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REPORT

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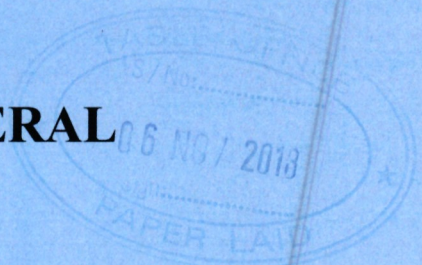
THE AUDITOR-GENERAL

6th November 2018.

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT CONSTITUENCIES
DEVELOPMENT FUND
IGEMBE NORTH CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2017**







**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
IGEMBE NORTH CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

KENYA NATIONAL AUDIT OFFICE
EMBU HUB

09 NOV 2017

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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003 now repealed by the NG-CDF Act, 2013.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

(b) Key Management

The *IGEMBE NORTH Constituency's* day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NG-CDFB)
- ii. National Government Constituency Development Fund Committee (NG-CDFC)

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Philip Simiyu
3.	Accountant	James Gitiri
4.		

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NG-CDF Board provide overall fiduciary oversight on the activities of IGEMBE NORTH Constituency. The reports and recommendation of ARMC when adopted by the NG- CDF Board are forwarded to the National Government Constituency Development Fund Committee (NG-CDFC) for action. Any matters that require policy guidance are forwarded by the Board to the Cabinet Secretary and National Assembly Select Committee.

(e) IGEMBE NORTH NG-CDF Headquarters

P.O. Box 71 LAARE
KENYA

(f) IGEMBE NORTH NG-CDF Contacts

Telephone: (254) 25779127
E-mail: igembenorth2016gmail.com
Website: www.cdf.go.ke

(g) IGEMBE NORTH NG-CDF Bankers

1. Equity Bank
Maua

(h) Independent Auditors

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

(i) Principal Legal Adviser

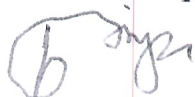
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND COMMITTEE (NG-CDFC)

The office was able to release funds to the PMCs as soon as they were received. All the projects whose funds were released on timely basis have been implemented.

The fund has benefitted the community in terms of bursaries and infrastructural projects. Approximately Kshs.19, 000,000 went to bursaries, kshs.22, 500,000 went primary schools for infrastructure projects and kshs.14, 400,000 to secondary schools. Kshs.10,672,125 to water,kshs.7,500,000 to electricity,kshs.21,130,000 to security and kshs.11,250,000 to roads. All of the above projects are complete and in use.

There has been lack of capacity amongst the PMCs despite several trainings and sometimes delays in disbursement of funds. Timely disbursements to the constituency should be enhanced for faster projects implementation.



Sign

CHAIRMAN NG- CDFC

III. STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government agency shall prepare financial statements in respect of that agency. 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 IGEMBE NORTH National Government Constituency Development Fund is responsible for the preparation and presentation of the IGEMBE NORTH NG-CDF financial statements, which give a true and fair view of the state of affairs of the IGEMBE NORTH NG-CDF for and as at the end of the financial year (period) ended on June 30, 2017. 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 NG-CDF; (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 NG-CDF; (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 IGEMBE NORTH NG- CDF accepts responsibility for the NG-CDF'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 NG-CDF's financial statements give a true and fair view of the state of NG-CDF's transactions during the financial year ended June 30, 2016, and of the NG-CDF's financial position as at that date. The Accounting Officer in charge of the IGEMBE NORTH NG- CDF further confirms the completeness of the accounting records maintained for the NG- CDF, which have been relied upon in the preparation of the NG- CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the IGEMBE NORTH NG- CDF confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NG-CDF'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 NG-CDF'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 NG-CDF's financial statements were approved and signed by the Accounting Officer on 20th July 2017.



Fund Account Manager



Chairman NG- CDFC

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-IGEMBE NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Igembe North Constituency set out on page 5 to 22, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1.0 Late submission of Financial Statements

Section 81 of the Public Finance Management Act, 2012 requires that at the end of each financial year, the accounting officer for a national government entity shall prepare financial statements in respect of the entity in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time. The Act further states that within three months after the end of each financial year, the accounting officer for an entity shall submit the entity's financial statements to the Auditor-General. In addition, Section 47 of the Public Audit Act, 2015, requires all public entities to submit their financial statements to the Auditor-General within three months after the end of each financial year. However, the Fund submitted accounts to the Auditor-General on 09 November 2017, which was over one month after the Constitutional deadline.

Under the circumstance, the Fund was in breach of Section 81 of the Public Finance Management Act, 2012 and Public Audit Act, 2015 Section 47.

