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*Enhancing Accountability*

THE NATIONAL ASSEMBLY

DATE: 25 MAY 2022

WEDNESDAY

REPORT

MAJORITY WHIP

Hon. Emmanuel Wangwe

CLERK AT  
THE TABLE:

A. Kadhi

OF

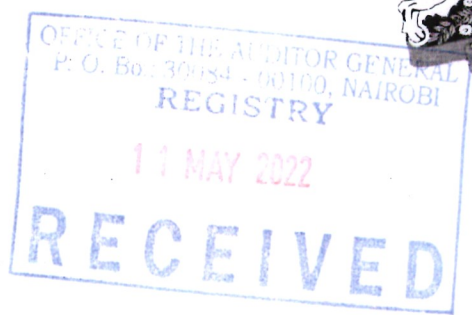
THE AUDITOR-GENERAL

ON

NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND -  
EMBAKASI NORTH CONSTITUENCY

FOR THE YEAR ENDED  
30 JUNE, 2020





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NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND -EMBAKASI  
NORTH CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020

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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

### i) 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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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 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.

### ii) Key Management

The NGCDF EMBAKASI NORTH 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)

### iii) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	A.I.E holder	Evans Machira
2.	Sub-County Accountant	Priscah Jepchumba
3.	Chairman NGCDFC	Emma Njeri Kimani

### iv) Fiduciary Oversight Arrangements

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

## II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

Total allocation for EMBAKASI NORTH NG - CDF for financial year 2019/2020 was Kshs.137,367,724.14, an increase from KShs.109,040,875.53 allocation in financial years 2018/2019. The increase in funds allocation for the financial year under review resulted in more project implementation hence a positive impact to the constituents. Upon submission of the proposal, National Government Constituencies Fund Board approved a total of Kshs.137,367,724.14, all projects were approved.

Table 1.1: Showing allocation on comparative basis

Financial Year	Allocation	Disbursement	Difference
2019/20	137,367,724.14	68,000,000.00	69,367,724.14 (50.5%)
2018/19	109,040,875.52	109,040,875.52	0.00
Difference	28,326,848.61 (+)		

On vote allocation, Embakasi North NG-CDF allocated Kshs. 45,559,321 (35%) to bursary. bursary vote was necessitated by the high demand for Embakasi North constituency educates more needy students who would ordinarily miss the chance due to lack of school fees.

The Committee allocated other sectors as follows; Primary School projects Kshs. 30,729,958.20, Secondary school projects Kshs. 18,859,702.00 and Security projects Kshs. 15,111,428.50

Table 1.2: Showing votes allocation and comparison with the previous financial year.

Financial year	Primary School	Secondary School	Security
2019/20	40,200,000	6,464,462	22,813,119
2018/19	14,700,000	10,899,998	8,000,000
Difference	25,500,000	(4,435,536)	14,813,119

### Key achievements

1. Embakasi North NG-CDF has earned the constituents' trust over time when it comes to bursary issuance which has seen demand grow steadily.
2. The fund continues to display quality in its quest to improve infrastructure in the Government institutions such as public schools and security sector.



#### Emerging issues: -

1. Covid-19 pandemic has affected the implementation of projects during the year of review in that the way of carrying out meetings, whereby meetings had to be brief and the sitting arrangement had to change in order to allow at least 1.5 meters away.
2. Funds were not disbursed as per what the Fund was used to previously. The last disbursement was received in April whose mark-up with the rest was barely half the allocation. In the case, many changes had to be made including cancelling the bursary issuance in order to implement projects owing to the fact that schools had closed down.

#### Implementation challenges.

1. Delay in disbursement of NG - CDF funds. The Board with relevant bodies should strive to release funds to the NG - CDFC in the first quarter of each financial year. It will also be helpful if the funds are released latest before the end of the second quarter of every financial year.
2. The NG - CDF relies fully on ministerial technical departments for support in areas of Bill of Quantities, technical design and supervision of projects, delays normally occur as the personnel involved are not under direct control of NG - CDFC. The national NG - CDF Board should have its own technical experts within her structures for uniformity.
3. Some projects may require a long span of implementation creating a big variance between initial budget and actual cost during implementation. The national NG - CDF Board needs to be flexible on financing of such projects.

Some technical assistance require facilitation before the Bill of Quantities and technical designs are developed. It becomes difficult to submit such documents to the National Government

Constituencies Development Fund Board before project approval because such facilitation can only be from the 5% project administration.

We humbly look forward to working very closely with the National Government Constituencies Development Fund Board with a view to enhancing accountability and efficiency in the management of the fund.



Emmah Njeri  
CHAIRMAN NG-CDF COMMITTEE

### III. STATEMENT OF PERFORMANCE AGAINST CONSTITUENCY'S PREDETERMINED OBJECTIVES

#### Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government Embakasi North NG-CDF in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government EMBAKASI NORTH NG-CDF's performance against predetermined objectives.

The key development objectives of NGCDF-Embakasi North Constituency's 2018-2022 Strategic plan are to:

#### Strategic Issue 1: Unemployment

**Objective:** To Increase the % of youth (Male and Female) and people with disability benefiting socio-economically by Embakasi North NG-CDF by the end of 3 years.

#### Strategic program and activities:

- i) **Youth, Women and people with disability empowerment**
  - Partner with public and private sector to provide revolving fund and create jobs
  - Partner with government agencies and private such as National Youth Service and enrol youth on career ready technical skills such as welding
  - Partner with other stakeholders in youth programs and set up a resource center for nurturing talents
  - Mobilize youth to register on National Health Insurance Fund
- ii) **Education Support Program**
  - Partner with stakeholders and renovate and increase number of schools and classes to absorb more students
  - Partner with relevant stakeholders and motivate teachers to improve teacher: student ratio
  - Initiate and Strengthen School feeding program to keep poor students in school
  - Create a fund for tertiary education and apprenticeship.

#### Strategic Issue 2: Poor access to community services such as health, security and others

**Objective:** Increase by 20% community access to quality social, housing, health and environmental secure services by the end of 5 years.

