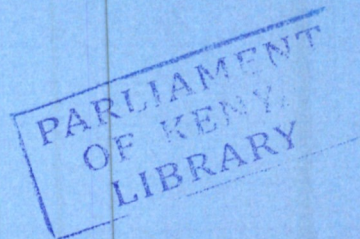


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT




OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND -
NAVAKHOLO CONSTITUENCY

FOR THE YEAR ENDED
30 JUNE 2017

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	14 DEC 2018
	DAY: Tuesday
TABLED BY:	Hon. Aden Duale, M.P. Leader of Opposition Party
CLERK-AT THE-TABLE:	Rachel Kain - Principal Clerk Assistant I



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT
FUND- NAVAKHOLO CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2017

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NAVAKHOLO
CONSTITUENCY**

Reports and Financial Statements

For the year ended 30 June 2017

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NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NAVAKHOLO CONSTITUENCY

Reports and Financial Statements

For the year ended 30 June 2017

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (CDF) was established under the constituencies Development Fund (CDF) Act, 2003, amended in 2007 and repealed by the CDF Act, 2013. In 2015, the CDF Act of 2013 was declared unconstitutional and a new Act was enacted in 2015, being the National Government Constituencies Development Act, (NG - CDF Act), 2015. The National Government Constituencies Development Fund (NG - CDF) is under the ministry of Devolution and planning. The objective of the fund is to provide mechanism for supplementing implementation of the National Government development Agenda at the constituency level.

(b) Key Management

The Navakholo 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	Mary Gorretti Machuma Wanjala
3.	Accountant	Juliet Lubanga

(d) Fiduciary Oversight Arrangements

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NAVAKHOLO
CONSTITUENCY**

Reports and Financial Statements

For the year ended 30 June 2017

(e) NAVAKHOLONG - CDFOFFICE

NG - CDF Office Building,
P.O Box 14 – 50127,
NAMBACHA

Telephone: (254) 0724 286 473
E-mail:navakholo@ngcdf.go.ke

(f) NAVAKHOLO NG - CDF Bankers

Co-operative Bank
P.O Box 595 – 50100,
KAKAMEGA

(g) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084,
GPO 00100
Nairobi, Kenya

(h) Principal Legal Adviser

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NAVAKHOLO
CONSTITUENCY**

Reports and Financial Statements


For the year ended 30 June 2017

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

The NG – CDFC of Navakholo wish to express gratitude to the National Government of Kenya for the NG - CDF program which has in a very unique way improved the livelihood of people by bringing various infrastructural developments enhancing delivery of service to the people of Kenya. We also recognise the support of other technical staff that facilitated the implementation of NG -CDF projects. Importantly, the people of Navakholo for embracing identification of the projects and social audit to facilitate prudent implementation of NG - CDF projects.

The financial statements herein provided stipulates Navakholo efforts to prudently implementation of the projects taking into account the requirement of Public finance Act as requirement for management of public funds.

In spite of our efforts towards achieving desired success of the NG - CDFC projects implementation, we have faced a myriad of challenges ranging of environmental and infrastructural nature as well as delayed funding due to legal processes occasioned by litigants opposing NG - CDF in court.

Sign.....
CHAIRMAN NG - CDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NAVAKHOLO
CONSTITUENCY**

**Reports and Financial Statements
For the year ended 30 June 2017**

III. STATEMENT OF NG - 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 NG - CDF shall prepare financial statements in respect of that NG - CDF. 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 Navakholo NG – CDF is responsible for the preparation and presentation of the NG - CDF's financial statements, which give a true and fair view of the state of affairs of the NG - CDF for and as at the end of the financial year (period) ended on 30 June, 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 Navakholo 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 30 June 2017 and of the NG - CDF's financial position as at that date. The Accounting Officer In charge of the Navakholo 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 Navakholo 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 11th September, 2017

Fund Account Manager



NG - CDFC Chairman

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the National Government Constituencies Development Fund - Navakholo Constituency set out on pages 1 to 18, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Navakholo Constituency as at 30 June 2017, 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 Public Finance Management Act, 2012 and National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Other Matter section of my report, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective manner.

Basis for Qualified Opinion

1. Unconfirmed Value of Works at Kisiwa Technical Institute

Included in transfers to other Government entities balance of Kshs.72,117,043 is Kshs.2,117,043 disbursed by the Fund to Kisiwa Teachers Training College being part-payment of the Fund's contribution towards construction of the Institute. Physical verification revealed that the project was progressing well and expenditure thus incurred was far above what the CDFC had contributed towards the project. The CDF project co-ordinator revealed that the most of the funds spent on the project were

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund - Navakholo Constituency for the year ended 30 June 2017

provided by the Ministry of Education. However, there was no memorandum of understanding outlining contributions of the Ministry and the Fund or the nature of work the joint funding was supposed to finance. Further, no project file was availed for audit verification to confirm the amount contributed by the Fund to the project as required by NG-CDF Regulations, 2016.

