REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND BUMULA CONSTITUENCY

FOR THE YEAR ENDED 30 JUNE 2018

Revised Template 30th June 2018

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUNDBUMULA CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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

Table of Content

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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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 currentNG-CDF Act, 2015.At cabinet level, NG-CDFis 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 theRepublic 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 BUMULA 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 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	**Yusuf Mbuno**
2.	A.I.E holder	**Philip Simiyu**
3.	Sub-County Accountant	**Peter Munene**
4.	Chairman NGCDFC	**William Namasake**
5.	Member NGCDFC	**CyprineMuchanga**

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC)of NGCDF Board provide overall fiduciary oversight on the activities of NGCDF -BUMULA 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.

(e) NGCDFBUMULAConstituency Headquarters

P.O. Box 36-50200
NG-CDF BUILDING
BUMULA SUB-COUNTY HEAD QUARTERS

(f) NGCDF BUMULAConstituency Contacts

Telephone: (254) 721431120
E-mail: cdfbumula@ngcdf.go.ke
Website: www.go.ke

(g) NGCDF BUMULAConstituency Bankers

1. Cooperative Bank of Kenya
   Bungoma Branch
   PO Box 90
   Bungoma

(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

II.FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

As we present the 2017/18 financial year financial statements, I am pleased to report that the budget overall performance of 80% was commendable bearing in mind that it was a year immediately after the general election and that the NGCDFC come to office in December 22nd 2017 after it gazette notice of 8th December 2017. The new committee was able to get into it footing and made things roll out.
The fund did well in all sectors except other payments where the ICT hubs programme was not implemented since there was no clear guidelines on how it was to be undertaken.

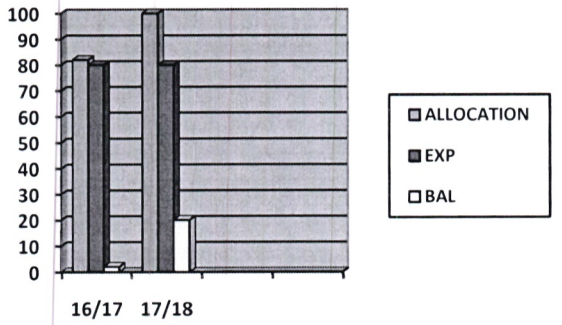

Chart on Comparative two year allocationexpenditures and balances

The fund was able to construct flag ship project of classrooms in each of the seven wards where pupils used to study under trees and in mud wall structures one being highlighted below.

PHOTO OFNAPARA ACK CLASSROOMS UNDERCONSTRUCTION

Bursaries was paid for in time immediately the funds was received only that there was an overwhelming high number of needy applicants and thus the allocation could not fully meet the demands. Under the bursary section the fund was able to train two hundred and fifty the bodaboda riders.

The challenge is the high number of incomplete projects started in the previous years, higher number of young schools that do not have basic infrastructure facilities.
The last tranche disbursement of funds came too close to end of financial year and thus it could not have been put in to uses in that shot period thus most monies were being held at PMC accounts.
The committee is committed to fund all projects started by the previous office to it logical completion.
Emerging issues is the fate of projects started under this fund but fall under devolved units and thus the community is in suspense.
Challenges notwithstanding, the fund did tremendous work and I will have to commend the key players that made the year programme success that is: e NG-CDF Board, the MNA, NG-CDFc, Technical departments, NG-CDF staff and the people of Bumula.

Sign

CHAIRMAN NGCDFCOMMITTEE

III. 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-BUMULA 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-BUMULA 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-BUMULA Constituencyfurther 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-BUMULA Constituencyconfirms 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-BUMULA Constituency financial statements were approved and signed by the Accounting Officer on _____ 2018.

_____	_____
Fund Account Manager	**Sub-County Accountant**
Name: Philip Simiyu	**Name:PETER MUNENE**
ICPAK Member Number:	

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - BUMULA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Bumula Constituency set out on pages 9 to 33, which comprise the statement of assets and liabilities as at 30 June 2018 and the 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Bumula 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 comply with the National Government Constituencies Development Fund Act, 2015.