2.0 Presentation of Financial statements

The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the Accounting standards Board requires the inclusion of a separate recurrent summary statement of appropriation a separate development summary statement of appropriation and a combined summary statement of appropriation for both recurrent and development. However, the financial statement for the year under review only included the combined summary statement of appropriation but did not include a separate recurrent summary statement of appropriation and a separate development summary statement of appropriation.

Consequently, the presentation of the financial statements for the year under review did not conform to the format prescribed by the Public Sector Accounting Standards Board and the National Treasury under International Public Sector Accounting Standards (Cash Basis).

3.0 Accuracy and Completeness of the Financial Statements

3.1 Accuracy of the Fund's Expenditure

The financial statements for the year under review, reflects an overall expenditure of Kshs.138,674,915 as at 30 June 2017. However, the respective ledgers and annual returns were not made available for audit review.

Further, the financial statements reflects a balance of Kshs.107,488,652 as at 30 June 2017 on fourteen (14) items while cash book reflects a balance of Kshs.104,698,111 resulting in an unexplained and unreconciled overstatement of the financial statements by Kshs.2,790,541 as follows;

Component	Financial Statements (Kshs.)	Cash book (Kshs.)	Variance (Kshs.)
Committee Expenses	5,147,000	4,431,371	715,629
Other Operating Expenses	2,574,579	1,361,834	1,212,745
Transfer to Primary Schools	22,500,000	23,650,000	(1,150,000)
Transfer to Secondary Schools	14,400,000	15,050,000	(650,000)
Bursary to Secondary Institutions	10,797,816	10,606,919	190,897
Bursary to Tertiary Institution	8,066,190	5,212,090	2,854,100
Bursary to Special Schools	106,000	-	106,000
Water Projects	10,672,125	10,572,125	100,000
Security Projects	21,130,000	19,700,000	1,430,000
Other Capital Grants	4,883,402	3,700,000	1,183,402
Emergency Projects	4,480,000	5,013,600	(533,600)
Environment Projects	-	2,483,213	(2,483,213)

Office and General Supplies	480,000	576,960	(96,960)
Compensation of Employees	2,251,540	2,339,999	(88,459)
	107,488,652	104,698,111	2,790,541

In the circumstances, the accuracy of the financial statements balances as at 30 June 2017 could not be ascertained.

3.2 Accuracy of Approved Budgeted Amounts

The summary statement of appropriation reflected an approved budget of Kshs.142,467,477 for receipts and Kshs.136,723,489 for payments resulting in a surplus of Kshs.5,743,988. However, the approved budget made available for audit had a budget of Kshs.138,657,260 for receipts and a similar amount for payments creating unexplained difference of Kshs.3,810,267 and Kshs.1,933,771 for the budgeted payments and receipts respectively between the financial statement balances and the approved budget figures as shown below:

Receipts	Summary Statement of Appropriation (Kshs.)	Approved Expenditure Budget (Kshs.)	Variance (Kshs)
Transfers from CDF Board	142,467,477	138,657,210	3,810,267
Total	142,467,477	138,657,210	3,810,267
Expenditure Analysis			
Compensation of Employees	2,200,000	2,955,120	(755,120)
Use of Goods and Services	9,031,578	6,587,676	2,443,902
Transfer to Other Government Unit	41,383,300	40,600,000	783,300
Other Grants and Transfers	-	88,514,464	(88,514,464)
Other Payments	84,108,611	-	84,108,611
Total	136,723,489	138,657,260	(1,933,771)

The accuracy of the budgeted amounts reflected in the financial statements as at 30 June 2017 could not be confirmed.

In view of the foregoing, it has not been possible to ascertain the accuracy and completeness of the financial statements as at 30 June 2017.

4.0 Unaccounted for Project Funds

4.1 Linjoka Secondary School

During the financial year under review, the Fund transferred Kshs.1,000,000 through cheque numbers 2341 and 2343 of Kshs.500,000 each dated 14 July 2016 to Linjoka Secondary School for construction of a laboratory. However, records of Project

Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities, quotations, and inspection certificates were not provided for audit review. Further, physical inspection done on 18 April 2018 revealed that the project had stalled at the roofing stage.

In the circumstances, the propriety and value for money of the Kshs.1,000,000 expenditure at Linjoka Secondary School as at 30 June 2017 could not be ascertained.

4.2 Linjoka and Kaelo Dispensaries

During the financial year under review, the Fund transferred Kshs.1,500,000 through cheque numbers 2392 and 2393 of Kshs.900,000 and Kshs.600,000 respectively each dated 18 July 2016 to Linjoka Dispensary for completion of the Linjoka dispensary. The Fund also transferred Kshs.300,000 through cheque number 2395 dated 18 July 2016 to Kaelo Dispensary for completion of Kaelo dispensary. However, the respective accounting documents, expenditure returns, bank statements and inspection certificates were not provided for audit review. Further, the funding of the dispensaries was contrary to Section 11 (1) (e) of the National Government Constituencies Development Fund Regulations, 2016 as health falls within the functions of the County Government under the Constitution. In addition, physical inspection done on 18 April 2018 revealed that the two projects were complete but not in use.