In the circumstance, it was not possible to confirm the accuracy and propriety of Kshs.2,117,043 incurred during the year on transfers to other Government entities.

2. Other Grants and Transfers

Unconfirmed Valuation of Works at Shinoyi Secondary School

Included in the other grants and transfers balance of Kshs.37,837,721 is Kshs.1,500,000 released by the Fund to Shinoyi Secondary School for construction of a laboratory block whose construction was on-going at the time of the audit. However, there were no records in the project file that indicated how the amount was arrived at and utilized.

In the circumstance, it is not possible to confirm the valuation of the works, if any, undertaken through the sum of Kshs.1500,000 disbursed for use at to Shinoyi School.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Navakholo 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 requirements applicable to performing audits of financial statements in Kenya. I believe that the 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 judgement, are of most significance in the audit of financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budget

1.1 Over-expenditure on Committee Expenses

Included in the use of goods and services are committee expenses of Kshs.4,305,850 spent on monitoring and evaluation. However, the budgeted amount for the item was Kshs.2,456,896 thus the disbursement resulted into over-expenditure of Kshs.1,848,954 contrary to the requirements of the National Government Constituency Development Fund Act, 2015 Section 25(9) and 35(2).

1.2 Part Approval of Original Budget by the Board

Contrary to the requirements, the management of NGCDF - Navakholo availed for audit verification an unsigned budget indicating that the Fund was to receive Kshs.81,896,552 from

the NG-CDF Board for the financial year 2016/2017. However, the original budget was not approved by the Board and there was no evidence of public participation in identifying the projects to be undertaken during the year. Further, the management provided a Government Finance Statistics (GFS) project code list showing that the Board approved the budget in stages with Kshs.4,094,828 approved on 5/10/2016, Kshs.64,051,724 in 9/1/2017, and the final Kshs.13,750,000 in 16/10/2017. Subsequently, part of the budget was approved after the expiry of the year under review contrary to Section 36 and 38 of the Public Finance Management Act, 2012 which requires the Appropriation Act to be passed by the National Assembly by 30 June every year.

1.3 Statement of Appropriation: Recurrent and Development

Comparison of the budget against actual expenditure for the Financial Year 2016/2017 revealed the following position as reflected in the financial statement:

Receipt/ Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparabl e Basis	Budget Utilisation Difference	% of Utili- sation
Receipts						
Transfers from CDF Board	81,896,551	82,329,578	164,226,130	123,277,855	40,948,275	24
Proceeds from Sale of Assets	-	0	-			
Other Receipts	-	57,000	57,000	57,000	-	
Totals	81,896,551	82,386,578	164,283,130	123,334,855	40,948,275	24
Payments						
Compensation of Employees	3,059,364	-	3,059,364	2,801,703	257,661	8
Use of goods and services	5,257,009	-763,736	4,493,273	7,185,366	-2,692,093	59
Transfers to Other Government Units	33,000,000	56,534,629	89,534,630	72,117,043	17,417,587	19
Other grants and transfers	40,580,178	24,558,685	65,138,864	37,837,721	27,301,143	41
Acquisition of Assets	-	2,000,000	2,000,000	2,000,000	-	
Other Payments – AIA	-	57,000	57,000	-	57,000	-
Totals	81,896,551	82,386,578	164,283,130	121,941,833	42,341,297	25

Material differences between the final budget and actual expenditure were noted under receipts (24%), use of goods and services (59%), transfers to other Government units (19%), and other grants and transfers, 41%. The under-expenditure was attributed to a shortfall of revenue as the Board only disbursed Kshs.121,941,833 out of the final budget of Kshs.164,283,130 leading to a shortfall of Kshs.42,341,297.

As a result Section 43 (b) of the Public Financial Management PFM Act, 2012 which requires the Accounting Officer to ensure that public funds entrusted to their care are properly safeguarded and applied for the purposes only which they were intended and appropriated by the National Assembly was contravened.

2. Internal Control Environment

2.1 Audit Committee and Operation of the Internal Audit Department

The Fund had no audit committee during the year under review as required by Public Financial Management Regulations, 2015 (Section 167(1)). Further, the internal audit department did not have a sufficient number of qualified personnel to audit the projects undertaken by the entity.

