

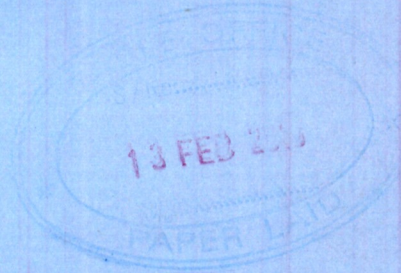
REPUBLIC OF KENYA

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*By Hon Duah, LOMP*  
*on 13/2/2018*

OFFICE OF THE AUDITOR-GENERAL



**REPORT**

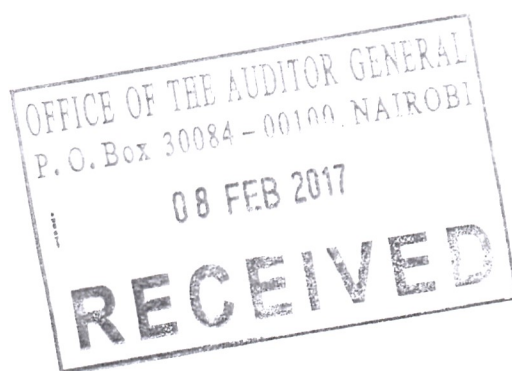
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND -  
LAGDERA CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE 2016**



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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-  
LAGDERA CONSTITUENCY**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –  
LAGDERA CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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# NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAGDERA CONSTITUENCY

## Reports and Financial Statements

For the year ended June 30, 2016

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### I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

#### (a) Background information

The Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2013.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

#### (b) Key Management

The LAGDERA Constituency's day-to-day management is under the following key organs:

- i. Constituencies Development Fund Board (NGCDFB)
- ii. NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND Committee (NGCDFC)

#### (c) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	YUSUF MBUNO
2.	A.I.E holder	YUSSUF KILAS ADEN
3.	Accountant	JOSHUA M.MEME

#### (d) Fiduciary Oversight Arrangements

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

#### (d) LAGDERA NGCDF Headquarters

NGCDF Office Building.  
P.O Bo 659-70100  
GARISSA-KENYA  
OFF KISIMAYU ROAD OPP.KORA VIEW HOTEL

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAGDERA  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016**

**(e) LAGDERA NGCDF Contacts**

Telephone: (254) 0723504365

E-mail: cdf@lagdera.go.ke

Website: www.cdf.go.ke

**(f) LAGDERA NG-CDFC Bankers**

First community Bank

Garissa branch

A/C no.00095767

**(g) Independent Auditors**

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

**(h) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

**11. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY  
DEVELOPMENT FUND COMMITTEE**

The NGCDF board allocated budget of ksh.117, 605,669 to the constituency to undertake various projects for the financial year 2015/2016. However more than 60% of the allocated funds has been utilized despite having received the final disbursement towards the end of the financial year.

Over the years the fund had improved the education sector by constructing class rooms in order to absorb the increasing number of enrolments within the constituency since the introduction of free primary school. The entity also promoted infrastructural development in the education sector through construction of teachers' quarters, dormitories and improved access to road network through light grading and bush clearing of rural roads.

Not only that but also the fund has improved education standard by contributing towards the payment of school fees to the poor needy students across the constituency

Challenges faced during the implementation of the fund

- Funds not enough to implement priority need of the constituency
- Lack of security in some centres where projects are implemented
- Political interference
- Lack of clear boundary among constituencies

Recommendations

For the Fund to succeed I recommend that there should be a minimum or no interference from the political figures and no projects should be undertaken in boundary conflict zone without the involvement of the concerned organs of the government.



**Signature**

**Chairman NGCDFC**

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAGDERA  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016**

**III. STATEMENT OF NGCDF 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 NGCDF shall prepare financial statements in respect of that NGCDF. 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 LAGDERA NGCDF is responsible for the preparation and presentation of the NGCDF's financial statements, which give a true and fair view of the state of affairs of the NGCDF for and as at the end of the financial year (period) ended on June 30, 2016. 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 NGCDF; (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 NGCDF; (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 LAGDERA NGCDF accepts responsibility for the NGCDF'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 NGCDF's financial statements give a true and fair view of the state of NGCDF's transactions during the financial year ended June 30, 2015, and of the NGCDF's financial position as at that date. The Accounting Officer in charge of the LAGDERA NGCDF further confirms the completeness of the accounting records maintained for the NGCDF, which have been relied upon in the preparation of the NGCDF's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The NGCDF's financial statements were approved and signed by the Accounting Officer on 08/09/ 2016.



**CHAIRMAN-NGCDF**



fund account manager

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LAGDERA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Lagdera Constituency set out on pages 5 to 24, which comprise the statement of financial asset as at 30 June 2016, the statement of receipt and payments, the statement of cash flows for the year then ended, the summary statement of appropriation 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.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standard (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.