### Strategic program and activities:

#### I. Safety and Security Program

- Work with national government to increase police and ensure secure business environment
- Work with national government to renovate present stations and advocate for more police posts and stations
- Partner with public and private sector to reform and rehabilitate youth who were once criminals
- Work with County government and set up street lights in all wards specifically dark corner

#### II. Water and Sanitation Program

- Work with county government and other stakeholders to ensure clean drainage, sewer system is clean and proper garbage management policies
- Partner with national and county government and other stakeholders to drill bore holes and provide clean drinking water

#### III. Social Amenities and Housing

- Partner with National and County government ensure our people benefit on the house project under the big four agenda
- Partner with other agencies and implement National House Fund to improve housing standards of the constituency
- Work with county and renovate sports and social centres

#### IV. Public Health Programs

- Enrol as many people as possible on National Health Insurance Fund
- Partner with county and National government as well as non- governmental and private to advocate for increase in number of health facilities in Embakasi North Constituency and improve the quality of the current healthcare.
- Partner with relevant stakeholders and increase the number of health workers in the current and new health facilities

### Strategic Issue 3: Leadership and management

**Objective:** Building the capacity of Embakasi North NG-CDF management committee and staff in leadership, management and governance by the end of 2 years.

### Planned program and activities:

#### Performance Capacity Building Program

- Train committee members in leadership; management and governance

- Train staff in program monitoring and reporting
- Help develop evidence-based management, supervision and control systems

### Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

Constituency Program	Objective	Outcome	Indicator	Performance
Unemployment	Increase the percentage of youth (Male and Female) and people with disability benefiting socio-economically Embakasi North by NG-CDF by the end of 3 years	Increased number of youth and people with disability with business management skills and start-up from the identified agencies	Number of youth (male and female), persons with disability empowered economically by the identified partners at end of year three  Number of Students in the constituency supported by the NG-CDF and are accessing quality education	2019/2020 F.Y There was an increase in the number of bursary beneficiaries thus 5,169 (2019/2020 Financial Year) against 4,454 (2018/2019 Financial Year).
Social health, housing, secure environment	Increase by 20% community access to quality social health, housing, and environmental secure services by the end of 5 years	5% of the community accessing quality social health, housing and environmental secure services by the end of 5 years	Survey reports at the mid and end of 5 years on quality social health, housing and environmental secure services by a consultant for NG-CDF	2019/2020 F.Y Members of the community hold regular responsive forums under the guidance of the local administration
Youth empowerment and involvement	Increased number of youths with business management skills and start-up from the identified agencies	Increased number of partners delivering empowerment programs to the youth	5 partners delivering empowerment programs to the youth	2019/2020 F.Y Increased number of partners delivering empowerment programs to the youth

#### IV. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

NGCDF – Embakasi North Constituency exists to transform lives. This is our purpose; the driving force behind everything we do. It’s what guides us to deliver our strategy, which is founded on social sector, namely; Education & Training, Security Sector Support, Environment, and Sports. These pillars also make special provisions for Kenyans with various disabilities and previously marginalized communities.

##### 1. Sustainability Strategy And Profile –

Embakasi North NG-CDF has tried to maintain a clear project scope in implementing its projects. However, changes have come up especially from the users even after contracts has been awarded. In this case, the employer and the contractor parties have had to come up with strategies to accommodate some requests not in the scope.

On timelines, our sustainable efforts towards implementation of projects has been affected by the emergence of the Covid-19 pandemic which hit Kenya in March this year. With this end of third and fourth quarters saw project implementation affected since the President gave out directives affecting movement from one County to another and convergence of individuals at one place and the duration thereof.

Even though the above were the cases on ground, the office managed to implement projects with the funds available adhering to the President’s directives as well as the Ministry of Health guidelines in combating the pandemic.

##### 2. Environmental Performance

Embakasi North NG-CDF borrows its environmental conservation policy from Prof. Wangare Mathai’s mantra, *“You cannot protect the environment unless you empower people, you inform them, and you help them understand that these resources are their own, that they must protect them.”*

##### Embakasi North NG-CDF Environmental policy aspects

- In adherence to the Environmental Management and Co-ordination Act (EMCA) 1999, the Fund strives to protect the environment by mitigating any pollution activities by ensuring that such measures as water harvesting measures are taken through the provision of water tanks.
- In its effort to manager biodiversity, the Fund continues to engage in schools landscaping activities and supporting of pupils raring rabbits in schools.
- Through its policy on waste management, the Fund has installed waste bins in a number of public schools and it hopes to continue doing this in the coming years.

- Among the successes, the Fund has seen appreciation from the beneficiaries our environmental policy. However, due to limited resources the Fund is yet to impact all relevant institutions.

### 3. Employee Welfare

#### Terms and Conditions of the service

Under this, the general rules governing employment of Embakasi North NG-CDFC staff in such as staff appointments, promotions and related matters are highlighted.

#### Categories of Employment:

Embakasi North NG-CDFC staffs are employed on contractual basis, which is usually 3 years maximum, and it is usually renewable basing on the terms and conditions. Such employees are eligible for employee benefits in line with the statutory requirements. New employees are usually put on one month's probation after which they are given a contract term in line with the rest. Interns are engaged mostly during bursary issuance period since this is when the office needs such short-term services.

#### Recruitment Procedure:

The Fund Account Manager declares vacancies within the office through the NG-CDFC, an approval is then sought for advertisement within the constituency to be done on the notice board and on the website.

#### Contents of job advertisement

- Job title
- Main purpose of the job
- Description of responsibilities
- Mandatory education level, related work experience and physical office of appointment.
- Application criteria and closing date of the advertisement.

#### Selection and appointment

The Fund through the accounting officer appoints an adhoc selection and interview subcommittee whose main duty is to oversee the job applicants' analysis and selection to determine the applicants to be shortlisted for interviews.

Upon a completed analysis procedure, interviews for staff employment are conducted in a manner that complies with the office's commitment to equal employment opportunity, to ensure that qualified candidates are not discriminated upon based on ethnicity, religion, gender, age, disability, status among others.

#### **Offer of Appointment:**

A person appointed to the office is given the appropriate letter, such an appointee is given 14 days within which to tender in their acceptance letter, failure to which, this is deemed as a decline of the offer.

#### **Letters of Appointment:**

A written contract of service that is signed by the Fund Account Manager and the NG-CDFC Chairman is then issued, which states particulars of employment which Includes; the name and address of the employee, job description, probation period and terms, date of commencement of the job, form and duration of the contract, place of work, hours of work, remuneration, termination, benefits and statutory deductions, terms and conditions of employment which the employee is entitled to.

#### **Orientation and Induction of employees:**

Embakasi North NG-CDFC ensures orientation and induction of new employees. This is carried out in order to familiarize the new employees with the mandate, vision, mission and operations of the office and how their jobs contribute to this. Induction and orientation are done within the first one month of employment.