Consequently, the Fund was in breach of law and value for money of the Kshs.1,800,000 expenditure at Linjoka and Kaelo dispensaries as at 30 June 2017 could not be ascertained.

4.3 Murweti Dispensary

During the financial year under review, the Fund transferred Kshs.500,000 through cheque numbers 2394 dated 18 July 2016 to Murweti dispensary for completion of the Murweti dispensary. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities, quotations, and inspection certificates were not provided for audit review. Further, physical inspection done on 18/04/2018 revealed that the project had stalled after walling, roofing, and fixing of doors and windows. In addition, the funding of the dispensary was contrary to Section 11 (1) (e) of the National Government Constituencies Development Fund Regulations, 2016 as dispensaries are devolved to County Governments under the Constitution.

In the circumstances, the Fund was in breach of law and there was no value for money of the Kshs.500,000 expenditure at Murweti dispensary as at 30 June 2017.

4.4 Installation of Community Electricity Transformers

During the financial year under review, the Fund transferred Kshs.7,500,000 for installation of four (4) transformers at Barenta, Mburanjiru, Kantali and Anjalu primary schools. However, physical inspection of the Barenta and Mburanjiru transformers done on 18 April 2018 revealed that the projects had not been labelled contrary to Section 15 (2) of the National Government Constituencies Development Fund

Regulations, 2016. Further, handing over reports by the Project Management Committee to the four schools as required Section 15(3) of the National Government Constituencies Development Fund Regulations, 2016 were not made available for audit review.

In the circumstances, the propriety and value for money of the Kshs.7,500,000 expenditure of electricity projects as at 30 June 2017 could not be confirmed

4.5 Laare Police Station

During the financial year under review, the Fund transferred Kshs.3,500,000 for completion of an administration block ground floor, from walling, fixtures and fittings, Shutter slab and finishing at Laare Police Station. However, the respective accounting documents, bank statements, quotations, and inspection certificates were not provided for audit review. Further, a physical verification of the project done on 18 April 2018 revealed that although the walling was done to lintel level and structure made ready for concrete shutter slab, the project stalled and the shutter slab was not done. In addition, the shutter structure and materials on site as at the time of verification had deteriorated due to weather conditions resulting to a wasteful expenditure contrary to Section 191(1) of the Public Finance Management Act, 2012. The value of works done could not be established, as the respective interim certificates for work done were not made available for audit.

In the circumstances, the propriety and value for money of the Kshs.3,500,000 expenditure at Laare police station as at 30 June 2017 could not be ascertained.

4.6 Kalerene AP Camp Ghost Staff Houses

During the financial year under review, the Fund transferred Kshs.1,500,000 through cheque numbers 2596, 2597 and 2598 dated 19 December 2016 of Kshs.500,000 each to Kalerene AP Camp for construction of 2 staff houses. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities, quotations, and inspection certificates were not provided for audit review. Further, a physical verification done on 18 April 2018 revealed that there were no permanent buildings constructed at the AP Camp.

In the circumstances, it has not been possible to ascertain the propriety and value for money of the Kshs.1,500,000 expenditure at Kalerene AP Camp ghost staff houses as at 30 June 2017.

4.7 Kinisa GSU Camp

During the financial year under review, the Fund transferred Kshs.2,000,000 through cheque numbers 2629 and 2630 of Kshs.500,000 each dated 06 January 2017 and cheque numbers 2933 and 2934 for Kshs 500,000 each dated 14 February 2018 to Kinisa GSU camp being payment for construction of 2 staff houses and Administration block. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities,

quotations, and inspection certificates were not provided for audit review. Further, physical verification done on 18 April 2018 revealed that although the building stones and ballast had been delivered at the camp no building had been constructed.

In the circumstances, the propriety and value for money of the Kshs.2,000,000 expenditure at Kinisa GSU Camp as at 30 June 2017 could not be ascertained.

4.8 Antuambui Chief's Camp

During the financial year under review, the Fund transferred Kshs.1,000,000 through cheque numbers 2366 and 2367 dated 14 February 2017 for Kshs.500,000 each to Antuambui Chief's Camp project for construction of Chief's office. The tender was awarded to Utumishi Contractors Limited at a non-disclosed contract sum at a quoted price of Kshs.1,214,906. However, the respective procurement documents, accounting documents and the valuation certificate for works done were not availed for audit. Further, a physical verification done on 18 April 2018 revealed poor workmanship as the floor had cracks and the office was not in use.

In the circumstances, the propriety and value for money of the Kshs.1,000,000 expenditure at Antuambui Chief's Camp as at 30 June 2017 could not be ascertained.

