REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND MATHARE CONSTITUENCY

FOR THE YEAR ENDED 30 JUNE 2018

Revised Template 30th June 2018

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND MATHARE 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)

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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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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 MATHARE Constituency 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	**Kevin McAkech**
3.	Sub-County Accountant	**Aloise Kimuyu**
4.	Chairman NGCDFC	**Sarah Omutsayi**
5.	Member NGCDFC	**Elizabeth Ombetho**

(d) Fiduciary Oversight Arrangements

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

P.O. Box 15917-00100
Kiamaiko Road
Nairobi, KENYA

(f) NGCDF MATHARE Constituency Contacts

Telephone: (254) 0713951051
E-mail: matharengcdf.go.ke
Website: www.matharengcdf.go.ke

(g) NGCDF MATHARE Constituency Bankers

1. Central Bank of Kenya
   Haile Selassie Avenue
   P.O. Box 60000
   City Square 00200
   Nairobi, Kenya

2. Equity bank
   Branch: Four ways
   A/c No.0020261806785

(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

Our key focus during F/y 2017/18 as usual was on education owing to the high children population in our constituency. Below is a summary of our achievements;

Key achievements

We have rolled out the following flagship projects as follows:

1. Construction of new administration block and classrooms at Huruma Secondary School. Besides that, we have also rejuvenated wooden blocks of two classrooms, carried out electrical works, re-roofing and flooring.
2. Construction of two classrooms at Ndururuno Primary school and renovation works of three classrooms at Huruma Primary School and purchase of desks to enhance learning activities.
3. Purchase of Prefabrications for the revampment of the Mathare and Huruma social hall which also included construction of a Perimeter wall. The project also includes equipping of the gymnasium.
4. Education bursary was disbursed to over 2000 needy students both in secondary and tertiary institutions. In addition to that, several students have also been enrolled to driving schools and salons. This is to cater for needy and bright students.
5. Construction of a Perimeter wall at New Huruma A.P Camp, construction of staff houses and refurbishing of three staff houses; reroofing painting and plumbing works. In addition, installation of water tanks.
6. Fencing of the Huruma Police station, construction of two staff houses and installation of water tanks.

Implementation challenges.

The Board still has delays in disbursing funds. My recommendation still stands that the board should strive to disburse the funds in two tranches in every financial year.

Sign

CHAIRMAN NGCDF COMMITTEE

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-MATHARE 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-MATHARE 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-MATHARE 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-MATHARE 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-MATHARE Constituency financial statements were approved and signed by the Accounting Officer on _____ 2018.

Fund Account Manager
Name: KEVIN MCAKECH

Sub-County Accountant
Name: ALOIS M. KIMUYU
ICPAK Member Number: 8506

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MATHARE 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- Mathare Constituency set out on pages 6 to 30, which comprise the statement of assets as at 30 June 2018, and the statement of receipts and payments, statement of cash flow and summary statement of appropriation-recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters 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-Mathare 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 Public Finance Management Act, 2012 and National Government Constituencies Development Fund Act, 2015.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

The statement of assets as at 30 June 2018 reflects cash and cash equivalents balance of Kshs.22,283,079. However, bank reconciliation statement as at the same date reflects unpresented cheques totalling Kshs.2,855,981, which includes stale cheques amounting to Kshs.31,500, for which no explanation was provided. The accuracy of cash and cash equivalents balance of Kshs.22,283,079 could, therefore, not be confirmed.

2. Erroneous Presentation of Net Financial Position

The net financial position of Kshs.22,283,079 is erreneoulsy shown as net liabilities in the statement of assets as at 30 June 2018 contrary to the presentation guidelines issued by the Public Sector Accounting Standards Board.

3. Lack of a Register of Fixed Assets

Although the summary of fixed assets register which is attached as Annex 4 to the financial statements reflects assets with a total historical cost of Kshs.53,592,917 as at 30 June 2018, the completeness and accuracy of the balance could not be confirmed because the management did not maintain in the year under review a register of fixed assets.

4. Irregular Payment

The statement of receipts and payments reflects an expenditure of Kshs.15,162,700 against other grants and other payments, which includes an amount of Kshs.500,000 paid to a supplier in respect of a pending bill for the financial year 2014/2015. However, the payment was not supported by any documentary evidence. Consequently, the propriety of the expenditure of Kshs.500,000 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 – Mathare 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 matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections, I have determined that there are no key audit matters to communicate in my report.