#### **HEALTH, SAFETY AND WELL BEING**

This provides guidelines on the health, safety and well-being of the organization's staff.

#### **Guidelines to General Safety**

The office in its quest to maintain a safe working environment, has put up tailored measures to ensure that the working environment adheres to the OSHA regulations. Personal injuries are mitigated and measures such as a working medical cover is in place to take care of this.

#### **4. Market Place Practices**

National Government Constituency Development Fund Committee was designed to support constituency-level, grass-root development projects. It is aimed to achieve equitable distribution of development resources across regions and to control imbalances in regional development brought about by partisan politics. It targets all constituency-level development projects, particularly those aiming to alleviate poverty at the grassroots and entrench equitable distribution of development in line with the NG-CDFC Act 2015 provisions

The objective of the Fund is to provide mechanisms for supplementing implementation of the National Government development Agenda at the constituency level, hence making the limited resources available to everyone.

- i) Responsible competition practice.

During projects implementation, Embakasi North NG-CDF transfers funds to the Project Management Committees (PMC) who are thereafter guided during tendering process, to ensure that the locals benefit competitively and equitably in the provision of services and materials to the projects.

How the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

- ii) Responsible Supply chain and supplier relations Payments to suppliers are done promptly upon presentation of requisite supporting documents.
- iii) Responsible marketing and advertisement outline efforts to maintain ethical marketing practices Advertisement for tenders is done publicly and no form of discrimination is applied to unfairly lock out interested bidders.
- iv) Product stewardship: In order to safeguard consumer rights and interests, Embakasi North NG-CDF managed to come up with a service charter and the complaints handling policy, principles and procedures brochure.

The service charter points out the Fund's commitment in ensuring that it provides quality services to its customers with high level of professionalism, dignity, integrity and courtesy, whereas complaints handling policy, principles and procedures show the commitment of the Fund's to consistent, fair and confidential complaint handling and to resolve complaints promptly.

## 5. Community Engagements

### Public Participation in Project Identification and Implementation and Monitoring

Embakasi North NG-Constituency Development Act 2015 stipulates in part 5 section 27 subsection 1 and 2 that the chairperson of the NG-CDFC shall, within the first year of the commencement of a new Parliament and at least once every two years thereafter, convene open forum public meetings in every ward in the constituency to deliberate on development matters in the ward and in the constituency.

The NG-CDFC shall then deliberate on project proposals from the constituency wards' report and any other projects which the Constituency Committee considers beneficial to the constituency, including joint projects with other constituencies, consider the National development plans and policies and the constituency strategic development plan, and identify a list of priority projects, both immediate and long term, out of which the list of projects to be submitted in accordance with the Act shall be drawn from public participation. Thereafter, the list of proposed constituency-based projects to be covered under this Act shall be submitted by NG-CDFC to the Board for approval.

Public participation is the process that directly engages the concerned stakeholders in decision making and gives full consideration to public input in making that decision. However, public needs are diverse and at times they may not be pegged on the public participation every after two years. In such cases, members of the public are allowed to visit the office and discuss with the Fund Account Manager or the Embakasi North NG-CDFC on urgent issues that cannot wait.

## V. STATEMENT OF ENTITY 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 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-Embakasi North Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2020. 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.

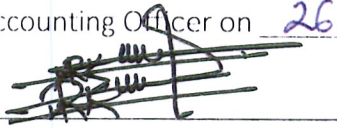
The Accounting Officer in charge of the NGCDF-Embakasi North Constituency accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Embakasi North NG-CDF financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2020 and of the Constituency financial position as at that date. The Accounting Officer in charge of the NGCDF-Embakasi North Constituency further confirms the completeness of the accounting records maintained for the *Constituency*, which have been relied upon in the preparation of the Constituency financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the NGCDF-Embakasi North Constituency confirms that the Constituency has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the 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 Constituency financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

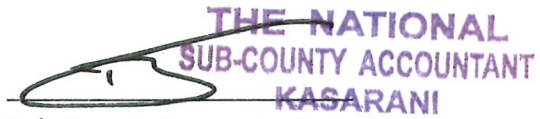
**Approval of the financial statements**

The NGCDF-Embakasi North Constituency financial statements were approved and signed by the Accounting Officer on 26/08/ 2021.



Fund Account Manager

Name: Evans Machira



THE NATIONAL  
SUB-COUNTY ACCOUNTANT  
KASARANI

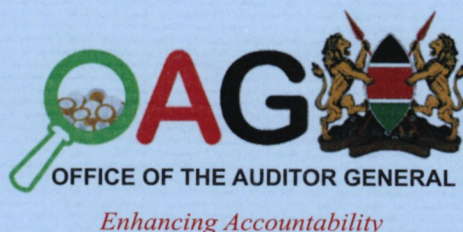
Sub-County Accountant

Name: Priscah Jephumba

ICPAK Member Number: -15993

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## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - EMBAKASI NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Embakasi North Constituency set out on pages 21 to 47, which comprise the statement of assets and liabilities as at 30 June, 2020 and the statement of receipts and payments, statement of cash flows and the 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 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 - Embakasi North Constituency as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1.0 Unsupported Expenditure**

##### **1.1 Sports Projects**

The statement of receipts and payments reflects other grants and other payments of Kshs.69,178,119 out of which Kshs.1,662,000 was spent on sports projects as disclosed at Note 7 to the financial statements. However, no evidence was provided that the sports equipment procured were inspected and on how the items bought were distributed.

## **1.2 Training**

The statement of receipts and payments reflects expenditure of Kshs.7,420,205 on use of goods and services out of which Kshs.2,000,000 was spent on training during the year under review. However, supporting documents in support of the expenditure was not provided.

In the circumstances, the accuracy and validity of the expenditure of Kshs.1,662,000 and Kshs.2,000,000 on sports projects and training respectively, could not be confirmed.

## **2.0 Cash and Cash Equivalents**

The statement of assets and liabilities reflects a bank balance of Kshs.39,774,517. However, examination of the cashbook and bank reconciliation statements revealed that cheques amounting to Kshs.7,804,002 had not been presented for payment by the recipients and Kshs.860,000 of the unrepresented bursary cheques were already stale as at 30 June, 2020.

Consequently, the accuracy of the reported bank balance of Kshs.39,774,517 as at 30 June, 2020 could not be confirmed.