4.9 Kalerene Water Tank

During the year under review, the Fund transferred Kshs.1,000,000 through cheque numbers 2587 and 2588 for Kshs.500,000 each dated 19 July 2016 through payment voucher numbers 95 dated 19 December 2016 to Kalerene Water Tank project, for the construction of water catchment roof and water reservoir. However, records of Project Management Committee minutes, accounting documents, expenditure returns, and bank statements, bill of quantities, quotations, and inspection certificates were not availed for audit review. Further, physical verification done on 18 April 2018 revealed that although the tank had been constructed it was incomplete and had developed cracks due to poor workmanship.

In the circumstances, the propriety and value for money of the Kshs.1,000,000 expenditure for Kalerene Water Tank project as at 30 June 2017 could not be confirmed.

4.10 Murungene District Education Officer's Office

During the financial year under review, the Fund transferred Kshs.1,200,000 through cheque numbers 2377 and 2378 of Kshs.600,000 each dated 19 December 2016 to Murungene District Education Officer's Office project for completion of an office. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities, quotations, and inspection certificates were not availed for audit review. Further, a physical verification done on 18 April 2018 revealed that the project had stalled at the lintel level and no further works were ongoing. In addition, there was no evidence that the construction was on a public land as ownership documents for the land where the office was being constructed were not made available for audit.

In the circumstances, the propriety and value for money for the Kshs.1,200,000 expenditure for Murungene District Education Officer's Office project as at 30 June 2017 could not be confirmed.

4.11 Anjalu Storage Tank

During the financial year under review, the Fund transferred Kshs.1,200,000 through cheque numbers 2383 and 2384 of Kshs.600,000 each dated 18 July 2016 as grant to Anjalu Storage Tank project, for the construction of water catchment roof and storage tank. However, the respective procurement documents, accounting documents and the valuation certificate for works done were not availed for audit. Further, the District Water Officer's bills of quantities attached to the payment voucher, gave specifications of a 75M³ masonry water tank while the bidders gave quotations for a 50M³ Masonry water tank. In addition, physical verification done on 18 April 2018 revealed that the tank was not in use due to poor workmanship and the gutters harvesting rain water from the classrooms were disjointed from the harvesting tank and redirected to another Plastic water tank of a smaller capacity.

In the circumstances, the propriety and value for money of the Kshs.1,200,000 expenditure for Anjalu storage Tank project as at 30 June 2017 could not be confirmed.

4.12 Luciuti Dispensary Borehole

During the financial year under review, the Fund transferred Kshs.500,000 through cheque numbers 2510 dated 18 July 2016 as grant to Luciuti Dispensary Borehole project, for unspecified works. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities, quotations, and inspection certificates were not availed for audit review. Further, the project had previously (in the financial year 2015/2016) been funded with Kshs.3,600,000. A physical verification, done on 18 April 2018 revealed that a casing was fitted but there was no evidence that the borehole existed and had water.

In the circumstances, the propriety and value for money of the Kshs.500,000 expenditure for Luciuti Dispensary Borehole project as at 30 June 2017 could not be confirmed.

4.13 Road Projects

During the financial year under review, the Fund transferred Kshs.11,250,000 to road projects. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities, quotations, and inspection certificates were not availed for audit review.

In the circumstances, the propriety and validity of the Kshs.11.250,000 expenditure on roads projects as at 30 June 2017 could not be confirmed.

4.14 Sports

During the financial year under review, the Fund transferred Kshs.3,859,264 through payment voucher number 9 dated 18 July 2016 to Igembe North CDF Sports Account as grant for sports. However, the respective records of project management committee minutes, accounting documents, expenditure returns, and bank statements, stores records, and inspection certificates were not availed for audit review.

In the circumstances, the propriety and validity of the Kshs.3,859,264 expenditure on sports projects as at 30 June 2017 could not be confirmed.

4.15 Linjoka Primary School

During the financial year under review, the Fund transferred Kshs.650,000 through payment voucher number 93 dated 19 December 2016 to Linjoka primary school project for construction of classroom. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bill of quantities, quotations, and inspection certificates were not availed for audit review. Further, a physical verification done on 18 April 2018 revealed that the project had stalled at the lintel level. There was no explanation given as to why the construction had stalled yet funds were disbursed to the project account in December 2016.

In consequence, the propriety and value for money of the Kshs.650,000 expenditure on construction of classroom at Linjoka primary school as at 30 June 2017 could not be confirmed

4.16 Laare-Kilera Primary School Road

During the financial year under review the Laare-Kilera primary school road was allocated and funded with Kshs.1,000,000.00 for grading of a two (2) Kilometers road. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities, quotations, and inspection certificates were not availed for audit review. Further, no documents were availed to show that the relevant government department was consulted in the development of bills of quantities and implementation of the project contrary to Section 15 (1) (a) of the National Government Constituencies Development Fund (NG-CDF) Regulations, 2016. In addition, the handing over reports from the project management committee to the Fund as required by Section 15 (3) of the NG-CDF Regulations, 2016 were not made available for audit review. Further, a physical verification of the roads could not be carried out as the details and chainage of the section of the roads that was graded were not availed for audit.