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 matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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

1. Budget Performance

According to the summary statement of appropriation for the year ended 30 June 2018 Mathare National Government Constituencies Development Fund had budgeted to receive from National Government Constituencies Fund Board and spend Kshs.98,194,916, respectively. However, the actual receipts and total actual expenditure were Kshs.43,410,433 and Kshs.21,127,354, respectively. No satisfactory explanations were

Kshs.43,410,433 and Kshs.21,127,354, respectively. No satisfactory explanations were provided by the management for the resultant under-receipts of Kshs.54,784,483 or 56% and under- expenditure of Kshs.77,067,562 or 78% of the total budget.

2. Compensation of Employees

Examination of records revealed that Mathare National Government Constituencies Development Fund advertised for five vacant positions on 22 January 2018. However, the Fund Manager did not provide records relating to shortlisting, minutes of the shortlisting and interview panels, and letters of appointment.

Further, examination of the payroll revealed that the constituency had thirteen members of staff as of 30 June 2018. According to the summary statement of appropriation for the year ended 30 June 2018, these employees were paid salaries totalling Kshs.2,082,429 which exceeded the budgeted amount of Kshs.1,696,384 by Kshs.386,045. No explanation or justification was provided for the excess amount paid in respect of compensation of employees.

3. Irregular Occupation of CDF Offices

Disclosed in Note 8 to the financial statements under use of goods and services is an expenditure of Kshs.1,203,000 in respect of office and general supplies and services. The expenditure includes an amount of Kshs.400,000 paid in respect of rental of office premises. However, the management did not justify payment of rent for the office premises while a new office block funded, constructed and completed by the Mathare CDF at a cost of Kshs.22,000,000 was being used by the police.

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 matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 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 controls 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 ability of National Government Constituencies Development Fund-Mathare Constituency to sustain services, disclosing and as applicable matters related to sustainability of services and using the applicable basis of accounting unless the management either intends 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 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 policies and procedures may deteriorate.

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.

- 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 to cease sustaining 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 National Government Constituencies Development Fund-Mathare Constituency 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

18 April 2019

IV. STATEMENT OF RECEIPTS AND PAYMENTS

I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2017	2016-2017
		Kshs	Kshs
CEIPTS			
Transfers from CDF board-AIEs' Received	1	43,405,172	81,896,552
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		**43,405,172**	**81,896,552**
PAYMENTS			
Compensation of employees	4	2,082,429	3,804,374
Use of goods and services	5	3,882,225	8,509,928
Transfers to Other Government Units	6	-	10,655,136
Other grants and transfers	7	15,162,700	59,111,991
Acquisition of Assets	8	-	5,500,000
Other Payments	9	-	
TOTAL PAYMENTS		**21,127,354**	**87,581,429**
SURPLUS/DEFICIT		**22,277,818**	**(5,684,878)**

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

Fund Account Manager
Name: KEVIN MCAKECH

Sub-County Accountant
Name: ALOIS M. KIMUYU
ICPAK Member Number: 8506

V. STATEMENT OF ASSETS

	Note		2017-2018 Kshs	2016-2017 Kshs
FINANCIAL ASSETS				
Cash and Cash Equivalents				
Bank Balances (as per the cash book)	10A		22,283,079	5,261
Cash Balances (cash at hand)	10B		-	-
Outstanding Imprests		11	-	-
TOTAL FINANCIAL ASSETS			22,283,079	5,261
REPRESENTED BY				
Retention		12		
Fund balance b/fwd 1st July...		13	5,261	5,690,139
Surplus/Defict for the year			22,277,818	(5,684,878)
Prior year adjustments		14	-	-
NET LIABILITIES			22,283,079	5,261

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

Fund Account Manager
Name: KEVIN MCAKECH

Sub-County Accountant
Name: ALOIS M. KIMUYU
ICPAK Member Number: 8506

STATEMENT OF CASHFLOW

		2017-2018	2016-2017
Receipts for operating income			
Transfers from CDF Board	1	43,405,172	81,896,552
Other Receipts	3	-	
		43,405,172	**81,896,552**
Payments for operating expenses			
Compensation of Employees	4	2,082,429	3,804,374
Use of goods and services	5	3,882,225	8,509,928
Transfers to Other Government Units	6	-	10,655,136
Other grants and transfers	7	15,162,700	59,111,991
Other Payments	9	-	-
		21,127,354	**82,081,429**
Adjusted for:			
Adjustments during the year	14	-	-
Net cash flow from operating activities		**22,277,818**	**(184,878)**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	-	(5,500,000)
Net cash flows from Investing Activities		-	(5,500,000)
NET INCREASE IN CASH AND CASH EQUIVALENT		**22,277,818**	**(5,684,878)**
Cash and cash equivalent at BEGINNING of the year	**13**	**5,261**	**5,690,139**
Cash and cash equivalent at END of the year		**22,283,079**	**5,261**