Basis for Qualified Opinion

Failure to Maintain Project Cash Books

Included in transfers to other government units figure of Kshs.38,700,000 are disbursements totalling Kshs.4,600,000 in favour of various project management committees (PMCs). However, the Project Management Committees did not maintain cashbooks or other suitable records to properly account for the disbursements contrary to Section 74 (6)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer of a national government entity shall cause to be kept and maintained proper books of accounts and records in respect of all projects and donations; and Section 10 of the National Government Constituencies Development Fund Act, 2015 which states that the sums set aside under Sections 8 and 9 shall be properly accounted for and proper books of accounts shall be kept and returns made to the Constituency Committee for that constituency on how the sum have been used.

In addition, the projects for which the funds were disbursed had various challenges and thus compromising their delivery as budgeted and designed as highlighted below.

Project	Voucher Number	Amount (Kshs)	Observation
Mateka Chief's Camp	6885	900,000	This was for construction of police houses at a contract price of Kshs.4,186,000. The structure has been roofed but there was no cash book to record the financial transactions by the project management committee.
Wacholi Primary	6869	800,000	The works were tendered and awarded to an Engineering Company on 30 April 2018. The project was not complete and work stalled in November 2018.
Khasoko Assistant County Commissioner Office	6883	900,000	Office complete and in use but no project cashbook was maintained.
Mabusi Location Chiefs camp.	6884	500,000	This was a labour contract for plastering, flooring and painting. No project cash book maintained by project management committee.
New Mutua Primary	6871	1,500,000	The amount was disbursed for construction of three classrooms at a contract price of Kshs.4,568,932. No project cash book was maintained by project management committee.
Total		**4,600,000**	

Under the circumstances, the accountability for the Kshs.4,600,000 disbursed to project management committees for the year ended 30 June 2018 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Bumula 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 qualified 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 Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

1.1 Budget Performance

The Fund had an approved budget of Kshs.100,175,335 for the financial year 2017/2018. During the same period, the Fund recorded an expenditure of Kshs.79,718,424 representing 80% of the budget resulting in an under expenditure of Kshs.20,456,911 representing 20% of the budget as detailed below:

Item	Approved Budget (Kshs.)	Actual Expenditure (Kshs)	Variance (Kshs)	Under/over Absorption %
Compensation of Employees	2,490,000	1,312,932	1,177,068	47
Use of Goods and Services	10,358,610	8,169,960	2,188,650	21
Transfers to Other Government Units	38,750,000	38,700,000	50,000	0
Other Grants and Transfers	31,220,388	30,892,836	327,552	1
Acquisition of Assets	350,000	642,696	(292,696)	(84)
Other Payments	4,677,027	0	4,677,027	100
Un-approved Allocation	12,329,310	0	12,329,310	100
Total	**100,175,335**	**79,718,424**	**20,456,911**	**20**

Failure to utilise funds as allocated is an indication that services and approved programs were not delivered, and therefore the budget did not meet the intended objectives of improving delivery of goods and services to Bumula Constituents.

Further, the Fund incurred an expenditure of Kshs.642,696 on acquisition of assets against an approved budget of Kshs.350,000, resulting in unauthorised expenditure of Kshs.292,696. Although the management explained that the over-expenditure was as a result of changes in prices and change in scope of office fittings, no evidence of NGCDF Board approval was availed to support the over expenditure which is approximately 84% above the approved budget.

Consequently, the over expenditure of Kshs.292,696 was irregular.

1.2 Project Implementation Status

According to the project implementation status report availed for audit review, Fund had planned to implement ninety-eight (98) projects in 2017/2018. As at 30 June 2018, forty-five (45) projects funded for Kshs.49,939,654 were complete, thirty eight (38) funded for Kshs.38,024,138 were

on-going while eight (8) funded for Kshs.8,667,027 had not started. In addition, two (2) projects funded for Kshs.1,500,000 had stalled, while five (5) projects inclusive of one (1) with a funding of Kshs.48,836 had no current implementation status. Details of implementation status are as detailed below:

Status	No. of Projects	Value (Kshs)
Not Given	5	48,836
Complete	45	49,939,654
Not Yet Started	8	8,667,027
Ongoing	38	38,024,138
Stalled	2	1,500,000
Total	**98**	**98,179,655**