## **3.0 Unsupported Bursary Payments**

The statement of receipts and payments reflects other grants and transfers of Kshs.69,178,119 which as disclosed at Note 7 to the financial statements included bursaries of Kshs.24,703,000 and Kshs.20,000,000 to secondary schools and tertiary institutions respectively, both totaling to Kshs.44,703,000. However, payment of bursaries amounting to Kshs.11,299,000 were not supported with relevant documents such as payment vouchers, bursary applications register maintained to show the names of the applicants, their identification details, location of domicile and schools and acknowledgements from the respective colleges and schools.

In the circumstances, the accuracy and validity of the bursaries could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Embakasi North Constituency Management in accordance with ISSAI 130 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. There were no key audit matters to report in the year under review.

## **Other Matter**

### **1.0 Budgetary Control and Performance**

The summary statement of appropriation - recurrent and development combined reflects a final receipts budget and actual receipts on comparable basis of Kshs.235,756,397 and Kshs.166,388,673 respectively, resulting into an under-funding of Kshs.69,367,724 or 29% of the budget. Similarly, the Fund expended Kshs.126,614,156 against an approved budget of Kshs.235,756,397 resulting into an under-expenditure of Kshs.109,142,241 or 46% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to Embakasi North constituents.

### **2.0 Chairman's Report**

The Forward by the Chairman at page 6 of the annual report, reflects Kshs.68,000,000 as the amount received from the National Government Constituencies Development Fund Board during the financial year 2019/2020. However, the statement of receipts and payments reflects receipts of Kshs.130,640,876 from the Board hence resulting into a material inconsistency between the Forward by the Chairman and the financial statements.

## **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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Poor Workmanship and other Anomalies in Projects**

Audit inspection on 9 and 10 March, 2021 to various projects revealed poor workmanship and other anomalies as detailed out in Appendix I.

In the circumstances, it could not be confirmed that value for money was obtained from the expenditure on the projects.

#### **2.0 Unconfirmed Existence and Ownership of School Buses**

The Fund purchased school buses for Ushirika and Dandora Secondary Schools at a cost of Kshs.8 million each. However, although the buses had been fully paid for by

November, 2020, the ownership documents were not provided for audit. Further, the buses were not presented for physical verification.

In the circumstances, the existence of the buses and value for money for the expenditure could not be confirmed.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Management is aware of the intention to terminate the Fund or cease operations.

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

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

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

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund 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 continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**17 December, 2021**

**Appendix I: Poor Workmanship and other Anomalies in Projects**

	<b>Project Location</b>	<b>Project Details</b>	<b>Contract Sum (Kshs.)</b>	<b>Anomalies Noted</b>
1	James Gichuru Primary School	Construction of a Storey Block of 4 No. Classrooms	8,000,000	Progress of works report not provided, poor workmanship on roofing and painting works, outside wall was already chipping off despite the project being incomplete, black board not as per standards and the upper classes windows were not as per the Ministry of Education guidelines
2	Wangu Primary School	Proposed Construction of a Storey Block of 4 No. Classrooms	8,000,000	
3	Ronald Ngala Primary School	Proposed Construction of a Storey Block of 4 No. Classrooms	8,000,000	
4	Kariobangi Police Station	Construction of a Perimeter Wall, Gate house	6,500,000	Progress of works report not provided; no works was ongoing; the gate house was poorly done; there were cracks on the wall, the paint works on the gate house and washrooms was already peeling off showing they were poorly done, there was poor workmanship, the floor was slabbed and tiled as per the bill of quantities and the ceiling is not painted.
5	Kariobangi North Primary School	Construction Demolition and reconstruction of a perimeter wall, ground drainage works and installation of Concrete slabs	15,000,000	Progress of works report not provided; no works were ongoing; the drainage works had not been done as per the bill of quantities, the gate house was incomplete and stalled, the perimeter wall was not as per the program of works; the works were to cover approximately 666 meters while only 500 meters was done and the project is

	<b>Project Location</b>	<b>Project Details</b>	<b>Contract Sum (Kshs.)</b>	<b>Anomalies Noted</b>
				not complete though the contractor has been fully paid even for works not done.
6	Sharp Corner Administration police line	Proposed Renovation of 8 houses	3,800,000	Progress of works report not provided; no works were ongoing. In addition, there was poor workman ship.

VII STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2019 - 2020	2018 - 2019
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from CDF board-AIEs' Received	1	130,640,876	89,084,483
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	40,000	1,500,000
<b>TOTAL RECEIPTS</b>		<b>130,680,876</b>	<b>90,584,483</b>
<b>PAYMENTS</b>			
Compensation of employees	4	2,361,870	2,126,909
Use of goods and services	5	7,420,205	5,340,507
Transfers to Other Government Units	6	46,664,462	25,599,998
Other grants and transfers	7	69,178,119	47,371,504
Acquisition of Assets	8	989,500	-
Other Payments	9	-	-
<b>TOTAL PAYMENTS</b>		<b>126,614,156</b>	<b>80,438,918</b>
<b>SURPLUS/DEFICIT</b>		<b>4,066,720</b>	<b>10,145,565</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Embakasi North Constituency financial statements were approved on 26/04/2021 2021 and signed by:



Fund Account Manager  
 Name: Evans Machira




Sub-County Accountant  
 Name: Priscah Jepchumba  
 ICPAK Member Number: 15993

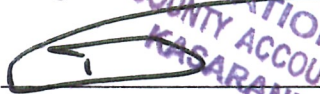
THE NATIONAL  
 SUB-COUNTY ACCOUNTANT  
 KASARANI

VIII. STATEMENT OF ASSETS AND LIABILITIES

	Note	2019 - 2020	2018 - 2019
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	10A	39,774,517	35,707,798
Cash Balances (cash at hand)	10B	-	-
<b>Total Cash and Cash Equivalents</b>		<b>39,774,517</b>	<b>35,707,798</b>
Current Receivables-Outstanding Imprests	11	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>39,774,517</b>	<b>35,707,798</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payable-Retention	12A		
Gratuity	12B		-
<b>NET FINANCIAL ASSETS</b>		<b>39,774,517</b>	<b>35,707,798</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July...	13	35,707,798	25,562,233
Surplus/Deficit for the year		4,066,719	10,145,565
Prior year adjustments	14	-	-
<b>NET FINANCIAL POSITION</b>		<b>39,774,517</b>	<b>35,707,798</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-EMBAKASI NORTH Constituency financial statements were approved on 25/08/2021 2021 and signed by:

  
 Fund Account Manager  
 Name: Evans Machira

  
 Sub-County Accountant  
 Name: Priscah Jepchumba  
 ICPAK Member Number: 15993


IX. STATEMENT OF CASHFLOW

STATEMENT OF CASH FLOW	Notes	2019 - 2020	2018 - 2019
		Kshs	Kshs
<b>Receipts for operating income</b>			
Transfers from NGCDF Board	1	130,640,876	89,084,483
Other Receipts	3	40,000	1,500,000
		<b>130,680,876</b>	<b>90,584,483</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	4	2,361,870	2,126,909
Use of goods and services	5	7,420,205	5,340,507
Transfers to Other Government Units	6	46,664,462	25,599,998
Other grants and transfers	7	69,178,119	47,371,504
Other Payments	9	-	-
		<b>125,624,656</b>	<b>80,438,918</b>
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable	15		
Increase/(Decrease) in Accounts Payable	16		-
Prior year Adjustments	14	-	-
<b>Net Adjustments</b>		<b>-</b>	<b>-</b>
<b>Net cash flow from operating activities</b>		<b>5,056,220</b>	<b>10,145,565</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2		-
Acquisition of Assets	8	(989,500)	-
<b>Net cash flows from Investing Activities</b>		<b>( 989,500)</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>4,066,720</b>	<b>10,145,565</b>
Cash and cash equivalent at BEGINNING of the year	13	35,707,798	25,562,233
Cash and cash equivalent at END of the year		<b>39,774,518</b>	<b>35,707,798</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Embakasi North Constituency financial statements were approved on 26/08/2021 and signed by:



Fund Account Manager  
 Name: Evans Machira

  
 THE NATIONAL  
 SUB-COUNTY ACCOUNTANT  
 KASARANI

Sub-County Accountant  
 Name: Priscah Jepchumba  
 ICPAK Member Number: 15993

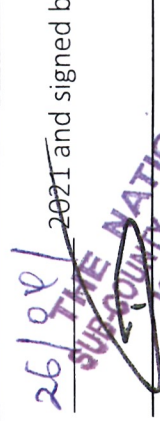
X. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

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 %
<b>RECEIPTS</b>						
Transfers from CDF Board	137,367,724	98,348,673	235,716,397	166,348,673	69,367,724	71%
Proceeds from Sale of Assets						
Other Receipts (sale of tender documents)		40,000	40,000	40,000		100%
<b>TOTAL RECEIPTS</b>	<b>137,367,724</b>	<b>98,388,673</b>	<b>235,756,397</b>	<b>166,388,673</b>	<b>69,367,724</b>	<b>71%</b>
<b>PAYMENTS</b>						
Compensation of Employees	2,299,520	1,900,533	4,200,053	2,361,870	1,838,183	56%
Use of goods and services	9,074,075	3,867,314	12,941,389	7,420,205	5,521,184	57%
Transfers to Other Government Units	49,589,660	52,537,189	102,126,849	46,664,462	55,462,387	46%
Other grants and transfers	73,414,969	40,043,637	113,458,606	69,178,119	44,280,487	61%
Acquisition of Assets	989,500	0	-	989,500	-	100%
Other Payments	2,000,000		2,000,000		2,000,000	0%
Unallocated		40,000	40,000		40,000	0%
<b>TOTAL</b>	<b>137,367,724</b>	<b>98,388,673</b>	<b>235,756,397</b>	<b>126,614,156</b>	<b>109,142,241</b>	<b>54%</b>

The NGCDF Erubakasi North Constituency financial statements were approved on 26/08/2021 and signed by:



Name: Evans Machira  
Fund Account Manager



Name: Prisca Jepchumba  
Sub-County Accountant  
ICPAK Member Number: 15993

XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 2019/2020	Adjustments 2019/2020	Final Budget 2019/2020	Actual on comparable basis 2019/2020	Budget utilization difference 2019/2020
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>1.0 Administration</b>					
Employees' Salaries	2,154,520	1,824,533	3,979,053	2,195,990	1,783,063
NHIF	65,000	44,000	109,000	57,900	51,100
NSSF	80,000	32,000	112,000	107,980	4,020
Goods and Services	4,242,543	2,805,939	7,048,482	5,043,705	2,004,777
Committee Expenses	1,700,000		1,700,000	1,036,000	664,000
<b>Sub-Total</b>	<b>8,242,063</b>	<b>4,706,472</b>	<b>12,948,535</b>	<b>8,441,575</b>	<b>4,506,960</b>
<b>2.0 Monitoring and Evaluation</b>					
Goods and Services	421,000	521,882	942,882	761,000	181,882
Committee Expenses	2,200,032	539,493	2,739,525	1,011,000	1,728,525
Capacity Building of NG-CDFs/PMCs	1,500,000		1,500,000	558,000	942,000
<b>Sub-Total</b>	<b>4,121,032</b>	<b>1,061,375</b>	<b>5,182,407</b>	<b>2,330,000</b>	<b>2,852,407</b>
<b>3.0 Emergency</b>					
Emergency	7,198,241		7,198,241		7,198,241
Emergencies					
<b>Sub-Total</b>	<b>7,198,241</b>	<b>-</b>	<b>7,198,241</b>	<b>-</b>	<b>7,198,241</b>
<b>4.0 Bursary and Social Security Programme</b>					
Bursary Secondary Schools	27,335,591	2,743,080	30,078,671	24,703,000	5,375,671
Bursary Tertiary Schools	18,223,728	11,430,000	29,653,728	20,000,000	9,653,728
Bursary Special Schools					
Social Security Programmes -NHIF					