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

Fund Account Manager
Name: KEVIN MCAKECH

Sub-County Accountant
Name: ALOIS M. KIMUYU
ICPAK Member Number: 8506

VI. 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 CDF Board	86,810,345	11,384,571	98,194,916	43,410,433	54,784,483	44.2%
Proceeds from Sale of Assets			-	-	-	0.0%
Other Receipts		-	-	-	-	0.0%
TOTAL RECEIPTS	**86,810,345**	**11,384,571**	98,194,916	43,410,433	54,784,483	44.2%
PAYMENTS			-		-	0.0%
Compensation of Employees	1,168,684	527,700	1,696,384	2,082,429	(386,045)	122.8%
Use of goods and services	5,477,220	501,699	5,978,918	3,882,225	2,096,693	64.9%
Transfers to Other Government Units	39,982,289	5,366,276	45,348,565	-	45,348,565	0.0%
Other grants and transfers	33,243,966	4,988,897	38,232,862	15,162,700	23,070,162	39.7%
Acquisition of Assets	4,038,187		4,038,187	-	4,038,187	0.0%
Other Payments	2,900,000		2,900,000		2,900,000	0.0%
TOTAL	**86,810,345**	**11,384,571**	98,194,916	**21,127,354**	77,067,562	21.5%

(a) [For the revenue items, indicate whether they form part of the AIA by inserting the "AIA" alongside the revenue category.]

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

i. *Xxxx*
ii. *Xxxx*
iii. *Xxxx*
iv. *Xxxx*
v. *Xxxx*

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23.) The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.

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

Fund Account Manager	Sub-County Accountant
Name: KEVIN MCAKECH	Name: ALOIS M. KIMUYU
	ICPAK Member Number: 8506

VII. 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-MATHARE 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 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.

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 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.

VIII. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		**2017-2018**	**2016-2017**
		Kshs	**Kshs**
Normal Allocation	AIE NO.		4,094,827.60
	AIE NO.		36,853,449.00
	AIE NO.		40,948,275.10
	A855927	5,500,000.00	
	A892896	37,905,172.00	
Conditional grants	AIE NO...		-
			-
Receipt from other Constituency			-
TOTAL		**43,405,172.00**	**81,896,551.70**

2. PROCEEDS FROM SALE OF ASSETS

Description	**2017-2018**	**2016-2017**
	Kshs	**Kshs**
Receipts from the Sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from the Sale of Office and General Equipment	-	-
TOTAL	-	

3. OTHER RECEPTS

Description	**2017-2018**	**2016-2017**
	Kshs	**Kshs**
Interest Received	-	-
Rents	-	-
Sale of Tender Documents	-	-
Other Receipts Not Classified Elsewhere (specify)	-	-
TOTAL	-	-

4. COMPENSATION OF EMPLOYEES

Description	**2017-2018**	**2016-2017**
	Kshs	**Kshs**
Basic wages of contractual employees	1,959,579.00	3,741,574.00
Basic wages of casual labour		-
Personal allowances paid as part of salary		-
House allowance	-	-
Transport allowance	-	-
Leave allowance		-
Other personnel payments	74,850.00	-
Employer contribution to NSSF	48,000.00	62,800.00
Gratuity-contractual employees	-	-
TOTAL	**2,082,429.00**	**3,804,374.00**

5. USE OF GOODS AND SERVICES

Description	**2017 - 2018**	**2016 - 2017**
	Kshs	**Kshs**
Utilities, supplies and services	793,486.00	480,000.00
Electricity	-	-
Water & sewerage charges	-	-
Office rent	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Printing, advertising and information supplies & services	153,624.00	1,565,606.00
Rentals of produced assets	-	-
Training expenses	-	1,064,000.00
Hospitality supplies and services	-	473,247.00
Other commitee expenses	882,000.00	3,567,000.00
Commitee allowance	732,000.00	-
Insurance costs	-	-
Specialised materials and services	-	-
Office and general supplies and services	1,203,000.00	-
Fuel , oil & lubricants	-	900,000.00
Other operating expenses	-	349,575.00
Bank service commission and charges	68,115.00	-
Security operations	-	-
Routine maintenance - vehicles and other transport equipment	50,000.00	110,500.00
Routine maintenance- other assets	-	-
TOTAL	**3,882,225.00**	**8,509,928.00**

