Kolait Girls sec sch, Albert Ekirapa sec sch, Gara secondary sch, Ekisegere primary sch, Osajai Talent Centre, Kakapel resource Centre, Moding Police Station, Akadetewai chiefs office, Awata primary school, Kaguthio pr sc However, the title deeds are yet to be processed hence the ownership of these lands could not be verified.	Acquisition of title deeds of the above projects is in the process. Most of the projects listed above have under gone succession since the owners of the lands were deceased. However, the office is following the matter closely to ensure that the title deeds are obtained in order to ascertain ownership. Attached find copies of few title deeds already acquired, copies of letters sent to PMC's reminding them of the need to acquire title deeds	Fund account manager	Three quarters resolved	By 30 <sup>th</sup> June 2019
2.0	A local company was paid Kshs. 1,500,000 in December 2015 for refurbishment and	There was pressure from the lands office Busia whereby we were to complete the work within the shortest time	Fund account manager	Not Resolved	



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	<p>furnishing of Amagoro lands registry. However, a site visits of the project revealed that the project is complete and that the office has not been opened to serve the citizens since the land registrar had not been posted.</p> <p>In view of this, the constituents of Teso North are being denied service delivery from this project.</p>	<p>possible for them to post the lands registrar to the mentioned office. It is unfortunate that to date the lands office has not sent the officer in order for the community to benefit with the service the project could have brought. However, the NG-CDFC is following the matter with the relevant authority to make sure that the project achieves the intended purpose. For instance the management has written letters to county lands registry office as a reminder for occupation of the office.</p>	NG-CDF Board	Resolved	July 2017
3.0	<p>The fund had an approved budget of ksh. 161,729,808 and spent 119,163,825 kshs. resulting into under expenditure of ksh.42,565,984 or overall budget utilization of 74%. Further, all budgetary expenditure items incurred absorption rating of below 90%. Consequently, the budget target was not met and various projects budgeted</p>	<p>The under expenditure in the approved fund was caused by the delay in the disbursement of funds by the National board for instance the AIF received on 28<sup>th</sup> June 2016 two days to the closure of the financial year, thus making it difficult for the management to utilize the fund before the closure of the financial year. However, the management disbursed the funds at the beginning of</p>			



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	<p>for were not implemented within the financial year. Under the circumstances, It is not clear how the CDF intended to clear the backlog of projects as low budget absorption will negatively affect service delivery.</p>	<p>the financial year 2016/17 in specific during the month of July 2016.</p>			
<p>4.0</p>	<p>During the year under review, the fund had not commenced implementation of various projects and programmes amounting to ksh. 45,329,798 representing 32% of the fund received during that year. Therefore, the fund did not fully meet the budget target and effective delivery of service.</p>	<p>The delay for implementation was due to delay in disbursement of funds from the NG-CDF Board thus causing delays in procurement logistics that were necessary to enable the project take off. However, the mentioned projects have been fully implemented and are being utilized.</p>	<p>NG-CDFC</p>	<p>Resolved</p>	<p>July 2017</p>