2.2 No Independent Assessment of Systems, Controls and Efficiencies

The management of NG-CDFC - Navakholo is yet to undertake a formal risk assessment to identify risks facing the operations of the Fund as required by the Public Finance Management Act Regulation 157 (1) of 2015. Further, adequate internal controls to manage the operations of the Fund have not been established.

3. Project Verification Status

During the year under review, a sample of thirteen (13) projects costing Kshs.33,617,043 were verified on May 2018. The following was their respective status:

	Project Name	Project Description	Amount Kshs.	Status
1	St. Kizito's Lusumu Girls Secondary School	Construction of Dormitory	5,000,000	On-going
2	Namirama Girls High School	Construction of Computer Complex	5,000,000	Completed and in use
3	Chebuyusi Boys High School	Construction of Computer Complex	5,500,000	Completed and in use
4	Kochwa Primary	Installation of Lightening Arrestor	2,500,000	Completed and operational
5	Sisokhe Secondary School	Construction of Girls Dormitory	2,500,000	On-going
6	Kisiwa TTI	Construction of Navakholo TTI	2,117,043	On-going
7	St.Raphael Burangasi Secondary School	Purchase of Land	2,000,000	Funds not yet utilized
8	Natunyi Dispensary	Renovation and Re-roofing of dispensary	2,000,000	Completed but not in use
9	Sisokhe Primary School	Renovation and Re-roofing of 4 classrooms	1,000,000	On-going
10	Siyombe Primary School	Renovation and Re-roofing of 4 classrooms	1,000,000	On-going
11	Weramba Primary School	Construction of 2 classrooms	1,000,000	Completed and in use

12	Buchangu Dispensary	Construction of Maternity wing	1,000,000	On-going
13	Budonga	Construction of Twin Laboratory	3,000,000	On-going
		Total	33,617,043	

Audit verification revealed that some of the projects were not branded as required under the regulations of the Fund.

4. Un-utilised Funds for Purchase of Land- St. Raphael Burangasi Secondary School

Included in transfers to other Government entities balance of Kshs.72,117,043 is Kshs.2,000,000 disbursed by the Fund to St. Raphael's Burangasi Secondary School PMC for purchase of land for the school. Although, reportedly, the landowner has not been paid pending conclusion of land succession issues, he has allowed the school to take possession of the land and construct classrooms on it.

However, the purchase agreement signed between the land owner and the management of NG-CDF- Navakholo Constituency was not presented for audit examination. Further, no bank statements were availed to confirm whether or not funds set aside for purchase of the land were still in possession of the Project Management Committee (PMC). It is not clear how the owner allowed the PMC to initiate the project works before payment was made.

Further, management has not explained why funds were released to the project management committee (PMC) before ownership of the land was formally transferred to the seller. In view of these anomalies, it is not possible to confirm valuation and ownership by the Fund of the piece of land reported to have been purchased through the sum of Kshs2,000,000 disbursed by the Fund.

5. Irregular Purchase of Lands

Included in transfers to other Government entities balance of Kshs.72,117,043 is Kshs.500,000 released by the Fund for purchase of two plots of land for construction of Mukama Primary School and Kshs.1,000,000 for Sipanga Primary School. However, documentation on procurement of the lands as well as the respective valuation reports and title deeds was not availed for audit verification.

In the circumstance, it is not possible to confirm ownership and valuation of the two pieces of land by NGCDF-Navakholo.

6. Poor Workmanship – Construction of Girls' Dormitory at St Kizito Lusumu Girls' Secondary School

Included in transfers to other Government entities balance of Kshs.72,117,043 is Kshs.500,000 disbursed by CDFC to St. Kizito's Girls Secondary for construction of a dormitory. The tender (labour contract only) was awarded to a local firm at a tender price of 20% of the cost of material. Physical verification of the project on 29th May

2018 revealed that the contractor had done 75% of the work. However, the dormitory was poorly done with the newly constructed floor showing cracks. Further, the dormitory envisaged to accommodate 300 beds was erected on seemingly weak columns and would require strengthening so as not to put the lives of its occupants at risk. .

In addition, the bricks used were weak and were already gaping at the joints, a clear indication that they were sub-standard.

7. Irregularities in Completion and Renovations of Natunyi Dispensary

Included in transfers to other Government entities balance of Kshs.72,117,043 is Kshs.2,000,000 disbursed by the Fund to Natunyi PMC for completion and renovation of Natunyi Dispensary. The PMC tendered and awarded the tender to a local supplier. However, the Bills of Quantities filed by the winning tenderer had some figures erased by white-out which suggested that the tender figures may have been manipulated in the bidder's favour.