Sub-Total	45,559,319	14,173,080	59,732,399	44,703,000	15,029,399
<b>5.0 Sports</b>					
Constituency Sports Tournament	2,747,354	637,000	3,384,354	1,662,000	1,722,354
Sub-Total	2,747,354	637,000	3,384,354	1,662,000	1,722,354
<b>6.0 Environment</b>					
constituency environment activities	2,747,354	2,106,607	4,853,961		4,853,961
Sub-Total	2,747,354	2,106,607	4,853,961	-	4,853,961
<b>7.0 Primary School Projects</b>					
Wangu primary school		9,200,000	9,200,000	9,200,000	-
James Gichuru Primary		8,000,000	8,000,000	8,000,000	-
Karioabangi North Primary School	2,312,066	15,000,000	17,312,066	15,000,000	2,312,066
Ushirika Primary School	720,000		720,000		720,000
Ushirika Primary School	1,500,000		1,500,000		1,500,000
Our lady of Fatma Primary School	8,000,000		8,000,000		8,000,000
Dandora Primary school	4,000,000		4,000,000		4,000,000
Dandora Primary school	3,049,800		3,049,800		3,049,800
Dandora primary school	1,400,000		1,400,000		1,400,000
Tom Mboya Primary School	1,290,300	7,132,429	8,422,729		8,422,729
Ronald Ngala primary school	8,457,792	8,000,000	16,457,792	8,000,000	8,457,792
Sub-Total	30,729,958	47,332,429	78,062,387	40,200,000	37,862,387
<b>8.0 Secondary School Projects</b>					
Karioabangi North Girls Secondary school		600,000	600,000	600,000	-
Dandora Girls Secondary School	1,259,702		1,259,702	1,259,702	-
Dandora Girls Secondary School	1,400,000		1,400,000		1,400,000
Ushirika Secondary School	7,000,000		7,000,000		7,000,000
Ushirika Secondary School	1,200,000		1,200,000		1,200,000
Dandora Secondary school	8,000,000	4,604,760	12,604,760	4,604,760	8,000,000
Sub-Total	18,859,702	5,204,760	24,064,462	6,464,462	17,600,000
<b>9.0 Security Projects</b>					
Kwa mbao AP Line		00,000	500,000		500,000
Canaan AP Line		2,000,000	2,000,000	2,000,000	-
Sharp Corner Administration Police Line	1,611,429	1,900,000	3,511,429	3,511,429	-

Karibongi Police Station	700,000	6,526,950	7,226,950	6,500,000	726,950
Kinyago Police Station	700,000	9,700,000	10,400,000	8,301,691	2,098,309
Dandora Phase 1 Chiefs Office	300,000		300,000		300,000
Dandora Phase 2 Chiefs Office	300,000		300,000		300,000
Dandora Phase 3 Acc's Office	11,551,272	2,500,000	14,051,272	2,500,000	11,551,272
<b>Sub-Total</b>	<b>15,162,701</b>	<b>23,126,950</b>	<b>38,289,651</b>	<b>22,813,119</b>	<b>15,476,532</b>
10.0 Acquisitions of Assets					
NG- CDF office					
11.0 Others					
Strategic plan	2,000,000		2,000,000		2,000,000
Sub-Total	2,000,000	-			2,000,000
Unallocated		40,000	40,000		40,000
<b>GRAND TOTAL</b>	<b>137,367,724</b>	<b>98,388,673</b>	<b>235,756,397</b>	<b>126,614,156</b>	<b>109,142,241</b>

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury)



### **Transfers from the Exchequer**

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

### **External Assistance**

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

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

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

During the year ended 30<sup>th</sup> June 2019, 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 Equivalent**

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 Constituency 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 Fund**

Unutilized funds consist of bank balances in the constituency account and funds not yet disbursed by the Board to the constituency at the end of the financial year. These balances are available for use in the subsequent financial year to fund projects approved in the respective prior financial years consistent with sec 6(2) and sec 7(2) 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 2019 for the period 1<sup>st</sup> July 2019 to 30<sup>th</sup> June 2020 as required by Law and there was one supplementary adjustment to the original budget during the year. Included in the adjustments are the unutilized funds.

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

**12. Comparative Figures**

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

**13. Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2020.

**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.

### XIII. NOTES TO THE FINANCIAL STATEMENTS

#### 1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2019-2020	2018-2019
		Kshs	Kshs
NGCDF Board			
AIE No.... B047286	1	31,440,876	
AIE No.... B041385	2	9,700,000	
AIE No.... B047398	3	4,000,000	
AIE No.... B041266	4	18,000,000	
AIE No.... B041403	5	21,500,000	
AIE No.... B047686	6	5,000,000	
AIE No.... B049255	7	15,000,000	
AIE No.... B096551	8	11,000,000	
AIE No.... B104271	9	15,000,000	
AIE No.... B005336			35,084,483
AIE No.... B030172			10,000,000
AIE No.... B006319			8,000,000
AIE No.... B030377			12,000,000
AIE No.... A699037			11,000,000
AIE No.... B042882			13,000,000
<b>TOTAL</b>		<b>130,640,876</b>	<b>89,084,483</b>

#### 2. PROCEEDS FROM SALE OF ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
Receipts from sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from sale of office and general equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

#### 3. OTHER RECEIPTS

	2019-2020	2018-2019
	Kshs	Kshs
Interest Received		
Rents		
Receipts from Sale of tender documents	40,000	
Other Receipts Not Classified Elsewhere		1,500,000
<b>Total</b>	<b>40,000</b>	<b>1,500,000</b>

4. COMPENSATION OF EMPLOYEES

	2019-2020	2018-2019
	Kshs	Kshs
Basic wages of temporary employees	1,982,640	1,679,800
Basic wages of casual labour		
<b>Personal allowances paid as part of salary</b>		
House allowance		
Transport allowance		
Leave allowance		
Other personnel payments		
Employer contribution to NSSF	107,980	10,200
Gratuity-contractual employees	271,250	436,909
<b>Total</b>	<b>2,361,870</b>	<b>2,126,909</b>

5. USE OF GOODS AND SERVICES

	2019-2020	2018-2019
	Kshs	Kshs
Utilities, supplies and services	1,603,445	
Electricity		
Water & sewerage charges		
Office rent	1,188,190	800,000
Communication, supplies and services	558,000	
Domestic travel and subsistence		
Printing, advertising and information supplies & services		
Rentals of produced assets		
Training expenses	2,000,000	1,873,507
Hospitality supplies and services		
Other committee expenses		
Committee allowance	1,900,000	1,767,000
Insurance costs		
Specialised materials and services		
Office and general supplies and services	130,000	900,000
Fuel, oil & lubricants		
Other operating expenses		
Bank service commission and charges	40,570	
Security operations		
Routine maintenance - vehicles and other equipment		
Routine maintenance- other assets		
<b>Total</b>	<b>7,420,205</b>	<b>5,340,507</b>

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2019-2020	2018-2019
	Kshs	Kshs
Transfers to primary schools (see attached list)	40,200,000	14,700,000
Transfers to secondary schools (see attached list)	6,464,462	10,899,998
Transfers to tertiary institutions (see attached list)		
<b>TOTAL</b>	<b>46,664,462</b>	<b>25,599,998</b>

7. OTHER GRANTS AND OTHER PAYMENTS

	2019-2020	2018-2019
	Kshs	Kshs
Bursary – secondary schools (see attached list)	24,703,000	29,233,504
Bursary – tertiary institutions (see attached list)	20,000,000	3,070,000
Bursary – special schools (see attached list)		
Mock & CAT (see attached list)		
Security projects (see attached list)	22,813,119	8,000,000
Sports projects (see attached list)	1,662,000	3,188,400
Environment projects (see attached list)		1,729,600
Emergency projects (see attached list)		2,150,000
<b>Total</b>	<b>69,178,119</b>	<b>47,371,504</b>