No reason has however been provided for the failure to implement all the projects as budgeted. Consequently, the residents of Bumula Constituency have not benefited from the incomplete projects.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about 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.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Failure to Maintain Staff Records

During the audit, personal records for two employees were not availed for audit review to establish particulars of their employment and the terms of service despite the payroll showing that they were earning salaries. One of the employees earned Kshs.30,000 per month with effect from April 2018 while the other earned Kshs.19,323 from July 2017 resulting to a total of Kshs.321,876 paid during the year under review.
Consequently, the validity of their employment and the amounts paid to them could not be ascertained.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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.

- 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 continue as a going concern or 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 to cease to continue as a going concern or 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 to 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

13 August 2019

V.STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017 - 2018 Kshs	2016 - 2017 Kshs
RECEIPTS			
Transfers from NGCDF board	1	85,860,345	82,396,552
TOTAL RECEIPTS		**85,860,345**	**82,396,552**
PAYMENTS			
Compensation of employees	2	1,312,932	1,520,449
Use of goods and services	3	8,169,960	12,623,534
Transfers to Other Government Units	4	38,700,000	39,434,753
Other grants and transfers	5	30,892,836	40,780,197
Acquisition of Assets	6	642,696	0
Other Payments	7	0	55,469
TOTAL PAYMENTS		**79,718,424**	**94,414,402**
SURPLUS/(DEFICIT)		**6,141,921**	**(12,017,849)**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-BUMULA Constituencyfinancial statements were approved on _____ 2018 and signed by:

Fund Account Manager
Name: Philip SimiyuName: Peter Munene
ICPAK Member Number

Sub-County Accountant

VI.STATEMENT OF ASSETS AND LIABILITIES

	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	8	8,127,601	1,985,680
Total Cash and Cash Equivalents		8,127,601	1,985,680
TOTAL FINANCIAL ASSETS		8,127,601	1,985,680
FINANCIAL LIABILITIES			
NET FINANCIAL ASSETS		8,127,601	1,985,680
REPRESENTED BY			
Fund balance b/fwd 1st July...	9	1,985,680	14,003,529
Surplus/Defict for the year		6,141,921	(12,017,849)
NET FINANCIAL POSITION		**8,127,601**	**1,985,680**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-BUMULA Constituencyfinancial statements were approved on _____ 2018 and signed by:

Fund Account Manager
Name: Philip SimiyuName: Peter Munene
ICPAK Member Number:

Sub-County Accountant

VII.STATEMENT OF CASHFLOW

Receipts for operating income		2015 - 2016	2014 - 2015
Transfers from NGCDF Board	1	85,860,345	82,396,552
		85,860,345	**82,396,552**
Payments for operating expenses			
Compensation of Employees	2	1,312,932	1,520,449
Use of goods and services	3	8,169,960	12,623,534
Transfers to Other Government Units	4	38,700,000	39,434,753
Other grants and transfers	5	30,892,836	40,780,197
Other Payments	7	0	55,469
		79,075,728	**94,414,402**
Adjusted for:			
Net cash flow from operating activities		**6,784,617**	**(12,017,849)**
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	(642,696)	0
Net cash flows from Investing Activities		**(642,696)**	**0**
NET INCREASE IN CASH AND CASH EQUIVALENT		**6,141,921**	**(12,017,850)**
Cash and cash equivalent at BEGINNING of the year	9	**1,985,680**	**14,003,529**
Cash and cash equivalent at END of the year		**8,127,601**	**1,985,680**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. TheNGCDF-BUMULA Constituencyfinancial statements were approved on _____ 2018 and signed by:

Fund Account Manager
Name: Philip SimiyuName: Peter Munene
ICPAK Member Number:

Sub-County Accountant

VIII.SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

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 %
RECEIPTS						
Transfers from NGCDF Board	86,810,345	13,364,990	100,175,335	87,846,025	12,329,310.00	88
PAYMENTS						
Compensation of Employees	2,490,000	0	2,490,000	1,312,932	1,177,068	53
Use of goods and services	8,372,930	1,985,680	10,358,610	8,169,960	2,188,650	79
Transfers to Other Government Units	38,750,000	0	38,750,000	38,700,000	50,000	100
Other grants and transfers	31,220,388	0	31,220,388	30,892,836	327,552.00	99
Acquisition of Assets	350,000	0	350,000	642,696	-292,696	184
Other Payments	4,677,027	0	4,677,027	0	4,677,027.00	0
Un approved allocation	950,000	11,379,310	12,329,310	0	12,329,310.00	0
TOTALS	**86,810,345**	**13,364,990**	**100,175,335**	**79,718,424**	20,456,911	80

(a) ***[Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)]***

i. Compensation of Employees at, 53% *most employees were employed later in the year starting February 2018 and gratuity not fully paid for.*
ii. Acquisition of Assets at 184% the prices changed beyond projections, the scope for office fittings was changed.
iii. Use of goods and services at 79% since the payment for strategic plan was not fully made since the service provider had not completed his work.
iv. Other Payments at 0%, the constituency innovation hubs were not implemented for a clear direction had not been received.
v. Under goods and services the final budget changed from its original as a result of previous year opening balance.
vi. The unapproved allocation totaling to Kshs 12,329,310.00 comprising of Kshs 950,000 not approved in the initial allocation of Kshs 86,810,345.00 which was meant for environment projects and Kshs11,379,310.00 additional allocation to the constituency whose projects had not been approved by the board by the end of the financial year.

The NGCDF-BUMULA Constituency financial statements were approved on _____ 2018 and signed by:

Fund Account Manager
Name: PHILIP SIMIYUName: Peter Munene

Sub-County Accountant

ICPAK Member Number:

IX.SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Ccompliance 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-BUMULA 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 Governmentand 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 recognises 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.

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 criteria is applied for loans received in the form of a direct payment.

During the year ended 30th 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 recognises 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.

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 authorised 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.

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 1st July 2017 to 30th 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 30th 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.

X.NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

	Description	2017-2018	2016-2017
		Kshs	Kshs
	NGCDF Board		
1	AIE NO: A855773	5,500,000	4,094,828
2	AIE NO: A892819	37,905,172	36,853,449
3	AIE NO: A896934	42,455,173	36,891,379
4	AIE NO	0	4,056,897
5	AIE NO	0	500,000
	TOTAL	**85,860,345**	**82,396,553**

2. COMPENSATION OF EMPLOYEES

	2017-2018	2016-2017
	Kshs	Kshs
Basic wages of contractual employees	982,932	1,118,821
Gratuity	330,000	401,627
Total	**1,312, 932**	**1,520,449**

3. **USE OF GOODS AND SERVICES**

	2017-2018	2016-2017
	Kshs	Kshs
Committee Expenses	4,447,180	12,589,942
Utilities, supplies and services	17,020	33,592
Communication, supplies and services	10,960	0
Domestic travel and subsistence	16,800	0
Training expenses	675,000	0
Hospitality supplies and services	105,800	0
Specialized materials and services	1,900,000	0
Office and general supplies and services	997,200	0
Total	**8,169,960**	**12,623,534**

4. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description Transfers to National Government entities	2017-2018 Kshs	2016-2017 Kshs
Transfers to primary schools (see attached list)	25,000,000	16,956,897
Transfers to secondary schools (see attached list)	13,700,000	22,477,856
TOTAL	**38,700,000**	**39,434,753**

5. OTHER GRANTS AND OTHER PAYMENTS

	2017-2018 Kshs	2016- 2017 Kshs
Bursary – secondary schools (see attached list)	5,521,000	6,591,000
Bursary – tertiary institutions (see attached list)	16,103,000	13,719,000
Bursary – special schools (see attached list)	20,000	0
Security projects (see attached list)	4,900,000	5,750,000
Sports projects (see attached list)	0	500,000
Environment projects (see attached list)	48,836	500,000
Emergency projects (see attached list)	4,300,000	8,252,609
Roads projects	0	5,467,588
Total	**30,892,836**	**40,780,197**