In addition, tender documents submitted by other bidders, the tender and evaluation report, payment vouchers to show how payments out of the PMC account were made, bank statements and certificate of balance were not availed for audit verification. Further, physical verification of the project on 29th May 2018 revealed that the building which was not put to use portrayed signs of poor workmanship at the entrance, a and the veranda, floor and ceiling board. Further, the building was not fenced or secured and was, as a result vandalised after it was handed-over to the NGCDFC - Navakholo in May 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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management is aware of the intention to liquidate the Fund or cease its 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.

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements

- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

27 September 2018

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NAVAKHOLO
CONSTITUENCY**

Reports and Financial Statements

For the year ended 30 June 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	Re-statement (2015-2016)	2015-2016
		Kshs		Kshs
RECEIPTS				
Transfers from CDF board-AIEs' Received	1	101,782,053.00	116,987,415	116,987,414
Other Receipts	2	57,000.00	-	-
TOTAL RECEIPTS		101,839,053.00	116,987,415	116,987,414
PAYMENTS				
Compensation of employees	3	2,801,703.00	1,692,464	2,464,703
Use of goods and services	4	7,185,366.00	9,705,850	11,889,414
Transfers to Other Government Units	5	72,117,043.00	38,802,957	35,030,000
Other grants and transfers	6	37,837,721.00	50,789,224	46,449,140
Acquisition of Assets	7	2,000,000.00	-	-
TOTAL PAYMENTS		121,941,833.00	100,990,495	95,833,257
SURPLUS/DEFICIT		(20,102,780.00)	15,996,920	21,154,157

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Navakholo NG - CDF financial statements were approved on 11th September, 2017 and signed by:



Fund Account Manager




Chairman, NG - CDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NAVAKHOLO
CONSTITUENCY**
Reports and Financial Statements
For the year ended 30 June 2017

V. STATEMENT OF ASSETS

	Note	2016-2017	Re-Statement (2015-2016)	2015-2016
		Kshs		Kshs
FINANCIAL ASSETS				
Cash and Cash Equivalents				
Bank Balances (as per the cash book)	8	1,393,022	21,495,803	72,515,051
TOTAL FINANCIAL ASSETS		1,393,022	21,495,803	72,515,051
REPRESENTED BY				
Fund balance b/fwd 1st July, 2016	9	21,495,803	5,498,883	53,767,170
Surplus/Deficit for the year		(20,102,780)	15,996,920	21,154,157
NET LIABILITIES		1,393,023	21,495,803	74,921,327

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Navakholo NG - CDF financial statements were approved on 11th September, 2017 and signed by:

Fund Account Manager



Chairman, NG - CDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NAVAKHOLO
CONSTITUENCY**

Reports and Financial Statements

For the year ended 30 June 2017


VI. STATEMENT OF CASHFLOW

Receipts for operating income	Note	2016-2017	Re-Statement (2015-2016)	2015-2016
Transfers from CDF Board	1	101,782,053.00	116,987,415	116,987,414
	2	57,000.00		
Total		101,839,053.00	116,987,415	116,987,414
Payments for operating expenses				
Compensation of Employees	3	(2,801,703.00)	1,692,464	2,464,703
Use of goods and services	4	(7,185,366.00)	9,705,850	11,889,414
Transfers to Other Government Units	5	(72,117,043.00)	38,802,957	35,030,000
Other grants and transfers	6	(37,837,721.00)	50,789,224	46,449,140
		(119,941,833.00)	100,990,495	95,833,257
Net cash flow from operating activities		(18,102,780.00)	15,996,920	21,154,157
Payments from Investing activities				
Acquisition of Assets	7	(2,000,000.00)	-	-
Net cash flow from Investing activities		(2,000,000.00)	-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(20,102,780.00)	15,996,920	21,154,157
Cash and cash equivalent at BEGINNING of the year	9	21,495,803.00	5,498,883	53,767,169
Cash and cash equivalent at END of the year	8	1,393,023.00	21,495,803	74,921,326

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Navakholo NG - CDF financial statements were approved on 11th September, 2017 and signed by:


Fund Account Manager




Chairman, NG - CDFC

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – Navakholo Constituency
Reports and Financial Statements
For the year ended 30 June 2017