In the circumstances, the propriety and value for money of the Kshs.1,000,000 expenditure on grading of Laare-Kilera Primary School Road as at 30 June 2017 could not be confirmed.

4.17 AIPCA Kiromwathi Primary School

During the financial year under review, the Fund transferred Kshs.700,000 through cheque number 2941 dated 19/12/16 to AIPCA Kiromwathi Primary School for purchase of land. However, records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements and ownership documents were not made available for audit review and therefore it was not possible to physically verify the status of the project

In the circumstances, the propriety and value for money of the Kshs.700,000 expenditure on purchase of land as at 30 June 2017 could not be confirmed.

4.18 Boda Boda Training

During the financial year under review, the Fund awarded a tender through quotations for training boda boda riders at a contract sum of Kshs.3,000,000. The tender was paid through voucher number 134 dated 21/03/2017 for training of 75 drivers and 225 boda boda riders. However, open tender procurement method ought to have been used as the Kshs.3,000,000; was above the set limit of Kshs.500,000 for class C entities for using quotations as per to the first schedule threshold matrix annexed to the Public Procurement and Disposal (Amendment) Regulations, 2013. Further, there was no documentary evidence showing that the youths applied for training including copies of driving licenses to ascertain that the training actually took place. In addition, the approved budget was Kshs.1,000,000 whereas the Fund spent Kshs.3,000,000 resulting in an unauthorized expenditure of Kshs.2,000,000 contrary to Section 52 (1) (a) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, the Fund was in breach of law and the propriety and value for money of the Kshs.3,000,000 expenditure for boda boda training as at 30 June 2017 could not be confirmed.

4.19 Unaccounted for Bursaries

During the financial year under review, the Fund spent Kshs.15,819,009 against a budget of Kshs.19,543,103 for bursaries resulting into an under-expenditure of Kshs.3,724,094. However, the respective records for bursary applications, minutes of bursary committee meetings and minutes of awarding to the beneficiaries were not made available for audit.

In the circumstances, it was not possible to ascertain the propriety of the Kshs.15,819,009 expenditure including confirming whether the bursary funds were disbursed to needy students.

4.20 Mutuati Social Hall

During the financial year under review, the Fund transferred Kshs.3,700,000 to Mutuati Social Hall project. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities, quotations, and inspection certificates were not availed for audit review.

Further, physical verification done on 18 April 2018 revealed that the project had stalled at the lintel level and no further works were ongoing.

As a result, the propriety and value for money of the Kshs.3,700,000 expenditure on Mutuati Social Hall as at 30 June 2017 could not be confirmed.

4.21 Environment

During the financial year under review, the Fund transferred Kshs.2,483,213 through payment voucher number 42 dated 27/9/2016 to Igembe North Environment project for environmental activities. However, the respective records of Project Management Committee minutes, accounting documents, expenditure returns, bank statements, bill of quantities, quotations, and inspection certificates were not availed for audit review. In the circumstances, the propriety and value for money of the Kshs.2,483,213 expenditure on environmental activities as at 30 June 2017 could not be confirmed.

5.0 Budget and Budgetary Control

The financial statements for year under review, reflects a budget of Kshs.136,723,489 and an actual expenditure of Kshs.138,674,916 representing an absorption rate of 101% of the total reported budget resulting in an over-expenditure of Kshs.1,951,457. However, the approved budget reflects a budget of Kshs.138,657,260 comprising of Kshs.60,760,657 brought forward from the financial year 2015/2016 and Kshs.77,896,553 for financial year 2016/2017 while the cash book reflects an actual expenditure of Kshs. 135,884,375 representing an absorption rate of 98% of the total approved budget. A comparison of the Kshs.138,657,260 approved budget for the year and the Kshs. 135,884,375 actual expenditure as per the cash book gave a variance/under expenditure of Kshs. 2,772,885 as follows;

Expenditure Analysis	Budgeted expenditures (Kshs.)	Expenditure as per cash book (Kshs.)	Variance (Kshs.)	Absorption %
Compensation of Employee	2,955,120	2,339,999	615,121	79%
Use of Goods and services	6,587,676	7,200,165	(612,489)	109%
Transfer to Other Government Unit	40,600,000	43,183,000	(2,583,000)	106%
Other Grants and Transfers	88,514,464	83,161,211	5,353,253	94%
Total	138,657,260	135,884,375	2,772,885	98%

In the circumstances, the Constituents of Igembe North did not receive expected services equivalent to Kshs.2,772,885 being under-expenditure as at 30 June 2017.