8. ACQUISITION OF ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	-	-
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	524,500	-
Purchase of ICT Equipment, Software and Other ICT Assets	465,000	-
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
<b>Total</b>	<b>989,500</b>	<b>-</b>

9. OTHER PAYMENTS

	2019-2020	2018-2019
	Kshs	Kshs
Strategic plan	-	-
ICT Hub	-	-
	-	-

10. BANK ACCOUNTS (CASH BOOK BANK BALANCE)

Name of Bank, Account No. & currency	2019-2020	2018-2019
	Kshs	Kshs
EQUITY BANK LIMITED, EMBAKASI NORTH NG-CDF-A/C no.1300261118717	39,774,517	35,707,798
<b>Total</b>	<b>39,774,517</b>	<b>35,707,798</b>
10B: CASH IN HAND		
Location 1	-	-
Location 2	-	-
Other Locations ( <i>specify</i> )	-	-
	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<i>[Provide cash count certificates for each]</i>		

11: OUTSTANDING IMPRESTS

Name of Officer or Institution	Date Imprest Taken	Amount Taken	Amount Surrendered	Balance
		Kshs	Kshs	Kshs
Name of Officer or Institution	-	-	-	-
Name of Officer or Institution	-	-	-	-
Name of Officer or Institution	-	-	-	-
Name of Officer or Institution	-	-	-	-
Name of Officer or Institution	-	-	-	-
Name of Officer or Institution	-	-	-	-
<b>Total</b>				<b>-</b>

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

12A. RETENTION

	2019 - 2020	2018-2019
	Kshs	Kshs
Supplier 1	-	-
Supplier 2	-	-
Supplier 3	-	-
Total	-	-

*[Provide short appropriate explanations as necessary]*

12B. GRATUITY DEPOSITS

	2019 - 2020	2018-2019
	Kshs	Kshs
Name 1	-	-
Name 2	-	-
Name 3	-	-
Add as appropriate	-	-
Total	-	-

*[Provide short appropriate explanations as necessary]*

13. BALANCES BROUGHT FORWARD

	2019-2020	2018-2019
	Kshs	Kshs
Bank accounts	35,707,798	25,562,233
Cash in hand		
Imprest		
Total	35,707,798	25,562,233

*[Provide short appropriate explanations as necessary]*

14. PRIOR YEAR ADJUSTMENTS

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others ( <i>specify</i> )	-	-	-
	-	-	-

15. CHANGES IN ACCOUNTS RECEIVABLE – OUTSTANDING IMPREST

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Outstanding Imprest as at 1 <sup>st</sup> July 2019 (A)	-	-
Imprest issued during the year (B)	-	-
Imprest surrendered during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

16. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 <sup>st</sup> July 2019 (A)	-	-
Deposit and Retentions held during the year (B)	-	-
Deposit and Retentions paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

17. OTHER IMPORTANT DISCLOSURES

17.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2019-2020	2018-2019
	Kshs	Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
	-	-

17.2: PENDING STAFF PAYABLES (See Annex 2)

	2019-2020	2018-2019
	Kshs	Kshs
NGCDFC Staff gratuity	2,333,420	498,480
Others (specify)		
TOTAL	2,333,420	498,480

17.3: UNUTILIZED FUND (See Annex 3)

	2019-2020	2018-2019
	Kshs	Kshs
Compensation of employees	1,838,183	1,900,533
Use of goods and services	5,521,184	3,972,212
Amounts due to other Government entities (see attached list)	55,462,387	54,932,430
Amounts due to other grants and other transfers (see attached list)	44,280,487	48,143,500
Acquisition of assets		
Others ( <i>specify</i> )	2,000,000	
Unallocated	40,000	
	109,142,241	108,948,675

17.4: PMC ACCOUNT BALANCES (SEE ANNEX 5)

	2019-2020	2018-2019
	Kshs	Kshs
PMC account Balances (see attached list)	54,191,412	12,567,562
	54,191,412	12,567,562

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020	Comments
	a	b	c	d=a-c	
Construction of buildings	-	-	-	-	
1.	-	-	-	-	
2.	-	-	-	-	
3.	-	-	-	-	
<b>Sub-Total</b>	-	-	-	-	
Construction of civil works	-	-	-	-	
4.	-	-	-	-	
5.	-	-	-	-	
6.	-	-	-	-	
<b>Sub-Total</b>	-	-	-	-	
Supply of goods	-	-	-	-	
7.	-	-	-	-	
8.	-	-	-	-	
9.	-	-	-	-	
<b>Sub-Total</b>	-	-	-	-	
Supply of services	-	-	-	-	
10.	-	-	-	-	
11.	-	-	-	-	
12.	-	-	-	-	
<b>Sub-Total</b>	-	-	-	-	
<b>Grand Total</b>	-	-	-	-	

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Comments
		a	b	c	d=a-c	
<b>Senior Management</b>						
1.						
2.						
3.						
	Sub-Total					
<b>Middle Management</b>						
4.	NGCDFC Staff gratuity	2,333,420			2,333,420	
5.						
6.						
	Sub-Total	2,333,420			2,333,420	
<b>Union able Employees</b>						
7.						
8.						
9.						
	Sub-Total					
<b>Others (specify)</b>						
10.						
11.						
12.						
	Sub-Total					
	Grand Total	2,333,420			2,333,420	

ANNEX 3 – UNUTILIZED FUND

Name	Brief Transaction Description	Outstanding Balance 2019/19	Outstanding Balance 2018/18	Comments
Compensation of employees		1,838,183	1,900,533	
Use of goods & services		5,521,184	3,867,314	
Amounts due to other Government entities				
Wangu primary school			9,200,000	
James Gichuru Primary			8,000,000	
Kariobangi North Primary School		2,312,066	15,000,000	
Ushirika Primary School		720,000		
Ushirika Primary School		1,500,000		
Our lady of Fatma Primary School		8,000,000		
Dandora primary school		4,000,000		
Dandora primary school		3,049,800		
Dandora primary school		1,400,000		
Tom Mboya Primary School		8,422,729	7,132,429	
Ronald Ngala primary school		8,457,792	8,000,000	
Kariobangi North Girls Secondary school			600,000	
Dandora Secondary school		8,000,000	4,604,760	
Dandora Girls Secondary School		1,400,000		
Ushirika Secondary School		7,000,000		
Ushirika Secondary School		1,200,000		
<b>Sub-Total</b>		<b>55,462,387</b>	<b>52,537,189</b>	
Amounts due to other grants and other transfers				
Emergency		7,198,241		
Bursary		15,029,399	14,173,080	
Sports		1,722,354	637,000	