VII. SUMMARY STATEMENT OF APPROPRIATION: RE-STATEMENT OF 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	81,896,552	82,329,579	164,226,131	123,277,855	40,948,275	75
Other Receipts	-	57,000	57,000	57,000	-	100
TOTALS	81,896,552	82,386,579	164,283,131	123,334,855	40,948,275	75
PAYMENTS						
Compensation of Employees	3,059,364	-	3,059,364	2,801,703	257,661	92
Use of goods and services	5,257,009	(763,736)	4,493,273	7,185,366	(2,692,093)	160
Transfers to Other Government Units	33,000,000	56,534,630	89,534,630	72,117,043	17,417,587	81
Other grants and transfers	40,580,179	24,558,685	65,138,864	37,837,721	27,301,143	58
Acquisition of Assets	-	2,000,000	2,000,000	2,000,000	-	100
Other Payments – AIA	-	57,000	57,000	-	57,000	-
TOTALS	81,896,552	82,386,579	164,283,131	121,941,833	42,341,298	74

(a) *Provide below a commentary on significant underutilization (below 50% of utilization) and any overutilization/*

- i. The payments on goods and services were spent above by 60% due to past backlogs.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Navakholo NG - CDF financial statements were approved on 11th September, 2017 and signed by:



Fund Account Manager

Chairman, NG - CDFC

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 NG - 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.

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – Navakholo Constituency

**Reports and Financial Statements
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IX. NOTES TO THE FINANCIAL STATEMENTS

1.0 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2016 - 2017	2015 - 2016
		Kshs	Kshs
	AIE NO.		
Normal Allocation -	2015/2016/	60,833,776.00	28,493,707.00
NG CDF BOARD	2016/2017/	4,094,828.00	17,293,708.00
NG CDF BOARD	2016/2017/	36,853,449.00	11,200,000.00
			10,000,000.00
	724141		10,000,000.00
	796350		10,000,000.00
	820769		20,000,000.00
	820632		10,000,000.00
TOTAL		101,782,053.00	116,987,415.00

2.0 OTHER RECEIPTS

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Sale of tender documents	57,000.00	-
Total	57,000.00	-

3.0 COMPENSATION OF EMPLOYEES

Description	2016 - 2017	RE-STATED (2015-2016)	2015 - 2016
	Kshs		Kshs
Basic wages of contractual employees	1,762,590.00	1,609,054.00	2,404,703
Gratuity	945,684.00		-
Employer contribution to NSSF	93,429.00	83,410.00	60,000
Total	2,801,703.00	1,692,464.00	2,464,703

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – Navakholo Constituency

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.0 USE OF GOODS AND SERVICES

Description	2016 - 2017	RE-STATED (2015-2016)	2015 - 2016
	Kshs	Kshs	
Utilities, supplies and services	12,300.00	7,100	7,100
Office rent	45,000.00	600,000	600,000
Communication, supplies and services	203,843	6,960	6,960
Domestic travel and subsistence	262,700.00	-	
Printing, advertising and information supplies & services	139,618.00	60,000	60,000
Rentals of produced assets	641,600.00	-	
Training expenses	388,800.00	795,700	795,700
Hospitality supplies and services	229,094.00		
Other committee expenses	4,305,850.00	3,988,685	3,988,685
Committee allowance	678,500.00	3,371,993	5,555,557
Office and general supplies and services	203,211.00	333,775	333,775
Fuel ,oil & lubricants	3,000.00	200,000	200,000
Other operating expenses	40,970.00	55,183	55,183
Routine maintenance – other assets	30,880.00	286,454	286,454
Total	7,185,366.00	9,705,850.00	11,889,414

5.0 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	RE-STATED (2015-2016)	2015 - 2016
	Kshs	KSHS	Kshs
Transfers to primary schools	28,000,000	16,500,000	21,780,000
Transfers to secondary schools	33,500,000	11,100,000	7,000,000
Transfers to Tertiary institutions	2,117,043	7,882,957	2,250,000
Transfers to Health institutions	8,500,000	3,320,000	4,000,000
TOTAL	72,117,043.00	38,802,957.00	35,030,000

6.0 OTHER GRANTS AND OTHER PAYMENTS

Description	2016 - 2017	RE-STATED (2015-2016)	2015-2016
	Kshs	Kshs	
Bursary -Secondary Schools	8,507,830	7,426,200	6,000,000
Bursary -Tertiary Institutions	9,843,960	8,745,960	5,300,000
Bursary-Special Schools		-	1,500,000
Mock & CATs			1,200,000
Agriculture projects		550,000	

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – Navakholo Constituency

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Electricity projects		4,000,000	
Security projects	9,000,000	-	6,866,443
Roads projects	8,000,000	9,422,702	9,770,441
Sports projects	1,637,931	11,560,431	10,000,000
Other projects	148,000	1,000,000	81,206
Emergency Projects	700,000.00	8,083,931.00	5,731,050
Total	37,837,721.00	50,789,224.00	46,449,140