6.0 Projects Implementation Status

The Fund budgeted to implement projects worth Kshs.70,525,862 during the financial year ended 30 June 2017 as follows;

Sector	Amount Allocated (Kshs.)
Sports	1,637,931
Bursaries	18,543,103
Education	12,650,000
Other Grants and Transfers	6,700,000
Health	800,000
Water	5,600,000
Roads	6,800,000
Security	13,700,000
Emergency	4,094,828
Total	70,525,862

However, the project implementation status for the respective projects were not availed for audit review. Hence, it was not possible to confirm the status of the projects in respect to those started, ongoing and completed as at 30 June 2017.

In the circumstances, it was not possible to ascertain that the Kshs.70,525,862 earmarked for projects was spent as appropriated as at 30 June 2017.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue to sustain its 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's or to cease operations, or have no realistic alternative but to do so.

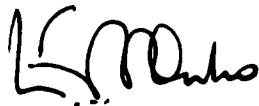
Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Fund's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of National Government Constituencies Development Fund – Igembe North Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

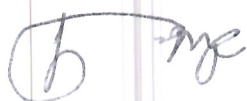
Nairobi

15 October 2018

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016 - 2017	2015 - 2016
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	138,657,208.70	63,950,000.00
TOTAL RECEIPTS		138,657,208.70	63,950,000.00
PAYMENTS			
Compensation of employees	2	1,835,889.00	2,204,391.00
Use of goods and services	3	9,031,578.45	4,728,801.00
Committee expenses	4		4,683,541.00
Transfers to Other Government Units	5	41,383,000.00	30,219,896.00
Other grants and transfers	6	80,608,611.00	49,332,922.00
Social Security Fund	7	183,720	149,880.00
Other Payments	8	5,815,837.00	998,000.00
TOTAL PAYMENTS		138,674,915.45	92,317,431
SURPLUS/DEFICIT		(17,706.75)	(28,367,431)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The IGEMBE NORTH NG-NG- CDF financial statements were approved on 20th July 2017 and signed by:



Chairman – NG-CDFC

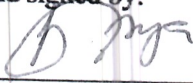


Fund Account Manager

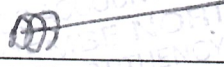
V. STATEMENT OF ASSETS

	Note	2016 - 2017		2015 - 2016
		Kshs		Kshs
FINANCIAL ASSETS				
Cash and Cash Equivalents				
Bank Balances (as per the cash book)	10A	3,849,288.02		3,706,820
TOTAL FINANCIAL ASSETS		3,849,288.02	3,706,820	
REPRESENTED BY				
Fund balance b/fwd 1st July...		12	3,706,819.77	32,074,251
Surplus/Deficit for the year		13	(17,706.75)	(28,367,431)
NET LIABILITIES		3,689,113.02	3,706,820	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The IGEMBE NORTH NG- CDF financial statements were approved on 20th July 2017 and signed by:



Chairman – NG-CDFC

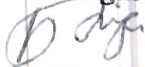


Fund Account Manager

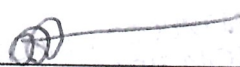
VI. STATEMENT OF CASHFLOW

		2016 - 2017	2015 - 2016
Receipts for operating income			
Transfers from CDF Board	1	138,657,208.70	63,950,000
Other Receipts	3		
Payments for operating expenses			
Compensation of Employees	4	1,835,889	2,204,391
Use of goods and services	5	9,031,578	4,728,801
Committee expenses			4,683,541
Transfers to Other Government Units	6	41,383,000	30,219,896
Other grants and transfers	7	80,608,611	49,332,922
Social Security Fund			149,880
Other Payments	9	5,815,837	998,000
Adjusted for:			
Adjustments during the year	14	(17,706.75)	(28,367,431)
Net cash flow from operating activities			
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2		
Acquisition of Assets	9		
Net cash flows from Investing Activities			
NET INCREASE IN CASH AND CASH EQUIVALENT		(17,706.75)	(28,367,431)
Cash and cash equivalent at BEGINNING of the year	13	3,706,819.77	32,074,251
Cash and cash equivalent at END of the year		3,689,113.02	3,706,820

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The IGEMBE NORTH NG- CDF financial statements were approved on _____ 2016 and signed by:



Chairman NG- CDFC



Fund Account Manager

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Transfers from CDF Board	138,760,657	3,707,820	142,467,477	81,603,372	60,864,105	57.3
Proceeds from Sale of Assets	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-
PAYMENTS						
Compensation of Employees	2,200,000	-	2,200,000	1,835,889.00	364,111	83.4
Use of goods and services	4,979,170.58	4,052,407.4	9,031,578.00	5,031,579.00	-	100
Transfers to Other Government Units	41,383,300	-	41,383,300	41,383,000.00	-	100
Other grants and transfers	-	-	-	80,608,611.00	-	-
Acquisition of Assets	-	-	-	-	-	-
Other Payments	84,108,611	-	84,108,611	77,108,611	3,500,000	95
TOTALS						
			136,723,489	138,674,916.45		