The 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.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

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*Report of the Auditor-General on the Financial Statements of National Government Constituencies  
Development Fund – Lagdera Constituency for the year ended 30 June 2016*

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **Basis for Qualified Opinion**

### **1.0 Cash and Cash Equivalents**

The Statement of assets reflects a cash and cash equivalents balance of Kshs.59,391,444 as at 30 June 2016. However, bank reconciliation statement for the funds cash book as at 30 June, 2016 reflects payment of Kshs.760,115 in the cash book not recorded in bank statement, which include stale cheques totaling Kshs.330,600. Further, the Fund did not maintain bank Account records for all project management committees as required by Section 15(10) (a) and (10)(b) of the NG-CDF regulations of 2016.

In addition, no bank reconciliation statements were prepared for each of the project management committee bank account as required. The utilization of the funds disbursed to the PMCs could not be verified.

In the circumstances, it has not possible to ascertain the completeness and accuracy of the cash and cash equivalents balance of Kshs.59,391,444 as at 30 June 2016.

### **2.0 Irregular Award of Capital Projects**

During the year under review, examination of payment vouchers, project files and other records held at NG-CDF Lagdera Office revealed that contracts amounting to Kshs.15,000,000 were awarded irregularly supporting documents including tender opening minutes, technical evaluation report, Bills of Quantities, inspection and acceptance committee reports, certificate of practical completions, contract agreements, confidential Business questionnaires and relevant tender security and tender questionnaires.

Consequently, it has not been possible to confirm that procurement procedures were followed in the identification and eventual award of the contracts to various firms which won the tenders and that value for money was realized.

### **3.0 Non-appointment of the Constituency Oversight Committee Members**

The National Government Constituency Development Fund for Lagdera did not appoint Constituency Oversight Committee contrary to Section 53(1) of the NG-CDF Act, 2015. The Fund has therefore, in breach of the National Government Constituency Development Fund Act, 2015.

### **4.0 Unaccounted For Emergency Funds**

The NG-CDF Lagdera allocated Kshs.5,767,647 for emergency projects. Audit review of the expenditure for the emergency fund revealed an amount of Kshs.1,725,000 was used on emergency water trucking services to various settlements within the constituency and also purchases of beds and mattresses. However, there was no written contract agreement signed between the project management committee and the contractor Sangole Construction Company which was awarded the contract. Invoices and delivery notes for beds and mattresses supplied were not made available for audit review. Further, water trucking schedules to various centers within the constituency as well as the work tickets showing the movement of the hired vehicles were not provided for audit scrutiny. Under the circumstances, the propriety and value for money for the expenditure of Kshs.1,725,000 could not be confirmed as at 30 June 2016.

### **5.0 Unaccounted for Bursary Funds**

During the financial year 2015/2016, the NG-CDF Lagdera disbursed bursaries amounting to Kshs.6,267,000 to various institutions in order to benefit needy students. However, Out of the Kshs.6,267,000 an amount of Kshs.3,762,000 disbursed to various institutions has not been acknowledged through official receipts or acknowledgement letters by the beneficiary institutions. Further, cheque dispatch register was not maintained in order to record and trace the cheques issued out to the various institutions.

As a result, it has not been possible to ascertain that the Kshs.3,762,000 benefited the deserving cases as intended and the amount accounted for as at 30 June 2016.

### **Qualified Opinion**

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 – Lagdera Constituency as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standard (Cash Basis) and comply with NG-CDF Act, 2015.

## Other Matter

### 1.0 Budgetary Control and Performance

During the year under review, National Government Constituency Development Fund Lagdera had an approved of Kshs.180,553,714 with Kshs.164,565,137 or 91% and Ksh.15,988,576 or 9% allocated to Development projects and Recurrent expenditure respectively. Out of the Kshs.180,553,714 budgeted for the financial year under review, Kshs.62,948,045 was Unspent balance from 2014/2015.

The budget analysis on budgeted allocation and expenditure by items are reflected in the table below:-

#### 1.1 Development (Projects) Expenditure

Item	Budget Allocation Kshs.	Actual Expenditure Kshs.	Under/Over Absorption Kshs.
<b>Development (Projects)</b>			
Transfer to other Government Units	121,927,722	81,800,887	40,126,835
Other grants & transfers	42,137,415	29,673,692	12,463,723
Other payments	500,000	0	500,000
<b>Totals</b>	<b>164,565,137</b>	<b>111,474,579</b>	<b>53,090,558</b>

#### 1.2 Recurrent Expenditure

Item	Budget Allocation Kshs.	Actual Expenditure Kshs.	% Absorption Kshs.
<b>Administration</b>			
Use of Goods & Services	13,323,007	8,258,860	5,064,147
Employee Compensation	2,665,569	1,428,830	1,236,739
<b>Total</b>	<b>15,988,576</b>	<b>9,687,690</b>	<b>6,300,886</b>

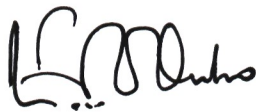
The NG-CDF Lagdera Constituency had budgeted for 39 projects for the financial year 2015/2016. However, by the end of the financial year there was only 37 projects completed and therefore 2 projects were not implemented.