7.0 ACQUISITION OF ASSETS

<u>Non-Financial Assets</u>	2016-2017	2016-2017
	Kshs	Kshs
Purchase of office furniture and fittings	2,000,000.00	-
Total	2,000,000.00	-

8.0 BANK BALANCES (CASH BOOK BANK BALANCE)

Name of Bank, Account No. & currency	2016 - 2017	RE-STATED	2015 - 2016
	Kshs (30/6/2017)	Kshs (30/6/2016)	Kshs (30/6/2016)
Cooperative Bank, Kakamega Branch	1,393,022	21,495,803	19,707,852
Pmcs Bank Accounts	-		52,807,199
Total	1,393,022	21,495,803	72,515,051

9.0 BALANCES BROUGHT FORWARD

	2016 - 2017	2015 - 2016
	Kshs (1//7/2016)	Kshs (1//7/2015)
Bank accounts	21,495,803	5,498,883
Total	21,495,803	5,498,883

10.0 OTHER IMPORTANT DISCLOSURES

10.1 PENDING STAFF PAYABLES (See Annex 1)

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Others - gratuity for contractual employees	-	618,503
TOTAL	-	618,503

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10.2 OTHER PENDING PAYABLES (See Annex 2)

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Amounts due to other Government entities (see attached list)	16,917,587	89,034,630
Amounts due to other grants and other transfers (see attached list)	18,655,385	54,155,175
Others (see attached list)	6,268,325	20,593,325
TOTAL	41,841,297	163,783,130

10.3 PMC ACCOUNT BALANCES (See Annex 3)

	2016 - 2017	2015 - 2016
	Kshs	Kshs
PMC account balances (see attached list)	22,908,581	19,446
TOTAL	22,908,581	19,446

10.4 RESTATEMENT ISSUES

- i. The restated figures for the year ended 30 June 2016, were as a result of disclosure of PMC bank account balances of Kshs. 52,807,199 as part of cash book bank balance as at 30 June, 2016.
- ii. the cash book balance as 30 June 2016 was erroneously disclosed as Kshs. 19,707,852 instead of Kshs. 1,393,022.

ANNEX 4 – PMC BANK BALANCES AS AT 30 JUNE 2017

ANNEX 5. ACTION TAKEN ON PREVIOUS FINANCIAL YEAR AUDIT QUERIES

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – Navakholo Constituency

**Reports and Financial Statements
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ANNEX 1 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
					2016-2017	2015-2016	
		a	b	c	d=a-c		
Others - contractual employees gratuity							
Cecilia Nafula Munabi	H	154,148	01.03.2014	154,148	-	110,670.00	-
Alex Wechuli Makuto	E	102,765	01.03.2014	102,765	-	73,780.00	-
Francisco Wakhu Waire	E	102,765	01.03.2014	102,765	-	73,780.00	-
Issac Wafula Lutome	E	102,765	01.03.2014	102,765	-	73,780.00	-
Patrick Ambani Mahero	H	158,695	01.04.2014	158,695	-	115,218.00	-
Erick Oping oJuma	E	94,860	01.06.2014	94,860	-	65,875.00	-
Eric Mukoya	E	94,860	01.06.2014	94,860	-	65,875.00	-
Doreen Khavere Anyula	E	68,510	01.04.2015	68,510	-	39,525.00	-
Jane M Njuguna	F	35,685	01.08.2016	35,685	-	-	-
Patrick Efumbi	E	30,272	01.09.2016	30,272	-	-	-
TOTAL		945,325		945,325	-	618,503	

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ANNEX 2 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016/17	Comments
Amounts due to other Government entities						
1	Primary Schools	34,000,000		28,000,000	6,000,000	
2	Secondary Schools	40,000,000		33,500,000	6,500,000	
3	Tertiary Institutions	2,117,043		2,117,043	0	
4	Health Institutions	12,917,587		8,500,000	4,417,587	
	Sub-Total	89,034,630		72,117,043	16,917,587	
Amounts due to other grants and other transfers						
5	Bursary - Secondary	8,661,215		8,507,830	153,385	
6	Bursary – Tertiary	10,143,960		9,843,960	300,000	
7	Bursary - Special institutions	0		0	0	
8	Bursary - Mocks & Cats	0		0	0	
9	Roads Activities	8,000,000		8,000,000	0	
10	Security Projects	25,250,000		9,000,000	16,250,000	
11	Environment Activities	500,000		148,000	352,000	
	Water Activities	1,600,000		0	1,600,000	
	Sub-Total	54,155,175		35,499,790	18,655,385	
Others (specify)						
12	Administration/Recurrent	4,413,793		6,413,793	-2,000,000	
13	Monitoring & Evaluation	2,193,160		2,627,592	-434,432	
14	Sports Activities	1,637,931		1,637,931	0	
15	Emergency Projects	4,791,441		1,645,684	3,145,757	
16	CDF Motor Vehicle	5,500,000		0	5,500,000	
17	Constituency Office	2,000,000		2,000,000	0	
18	AIA - Sell of Tender Documents	57,000		0	57,000	
	Sub-Total	20,593,325		14,325,000	6,268,325	
	Grand Total	163,783,130		121,941,833	41,841,297	