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

(b) [Provide below a commentary on significant underutilization (below 50% of utilization) and any overutilization]

- i. XXXX
- ii. XXXX
- iii. XXXX
- iv. XXXX
- v. XXXX

The IGEMBE NORTH NG- CDF financial statements were approved on 20th July 2017 and signed by:



Chairman CDF



Fund Account Manager

VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

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

2. Recognition of revenue and expenses

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

3. In-kind contributions

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

4. Cash and cash equivalents

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

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

6. Budget

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

7. Comparative figures

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

8. Subsequent events

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

IX. NOTES TO THE FINANCIAL STATEMENTS

1.1.1.1.1.1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2016 - 2017	2015 - 2016
CDF Board		Kshs	Kshs
AIE NO	2016/17/829561	4,094,827.60	
AIE NO	2016/17/855017	36,853,449.00	
AIE NO	2016/17/855584	36,948,275.10	
AIE NO	2015/16/825788	60,760,657.00	
AIE NO	2009/10/796189		1,950,000
AIE NO	2015/16/724225		10,000,000
AIE NO	2015/16/820556		10,000,000
AIE NO	2015/16/820732		20,000,000
AIE NO	2015/16/820861		12,000,000
TOTAL		138,657,208.70	53,950,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.2 COMPENSATION OF EMPLOYEES

	2016 - 2017	2015 - 2016
Basic wages of contractual employees	Kshs	Kshs
Basic wages of casual labour	838,790	2,210,271
Personal allowances paid as part of salary	996,919	-
Other personnel payments	232,117	120,000
Employer contribution to NSSF	183,720	24,000
Total	2,251,540	2,354,271

NOTES TO THE FINANCIAL STATEMENTS (Continued)

USE OF GOODS AND SERVICES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Committee Expenses		
Utilities, supplies and services	5,147,000	3,110,000
Communication, supplies and services	-	418,001
Domestic travel and subsistence	-	547,000
Printing, advertising and information supplies & services	830,000	-
Office and general supplies and services	480,000	1,056,700
Other operating expenses	2,574,579	1,573,541
Routine maintenance – vehicles and other transport equipment	-	2,707,100
Total	9,031,578	9,412,342
TOTAL	9,031,578	9,412,342

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.11.11.11.4 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to National Government entities		
Transfers to primary schools (see attached list)	22,500,000	9,069,896
Transfers to secondary schools (see attached list)	14,400,000	6,850,000
Transfers to tertiary institutions (see attached list)	-	10,000,000
Transfers to health institutions (see attached list)	4,483,000	4,300,000
TOTAL	41,383,300	30,219,896

1.11.11.11.5 OTHER GRANTS AND OTHER PAYMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bursary – secondary schools (see attached list)	10,797,819	10,044,762
Bursary – tertiary institutions (see attached list)	8,066,190	8,300,000
Bursary – special schools (see attached list)	106,000	-
Water projects (see attached list)	10,672,125	5,730,000
Electricity projects (see attached list)	7,500,000	-
Security projects (see attached list)	21,130,000	6,387,380
Roads projects (see attached list)	11,250,000	11,400,000
Sports projects (see attached list)	4,123,264	20,000
Other capital grants and transfers (see attached list)	2,483,213	1,900,780
Emergency projects (see attached list)	4,480,000	5,760,000

Total 80,608,611 49,332,922

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.1.6 OTHER PAYMENTS

	2016 - 2017	2015 - 2016
Social Security Benefits(NSSF)	Kshs 183,720	Kshs 149,880
Other payments	5,583,720	998,000

10A: Bank Accounts (cash book bank balance)

5,815,837	1,147,880
------------------	------------------

Name of Bank, Account No. & currency	2016 - 2017	2015 - 2016
<i>Equity Bank Maua Branch, A/C No.</i>	Kshs 0400262495103	Kshs 0400262495103
Total	3,849,288.02	3,706,820

13. BALANCES BROUGHT FORWARD

Bank accounts	2016 - 2017	2015 - 2016
	Kshs 3,706,819.77	Kshs 32,074,251
Total	3,706,819.77	32,074,251

[Provide short appropriate explanations as necessary]

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2016/17	Historical Cost (Kshs) 2015/16
Buildings and structures	16,665,384	16,665,384
Transport equipment	4,394,264	4,394,264
Office equipment, furniture and fittings	4,627,920	4,627,920
ICT Equipment, Software and Other ICT Assets	220,000	220,000
Total	25,907,568	25,907,568