6. ACQUISITION OF ASSETS

Non Financial Assets	2017-2018 Kshs	2016-2017 Kshs
Purchase of Household Furniture and Institutional Equipment	442,500	0
Purchase of ICT Equipment, Software and Other ICT Assets	200,196	0
Total	642,696	0

7. OTHER PAYMENTS

	2017-2018 Kshs	2016-2017 Kshs
Bank Charges	0	55,469
Total	0	55,469

8: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2017-2018	2016-2017
	Kshs	Kshs
COOPERATIVE, Account No. 01120050483100	8,127,601	1,985,680
Total	**8,127,601**	**1,985,680**

[Provide short appropriate explanations as necessary

9. BALANCES BROUGHT FORWARD

	2017-2018	2016-2017
	Kshs	Kshs
Bank accounts	8,127,601	1,985,680
Total	**8,127,601**	**1,985,680**

[Provide short appropriate explanations as necessary]

10. OTHER IMPORTANT DISCLOSURES

10.1: PENDING STAFF PAYABLES (See Annex 1)

	Kshs	Kshs
Others (*GRATUITY*)	444,533	606,863
	444,533	606,863

10.2: UNUTILIZED FUNDS (See Annex 2)

	Kshs	Kshs
Compensation of employees	884,372	0
Use of goods and services	2,188,650	1,985,680
Amounts due to other Government entities (see attached list)	50,000	0
Amounts due to other grants and other transfers (see attached list)	327,552	0
Others (*CIH, STRATEGIC PLAN , unapproved allocation*)	17,006,337	0
	20,456,911	1,985,680

10.3: PMC account balances (See Annex 4)

	2017- 2018	2016-2017
	Kshs	Kshs
PMC account Balances (see attached list)	26,584,000	7,187,284
	26,584,000	**7,187,284**

ANNEX 1 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2014	Comments
		a	b	c	d=a-c		
Others (*specify*)							
Others *CONTRACTIAL EMPLOYEES*							
1. WILLIES WAKHOME		23,960	MAR. 2018	0	23,960	0	Contract period not yet
2. STEPHEEN WAMAMU		73,771	OCT. 2017	0	73,771	0	Contract period not yet
3. ELIAS WANJALA		27,900	APR. 2018	0	27,900	0	Contract period not yet
4. NATION NYOTI		12,090	APR. 2018	0	12,090	0	Contract period not yet
5. ERIC WEKESA		29,950	FEB 2018	0	29,950	0	Contract period not yet
6. KENNETH WABOMBA		181,108	JAN2015	95,000	86,108	181,108	To be paid in 18/19
7. EUGINE MANANI		122,323	AUG 2016	70,000	52,323	122,323	To be paid in 18/19
8. LONARH MUSUNGU		181,108	JAN2015	95,000	86,108	181,108	To be paid in 18/19
9. WINROSE ODUOR		122,323	AUG 2016	70,000	52,323	122,323	To be paid in 18/19
Sub-Total		390,623		330,000	444,533	606,862	
Grand Total		390,623		330,000	444,533	606,862	

ANNEX 2 –UNUTILIZED FUNDS

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Compensation of employees		884,372	0	
Use of goods & services		2,188,650	1,950,680	
MUTUA PRIMARY SCHOOL		50,000	0	
Sub-Total		3,123,022	1,950,680	
Amounts due to other grants and other transfers				
EMERGENCY		268,966	0	
BURSARY		58,586	0	
Sub-Total		327,552	0	
Sub-Total				
Acquisition of assets				
Others (*specify*)				
CIH- ICT HUBS		4,677,027	0	
Unapproved allocation		12,329,309	0	
Sub-Total		17,006,336	0	
Grand Total		20,456,910	1,950,680	

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Costb/f (Kshs) 2016/17	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2017/18
Buildings and structures	12,700,000			12,700,000
Office equipment, furniture and fittings	0	442,500	0	442,500
ICT Equipment, Software and Other ICT Assets	200,000	200,196	0	400,196
Total	12,900,000	642,696		13,542,696