6. **TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	**2017-2018**	**2016-2017**
	Kshs	**Kshs**
Transfers to Primary schools	-	3,177,550.00
Transfers to Secondary schools	-	7,477,586.20
Transfers to Tertiary institutions	-	-
Transfers to Health institutions	-	-
TOTAL	**-**	**10,655,136.20**

7. **OTHER GRANTS AND OTHER PAYMENTS**

Description	**2017-2018**	**2016-2017**
	Kshs	**Kshs**
Bursary -Secondary	7,070,000.00	10,575,775.00
Bursary -Tertiary	7,592,700.00	10,000,000.00
Bursary-Special schools	-	-
Mocks & CAT	-	-
Water	-	-
Food security	-	-
Electricity	-	-
Security	-	2,448,459.20
Roads and Bridges	-	29,000,000.00
Sports	-	1,598,456.80
Environment	-	1,398,600.00
Cultural Projects	-	
Agriculture		-
Emergency Projects	500,000.00	4,090,700.00
TOTAL	**15,162,700.00**	**59,111,991.00**

8. **ACQUISITION OF ASSETS**

Non Financial Assets	**2017-2018**	**2016-2017**
	Kshs	**Kshs**
Purchase of Buildings	-	-
Construction of Buildings	-	5,500,000.00
Refurbishment of Buildings	-	-
Purchase of Vehicles	-	-
Purchase of Bicycles & Motorcycles	-	-
Overhaul of Vehicles	-	-
Purchase of office furniture and fittings	-	-
Purchase of computers ,printers and other IT equipments	-	-
Purchase of photocopier	-	-
Purchase of other office equipments	-	-
Purchase of soft ware	-	-
Acquisition of Land	-	-
TOTAL	**-**	**5,500,000.00**

9. **OTHER PAYMENTS**

specify	-	-
specify	-	-
specify	-	-
TOTAL	**-**	**-**

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	**Account Number**	**2017-2018**	**2016-2017**
		Kshs (30/6/2018)	**Kshs (30/6/2017)**
Equity Bank four ways Branch	*A/C no. 0020261806785*	**22,277,818**	**5,260.95**
10B: CASH IN HAND)			
		2017- 2018	**2016 - 2017**
		Kshs (30/6/2017)	**Kshs (30/6/2016)**
Location 1		-	-
Location 2		-	-
Location 3		-	-
Other receipts (specify)		-	-
TOTAL		**-**	**-**

11: OUTSTANDING IMPRESTS

Name of Officer		*Amount Taken*	*Amount Surrendered*	*Balance (30/6/2015)*
	Date imprest taken	*Kshs*	*Kshs*	*Kshs*
			-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
				-

[Include an annex of the list is longer than 1 page.]

12RETENTION

Supplier/Contractor	**PV No.**	**2017-2018**	**2016-2017**
TOTAL			

[Provide short appropriate explanations as necessary

13. BALANCES BROUGHT FORWARD

		2017-2018	**2016-2017**
		Kshs (1/7/2017)	**Kshs (1/7/2016)**
Bank accounts		5,260.95	5,690,138.50
Cash in hand			-
Imprest			-

TOTAL		**5,260.95**	**5,690,138.50**

[Provide short appropriate explanations as necessary]

14. PRIOR YEAR ADJUSTMENTS

	2017 - 2018	2016 - 2017
Bank accounts	Kshs	Kshs
Cash in hand	-	-
Imprest	-	-
TOTAL	-	-

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
TOTAL	-	-

15.2: PENDING STAFF PAYABLES (See Annex 2)

	2017 - 2018	2016 - 2017
Senior management	Kshs	Kshs
Middle management	-	-
Unionisable employees	-	-
Others (specify)	-	-
	-	-

15.3: UNUTILIZED FUNDS (See Annex 3)

	2017-2018	2016-2017
	Kshs	Kshs
Use of Goods and Services	2,476,693	
Amounts due to other Government entities (see attached list)	45,348,565	-
Amounts due to other grants and other transfers (see attached list)	23,070,162	-
Acquisition of Assets	4,038,187	-
Other Payments	2,900,000	-
Total	**54,763,445**	

15.4: PMC account balances (See Annex 5)