ANNEX 4 –PMC BANK BALANCES AS AT 30TH JUNE 2017

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Nkandone AP camp	Equity	0400172382344	470,300	00
Mutuati social hall	Equity	0400172544514	390	00
Linjoka primary	Equity	0400171665127	649,477	00
Kiromwathi primary	Equity	0400164308151	340	340
Kathatene secondary	Equity	0400266788175	450	00
Kiani secondary	Equity	0400171426190	670	00
Kilera borehole	Equity	0400164768200	2,970	2,970
Mea AP	Equity	0400164759357	890	890
Naikuriu AP post	Equity	0400161741858	4505	4835
Kiumone AP camp	Equity	0400171273923	00	00
Malaene AP camp	Equity	0400171274087	00	00
A/Kiongochief,s camp	Equity	0400165884354	390	00
Kilera AP camp	Equity	0400162117444	945	00
Kamueline police	Equity	0400171059728	70	00
Kinisa GSU	Equity	0400172134431	499,890	00
Luthaya AP camp	Equity	0400171274054	00	00
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)	Time frame (Put date when you expect the issue to be resolved)
1.1	ACCURACY OF FINANCIAL STATEMENTS: Ledgers indicate financial statements were overestimated by ksh.300,000 and ksh.8,747,041 respectively netting off an unexplained overstatement of ksh.8,447,041	The anomaly was realized and financial statements were corrected and attached to the audit response.	Mary Kathure:Accounts Assistant Philip Simiyu: Fund Account Manager	Resolved	
1.1	The comparative balances for the year under review differed with audited balances for 2014/2015	The anomaly was realized and financial statements were corrected and attached to the audit response.	Mary Kathure:Accounts Assistant Philip Simiyu: Fund Account Manager	Resolved	
1.2	PRESENTATION OF FINANCIAL STATEMENTS:IPSAS requires inclusion of progress report as a follow up of previous year audit issues.Howevwe,the report was not included in the financial statements under review.	This was an oversight from the management and the issue has been noted and progress reports will be annexed to our subsequent financial statements	Mary Kathure:Accounts Assistant Philip Simiyu: Fund Account Manager	Resolved	
1.2	Numbering of the notes in the notes to financial statements did not correspond to the numbering of the notes in financial statements	This was noted and corrected in the financial statements	Mary Kathure:Accounts Assistant Philip Simiyu: Fund Account Manager	Resolved	
2	CASH AND CASH EQUIVALENTS : The cash and cash equivalent balance as at	.This was noted and resolved that stale cheques would not form part of cash and cash	Mary Kathure:Accounts Assistant	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)	Time (Full date when you expect the issue to be resolved)
	30 th June 2016 reflected ksh.3,706,820 as compared to ksh.32,074,257 as that 30 th June 2015.However analysis of the bank reconciliation statement reflected un-presented cheques amounting to ksh.3,568,891 which include stale cheques amounting to ksh.289,971 hence cash and cash equivalent of ksh.3,706,820 as at 30 th June 2016 could not be confirmed	equivalents	Philip Simiyu: Fund Account Manager		
3.	CO-FUNDING OF KAELO TECHNICAL TRAINING INSTITUTE: Transfer of ksh.10,000,000 to Kaelo technical training institute was not apportioned to a defined unit or phase to ensure the particular portion defined in allocation is complete,contrary to the CDF Act 2015section 49.Bank statements were not provide and accountability could not be ascertained	During the time audit the PMC overseeing the project did not avail the documents in time.However a follow up was made and documents were subsequently provided.	Mary Kathure:Accounts Assistant Philip Simiyu: Fund Account Manager	Resolved	
1	OTHERS: BUDGETARY CONTROL AND PERFORMANCE: During the financial year under review a budget of ksh.132,760,657 was approved and only ksh.92,467,311(70%) was spent resulting to under expenditure of ksh.40,293,346.Further 3 components with a total budget	ROADS- The over expenditure was a result of roads for financial year 2009/2010 approved in July 2015.A copy of additional code list was attached. HEALTH: The over expenditure was a result of Mutuati sub-district hospital proposed in 2013/14 financial year but paid in	Mary Kathure:Accounts Assistant Philip Simiyu: Fund Account Manager	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)	Time (Period) when you expect the issue to be resolved)
	<p>of ksh24,674,459 had an expenditure of ksh.27,316,493 resulting to an over expenditure of ksh.2,642,034 .The components were roads,Health and Administration /recurrent expenditure.No supplementary budget covering the expenditure or proof of re-allocation of funds was availed for audit verification</p>	<p>2013/15 financial year.A copy of code list was attached. Administration /recurrent expenditure-The over expenditure resulted from imprests surrendered during the subsequent year</p>			