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ANNEX 3 –PMC BANK BALANCES AS AT 30TH JUNE, 2017

PMC	Bank	Account number	Bank Balance	
			2016/2017	2015/2016
Assumption of Our Lady Sipanga Primary School	Co-operative Bank - Kakamega	01139632759300	999,572.50	-
St. Margaret's Wadingo Primary School	Co-operative Bank - Kakamega	01139632759200	1,959,572.50	-
St. Raphael's Burangasi Secondary School	Co-operative Bank - Kakamega	01139631124900	2,001,062.50	8,062.50
Sisokhe Primary School	Co-operative Bank - Kakamega	01139165627401	979,572.50	-
Ewamakhumbi Primary School	Co-operative Bank - Kakamega	01139165610501	2,451,645.50	1,545.50
Siyombe Primary School	Co-operative Bank - Kakamega	01139165252600	982,072.50	-
Sirigoi Primary School	Co-operative Bank - Kakamega	01139098424101	484,572.50	-
Namabacha AP Camp	Co-operative Bank - Kakamega	01141632622800	59,325.00	-
Ebumamu Primary School	Co-operative Bank - Kakamega	01139632766000	969,572.50	-
Chebuyusi Muslim Primary School	Co-operative Bank - Kakamega	01139632765700	2,449,572.50	-
Mukama Primary School	Co-operative Bank - Kakamega	01139011926300	501,022.75	1,022.75
Eshikhoni Primary School	KCB - Kakamega	1200472195	29,435.00	-
Kochwa Primary School	KCB - Kakamega	1200908570	2,450,434.00	-
Shinoyi Secondary School	KCB - Kakamega	1156846579	1,502,610.00	-
Eshilakwe Dos Office PMC	KCB - Kakamega	1154471152	1,504,770.00	-
Namirama Girls High School	KCB - Kakamega	1130971007	82,069.00	-
Navakholo District Education Office	National Bank - Kakamega	01025015628800	36,860.00	8,360.00
Eshilakwe Primary School	Equity Bank - Kakamega	0500264911739	2,450,235.00	455.00
Navakholo Secondary School	Equity Bank - Kakamega	0500270075427	299,235.00	-
Buchangu Dispensary	Equity Bank - Kakamega	0500270126325	79,680.00	-
Natuny Community Health Centre	Equity Bank - Kakamega	0500270344638	635,690.00	-
TOTAL			22,908,581.25	19,445.75

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost	
	(Kshs) 2016/17	(Kshs) 2015/16
Land	850,000	850,000
Buildings and structures	12,650,000	12,650,000
Office equipment, furniture and fittings	2,000,000	0
Total	15,500,000	13,500,000

ANNEX 5. ACTION TAKEN ON PREVIOUS FINANCIAL YEAR AUDIT QUERIES

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Presentation, accuracy and completeness of the financial statements	The International Public Sector Accounting Standards (Cash Basis) financial statements Presentation format prescribed by National Treasury requires the management to include among	1. The committee hired a consultant from a practising audit firm to reconstruct the financial statements to give fair view of the financial statements.			

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – Navakholo Constituency
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	the financial statements presented for audit, a report of action taken to address previous year Auditors' recommendations			
2. Cash and Cash Equivalents	Included in the cash and cash equivalents balance of Ksh. 3,782,562 is cash – at- bank of kshs 3,689,413 which however differs from the corrected cash book balance of ksh 6,507,166 resulting in an unexplained difference of ksh 2,817,753. Consequently, the accuracy of the reported bank balance of ksh 3,689,413 cannot be confirmed.	2.A summary of expenses per vote head was prepared to help in ascertaining the accuracy of the financial statements.		
3. Budgetary Control and Performance	The summary statement of appropriation indicates that the Fund budgeted and received grants totalling to kshs 106,972,024 from the National CDF Management Board. However, actual expenditure was ksh 103,189,463 and thus exceeded the budget of ksh 36,869,763 by amount of kshs 66,319,700. The original approved budget was not presented for audit to authenticate the statement presented.	3. A reconciliation is being carried out by the district accountant to provide accurate bank reconciliation.	FAM	Feb 2017
4. Project Implementation and Management	During the year under review, the Fund allocated a total amount of kshs. 104,055,492 for a total of seventy six (76) projects. As at 30June 2015, twenty (20) projects allocated kshs 42,268,651 were ongoing while twenty six (26) projects allocated kshs 14,000,000 and falling under the education sector had not commenced at the time of the audit in March 2016.	4.The over expenditure was the funding of previous year which were being implemented in the current year of review	FAM	Feb 2017
5. Transfer to other Government Units – Irregularities in the Implementation	During the year under review, the Fund reported transfers amounting kshs 30,787,936 to other government units. The transfers included a sum of ksh 15,600,000 spent on projects in three health institutions and three secondary schools. However, physical verification revealed the works several irregularities including un-	5. All the projects falling under the year reviewed have all been implemented	FAM	Feb 2017