	2017- 2018	2016-2017
	Kshs	Kshs
PMC account Balances (see attached list)	00	00
	00	00

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2014	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

ANNEX 2 - 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		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (*specify*)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 3 – UNUTILIZED FUNDS

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Compensation of employees		441,529.00		
Use of goods & services		485,501.00		
Amounts due to other Government entities				
Valley Primary School		1,500,000.00		
Kiboro Primary School		1,500,000.00		
Huruma Primary School		1,000,000.00		
St. Theresa Primary School		3,000,000.00		
Ndururuno Primary School		2,771,551.72		
Huruma Secondary School		6,000,000.00		
Huruma Secondary School(co-funding in purchase of bus)		2,533,706.88		
Huruma Secondary School		2,300,000.00		
Tertiary Education Centre		2,000,000.00		
Huruma Police Station		7,000,000.00		
Old Mathare Primary School		3,000,000.00		
Huruma AP Camp		7,000,000.00		
Sub-Total		**40,532,288.60**		
Amounts due to other grants and other transfers				
Bursary		6,522,344.83		
Sports		1,963,793.10		
Environment		1,963,793.10		
NG-CDF MATHARE OFFICE		4,038,186.53		
ICT Hubs		4,677,027.20		
Strategic Plan		3,500,000.00		
Sub-Total		**22,665,144.76**		
Sub-Total				
Acquisition of assets				

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Others (*specify*)				
Mathare Social Hall		2,900,000.00		
Emergency		5,137,931.03		
Sub-Total		8,037,931.03		
Grand Total		71,235,364.39		

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2017/18	Historical Cost (Kshs) 2016/2017
Land	-	-
Buildings and structures	27,550,000.00	27,550,000.00
Transport equipment	4,650,495.00	4,650,495.00
Office equipment, furniture and fittings	246,286.00	246,286.00
ICT Equipment, Software and Other ICT Assets	256,631.30	256,631.30
Other Machinery and Equipment	20,889,505.00	20,889,505.00
Heritage and cultural assets	-	-
Intangible assets	-	-
Total	**53,592,917.30**	**53,592,917.30**

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

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
Total				

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 expect the issue to be resolved)*
1.	**Presentation and disclosures of the Financial statements.** The statement of compliance and basis for preparation indicate that all values are rounded off to the nearest shilling. However, the figures in the financial statements have not been rounded off to the nearest shilling. The financial statements are therefore, not consistent with the basis of preparation and are not fully in conformity with the format prescribed by the Public Sector Accounting Standard Board.	It is true that we did not round of the figures in the financial statements to the nearest shilling. However, the figures presented were the actual payments made. hence no loss of funds risk. We however have noted then need and requirement to round off and will ensure this is implemented going forward.	FAM		
2.	The following differences have been noted between comparative figures (2014/2015) reflected in the financial statements for the year ended 30 June 2016 and the balances shown in the	The was a compensating difference in the comparative figures which was brought about by change in vote classification. Goods and Services, Committee	FAM		

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 expect the issue to be resolved)*
	audited financial statements for 2014/2015; ver, the differences have not been explained in respect to these items. In addition, the nature of the errors and respective amounts of the corrections in these comparative figures have similarly not been disclosed in the notes to the financial statements.	Expenses and Social Security were all separate votes in the Previous Financial Year. In the subsequent year in compliance with IPSAS template of PSAB goods and services was combined with committee expenses while social security was merged with compensation of employees.			
3.	The statement of assets reflects bank balance of Kshs. 5,690,138 as at 30th June 2016. A review of the bank reconciliation statement for June 2016 however revealed unpresented cheques amounting to Kshs. 3,503,120 that were stale and had not been reversed in the cashbook thereby understating the bank balance in the financial statements by the extent of the stale cheques. In the circumstances, the accuracy of the bank balance of Kshs. 5,690,138 as at 30 June 2016	The stale cheques were all reversed in the subsequent year as evidenced by the cash book extract and bank reconciliation.	FAM		

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 expect the issue to be resolved)*
	cannot be confirmed.				
4.	During the year under review, Mathare Constituency Fund incurred expenditure totaling Kshs. 147,951,413 against an approved budget of Kshs. 104,736,739 resulting in a net over expenditure of Kshs. 43,214,673.	The over expenditure was not an actual over expenditure. The funds allocated for the financial year was Kshs. 104,736,739. The amount carried forward from the previous year was Kshs. 43,214,673. The funds had all been approved in both financial years.	FAM		