ANNEX 4 –PMC BANK BALANCES AS AT 30TH JUNE 2018

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
NAPARA ACK PRY	NATIONAL	010224097717800	1,000,000	207,200
MUNDAA PRY	COOPERATIVE	0114153643840	2,500,000	-
WACHOLI PRY	COOPERATIVE	0114104984910	1,000,000	-
REMWA PRY	NATIONAL	0102403602550	380,000	-
KHASOKO DIVISION OFFICE-DOS OFFICE	COOPERATIVE	0114166949110	2,000	-
MABUSI LOC OFFICE	COOPERATIVE	0114166949110	1,000	-
MATEKA AP CAMP	COOPERATIVE	0114178229780	1,000	-
KABUBERO PRY	COOPERATIVE	0114101144310	500,000	-
WESIMIKA PRY	COOPERATIVE	0114101144050	700,000	-
MASUNO PRY	COOPERATIVE	0114101143970	500,000	-
MWIYENGA ACK PRY	COOPERATIVE	0114104927040	1,000,000	-
NAKWANA PRY	COOPERATIVE	0114104988470	1,000,000	25,285
MUKHEKHE DEB PRY	COOPERATIVE	0114142755140	500,000	-
NASIMBO PRY	COOPERATIVE	011410111642100	500,000	170,773
KHABUSI PRY	SIDIAN	010280300008851	500,000	-
NETIMA RC PRY	NATIONAL	010224036028000	500,000	-
MAMUSASI PRY	KCB	1156851610	500,000	-
BWALIRO PRY	KCB	1151486159	500,000	-
LWANJA PRY	COOPERATIVE	0114101148890	500,000	-
LUMBOKA PRY	COOPERATIVE	0114104944390	500,000	-
BUNAMBOBI SEC	COOPERATIVE	0114166977270	500,000	-

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
ST. STEP NAMAIKA SEC	COOPERATIVE	0113940917170 2	500,000	-
BUKIRIMO SEC	COOPERATIVE	0114166977280 0	1,000,000	-
MYANGA SEC	COOPERATIVE	0114104992500 0	1,000,000	-
ST ELIZABETH BITOBO	COOPERATIVE	0114166915390 0	1,000,000	
MUANDA SEC	COOPERATIVE	0113904992960 2	500,000	2,353
NGOLI SEC	KCB	1156896711	1,000,000	-
KIMAETI DIV H QUARTERS	COOPERATIVE	0114166860550 0	1,000,000	402,463
TABALA PRY	COOPERATIVE	0114104943780 0	2,500,000	-
LUKHUNA PRY	COOPERATIVE	0114166963420 0	2,500,000	-
LUKUSI PRY	COOPERATIVE	0114166834330 0	2,500,000	-
TOTAL			**26,584,000**	**808,074**

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expec the issue to be resolv ed)*
BGM/BUM/CDF/INSP/9/(8)	1.0 OVERAL BUDGETARY PERFORMANCE The fund spend 94,414,401 against a budget amount of kshs 96,400,081 resulting in under absorption of kshs 1,985,679.00 that is 2%	**Response** Transfer to other government entities was not fully utilized since some PMC were not ready to receive the funds however the funds have since been directed to its use. We shall ensure that the funds are utilized as approved as earlier as possible without unnecessary delays.	Fund account manager	resolved	
	3.0 LACK OF PROOF OF OWNERSHIP OF LANDS amounting to KSHS 2,100,000,for Nakwana Chiefs Office, Kabubero Secondary, Manani secondary, Nangata Secondary, Wamunyiri secondary Risk: the projects may have been implemented on disputed land or possession of illegality acquired property	Response: Before purchase the land search was done and sale agreement entered into. The funds allocated were not enough to buy land process title deed. However in the next allocations to the project enough will be allocate to cater for the title processing.	NGCDFC	Not yet	30/06/18

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expec the issue to be resolv ed)*
	4.0 UNVERIFIED PROCUREMENT ON PROJECTS The procurement records including the original bills of quantities and signed contract documents for, Bumula Police Station, Kenya coaches Industries, Barase Enterprises Risk: the constituency may not have received value for money in sourcing of goods and works	Response. The procurement records for the projects are hereby submitted with as annexed.	NGCDFC	Bumula Police Station&Barase Enterprises resolved.	30/09/18