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – Navakholo Constituency

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<p>n of CDF Projects</p>	<p>approved variations, abandoned and stalled projects, commissioning of new projects without completing earlier ones and poor workmanship. As a result, the grants totalling to kshs. 15,600,000 were not efficiently and effectively spent and the constituents did not realize value-for-money from the expenditure.</p>		
<p>6. Other Grants and Transfers – Irregularities in the Implementation of Projects</p>	<p>Included in the other grants and transfers balance of kshs 44,833,819 is a sum of ksh 6,801,148 used to implement two projects namely grading a road at kshs 4,501,148 and construction of a district Office at a cost of ksh 2,300,000. However, poor workmanship was evident in respect of the road works while the district office was not completed and occupied without a finished floor, ceiling and other fittings thus implying that the contractor was paid the full contract price before the works were completed.</p>	<p>6.Thepayment was made out of emergency to facilitate completion of the building to host the deputy county commissioner of the new district</p>	<p>FAM</p> <p>Feb 2017</p>
<p>7. Acquisition of Assets – Unprocessed land Title for the CDF Office</p>	<p>During the year under review, the Fund acquired assets worth ksh. 12,850,000 including land bought at ksh 850,000 for the CDF office. However, the CDF paid the seller the full value without transfer documents and title deed. As at the time of audit inspection, the CDF had not obtained the title deed to the land. In the circumstance, it has not been possible to establish ownership of the land by the Fund and this has cast doubt on the propriety of the Ksh 850,000 and to the seller.</p>	<p>7. Follow up has been made to finish the work as per specifications of the bills of quantities. The procurement documents were availed to the audit team. The title has now been processed</p>	<p>FAM</p> <p>Feb 2017</p>

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		<p>Further, included in the asset purchase balance of kshs 12,850,000 is kshs 7,950,000 incurred on construction of Navakholo CDF Office against the total contract price of kshs 12,000,000. However, tender committee minutes confirming the method of procurement used and award of the tender were not made available for audit review.</p> <p>In addition, there were irregular variations, for example use of Gauge 30 sheets in roofing instead of billed Gauge 26 in the construction works among other irregularities related to the building which was not completed anyway.</p> <p>In view of the foregoing, it has not been possible to confirm that the Fund obtained value-for-money on the expenditure of kshs 12,850,000 reported to have been incurred on acquisition of assets.</p>	
<p>8. Use of Goods and Services</p>	<p>The schedule in supporting expenditure of kshs 2,985,048 incurred on amounts for use of goods and services revealed that except for bank charges amounting to kshs 7,245 and rent charges of ksh 30,000 which adds to a total of kshs 37,245, the remainder of the balance amounting to kshs 2,947,797 was paid out in cash to officers at the CDF. Therefore nearly all the procurement for items of use of goods and services was effected in cash. Given the inherent weaknesses of the controls over cash payments, it was not possible to confirm whether the payments represented value received.</p> <p>Further, Note 3 to the financial statements indicates the expenditure on rent amounting to kshs 240,000 (also categorized under use of goods and services) while the detailed schedule</p>	<p>8. 9.Re categorization has been ensured to give true reflection of the expenditure items accordingly.</p> <p>FAM</p>	<p>Feb 2017</p>

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				<p>availed in support of the account reflects ksh 30,000 as rent paid. The difference in the two sets of information was not explained.</p> <p>According to the note, the expenditure item use of goods and services was only composed of two components of rent at kshs 240,000 and specialized materials and services at kshs 2,745,042 with other items like office and general supplies and utilities respectively reported at nil. This is unrealistic and thus the information in the Note is not fairly stated and also misleading</p> <p>Consequently, the propriety of the expenditure of kshs 2,985,042 under use of goods and services cannot be confirmed.</p>
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