Name	Brief Transaction Description	Outstanding Balance 2019/19	Outstanding Balance 2018/18	Comments
Environment		4,853,961	2,106,607	
Kwa Mbao AP Line		500,000	500,000	
Canaan AP Line		-	2,000,000	
Sharp Corner Administration Police Line		-	1,900,000	
Kariobangi Police Station		726,950	6,526,950	
Kinyago Police Station		2,098,309	9,700,000	
Dandora Phase 1 Chiefs Office		300,000		
Dandora Phase 2 Chiefs Office		300,000		
Dandora Phase 3 Acc's Office		11,551,272	2,500,000	
Sub-Total		44,280,487	40,043,637	
Sub-Total				
Acquisition of assets				
Others (specify)				
Strategic Plan		2,000,000		
Unallocated		40,000		
Sub-Total		2,040,000		
Grand Total		109,142,241	98,348,673	

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2018/19	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2019/20
Land				-
Buildings and structures				-
Transport equipment				-
Office equipment, furniture and fittings	663,565	524,500		1,188,065
ICT Equipment, Software and Other ICT Assets	670,000	465,000		1,135,000
Other Machinery and Equipment				-
Heritage and cultural assets				-
Intangible assets				-
<b>Total</b>	<b>1,333,565</b>	<b>989,500</b>	<b>-</b>	<b>2,323,065</b>

PMC	Bank	Account number	Bank Balance	
			2019/2020	2018/2019
Dandora Police Station PMC	EQUITY-KARIOBANGI	0320272078714	8,121,226	0
James Gichuru Primary School PMC	EQUITY-KARIOBANGI	0320272107231	7,815,227	0
Ronald Ngala Primary School PMC	EQUITY-KARIOBANGI	0320278520099	7,810,434	550,000
Kariobangi North Primary School	EQUITY-KARIOBANGI	0320272052722	14,804,246	0
Wangu Primary School	EQUITY-KARIOBANGI	0320278508367	7,887,957	0
Sharp Corner AP Line PMC	EQUITY-KARIOBANGI	0320279644487	1,243,329	0
Dandora Phase 3 D.O Office PMC	EQUITY-KARIOBANGI	0320279620468	1,026,200	0
Canaan Administration Police Line PMC	EQUITY-KARIOBANGI	0320279602597	97,262	0
Kariobangi Police Station PMC	EQUITY-KARIOBANGI	0320279645756	493,065	0
Tom Mboya Primary School PMC	EQUITY-KARIOBANGI	0320264695245	78,453	3,042,315
Dandora Secondary PMC	EQUITY-KARIOBANGI	0320272078524	15,376	2,998,745
Dandora Primary School PMC	EQUITY-KARIOBANGI	0320272107034	419	0
Ushirika Primary School PMC	EQUITY-KARIOBANGI	0320278509122	8,464	4,211,292
Dandora Girls Secondary PMC	EQUITY-KARIOBANGI	0320272199889	4,734,620	0
Dandora II Chief Office PMC	EQUITY-KARIOBANGI	0320278452239	2,138	100,052
Kariobangi North Chief Office PMC	EQUITY-KARIOBANGI	0320278499841	835	100,000
Ushirika Secondary School PMC	EQUITY-KARIOBANGI	0320262271020	950	0
Marura Primary School PMC	EQUITY-KARIOBANGI	0320277981244	8,745	0
Dandora 1 Chief Office PMC	EQUITY-KARIOBANGI	0320278451937	37,442	1,298,318
Dandora 4 Chief Office PMC	EQUITY-KARIOBANGI	0320278622458	5,027	266,840
Embakasi North Sports PMC	EQUITY-KARIOBANGI	0320279572490	17,480	0
<b>Total</b>			<b>54,208,895</b>	<b>12,567,562</b>

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)
2018/19	<p>1. Unsupported Emergency Expenditure – Kshs. 4,392,000</p> <p>The financial statements show that under other grants and transfer the NG –CDF spent Kshs. 4,392,000 on emergency projects. However, no payment vouchers and related documents were availed to support the expenditure; therefore, it was not possible to confirm that the money was used for intended purposes</p>	<p>It is true that there were no payment vouchers for the emergency projects by the end of financial year 2017/2018, the surrenders for the same funds was done on 06/07/2018 hence making it an audit issue to the following financial year that is 2018/2019.</p> <p>Find the attached copies of payment vouchers.</p>	FAM	Resolved	Immediately
2018/19	<p>1. Cash and cash equivalents- 25,562,234</p> <p>Examination of statement of assets reflects Kshs. 25,562,234 against cashbook balance which differs from bank certificate balance of Kshs. 30,147,786.30 resulting an unexplained</p>	<p>The Kshs.4,585,552 is as a result of payments in cashbook not yet recorded in bank statement, the receipts in bank not recorded in cashbook, and payments in bank not yet recorded in cashbook.</p> <p>The stale cheques amounting to Kshs.1,199,874 were under the</p>	FAM	Resolved	Immediately

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)
	<p>or unreconciled difference of Kshs. 4,585,552</p> <p>Further, bank reconciliation statement reflects Kshs.3,100,553.04 against unrepresented cheques which include Kshs.1,199,874 in respect of stale cheques. No reasons have been given for failure to reverse stale cheques.</p> <p>In addition, bank reconciliation statement reflects a receipt for Kshs. 1,505,000 in the bank not recorded in cashbook for which no explanation has been given.</p> <p>In the circumstances, the accuracy of Kshs. 25,562,234 reflected against cash and cash equivalents could not be ascertained.</p>	<p>process of replacement and as per the time of audit some cheques had been replaced and reversed to the cashbook.</p> <p>The receipts in bank statements amounting to Kshs.1,505,000 is as a result of a reversed cheque of Kshs. 1,500,000 which was paid to the wrong account of Ushirika secondary school PMC hence reversed to Embakasi North NGCDF account. The amount is recorded to the cashbook receipts dated July 2018 which later was paid to the right contractor. The Kshs.5,000 is as result of a bounced cheque hence recorded as receipts by the bank.</p> <p>Find the attached cashbook copy.</p>			