The review of the total budget for the Constituency revealed that the total budget allocation for Development was Kshs.164,565,177 and the actual expenditure was Kshs.111,474,579 with a balance of Kshs.53,090,558 as at 30<sup>th</sup> June, 2016. The total allocation for recurrent was Kshs.15,988,576 but the NG-CDF management spent Kshs.9,687,690 with a balance of Kshs.6,300,886 as unspent balance for recurrent expenditure.

No explanation was given for not using the approved budget in full to benefit the constituents.

## **2.0 Unresolved Prior Years Issues (2014/2015)**

- 2.1 Budgetary Control and performance - the NG-CDF Lagdera under spent an amount of Kshs.51,522,546 as at 30 June, 2015 and no explanation was given for not spending their budget in full for the benefit of the Constituents.
- 2.2 Unaccounted for Goods - An amount of Kshs.3,517,000 were spent. However, no records were provided to show how the stores were received and taken on charge. There were also no quotation opening and evaluation minutes and temporary work tickets for the hired transport provided for audit review.
- 2.3 Unsupported Committee Allowances - An amount of Kshs.1,022,000 was paid in respect of monitoring and evaluation. However, payment vouchers were not supported with relevant documents.
- 2.4 Unsupported Bursary Awards-where bursaries worth Kshs.6,430,000 were not supported with official receipts and acknowledgement letters from the beneficiary institutions.
- 2.5 Unaccounted for Grants - Grants worth Kshs.8,808,000 were not supported with relevant supporting documents and lacked project files and expenditure returns.
- 2.6 Unutilized Girls Secondary School - A total of Kshs.3,999,581 was paid in respect of construction 4 no. classrooms at Modogashe Girls Secondary School. However, the classrooms were not occupied since completion one year ago.
- 2.7 Payment for Emergency Water Trucking Services - Kshs.1,050,000 was spent on emergency water trucking services. However, there were no quotation opening and evaluation minutes, Temporary work tickets, schedules of water trucking activities and registration certificate of the motor vehicle as well the copy of the driver's license.



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

**Nairobi**

**02 February 2018**

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAGDERA  
CONSTITUENCY

Reports and Financial Statements


For the year ended June 30, 2016

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
<b>RECEIPTS</b>			
Transfers from CDF board-AIEs' Received	1	173,081,845.60	59,429,799.90
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
<b>TOTAL RECEIPTS</b>		173,081,845.60	59,429,799.90
<b>PAYMENTS</b>			
Compensation of employees	4	1,428,830.00	1,207,000.00
Use of goods and services	5	8,258,859.82	7,017,500.00
Transfers to Other Government Units	6	81,800,887.44	59,210,814.50
Other grants and transfers	7	29,673,692.00	30,351,080.00
Acquisition of Assets	8	-	-
Other Payments	9	-	-
<b>TOTAL PAYMENTS</b>		121,162,269.26	97,786,394.50
<b>SURPLUS/DEFICIT</b>		51,919,576.34	(38,356,594.60)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The LAGDERA NGCDF financial statements were approved on 8/09/2016 and signed by:

  
\_\_\_\_\_  
Chairman - NGCDFC

  
\_\_\_\_\_  
Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAGDERA  
CONSTITUENCY

Reports and Financial Statements  
For the year ended June 30, 2016

V. STATEMENT OF ASSETS

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	10A	58,171,444.24	7,471,867.90
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	12	1,220,000.00	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>59,391,444.24</b>	<b>7,471,867.90</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July 2015	13	7,471,867.90	45,828,462.00
Surplus/Deficit for the year		51,919,576.34	(38,356,594.10)
Prior year adjustments	14	-	-
<b>NET FINANCIAL POSITION</b>		<b>59,391,444.24</b>	<b>7,471,867.90</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The LAGDERA NGCDF financial statements were approved on 8/09/ 2016 and signed by:

  
\_\_\_\_\_  
Chairman - NGCDFC

  
\_\_\_\_\_  
Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAGDERA  
CONSTITUENCY

Reports and Financial Statements  
For the year ended June 30, 2016

VI. STATEMENT OF CASHFLOW

Receipts for operating income		2015 - 2016	2014 - 2015
Transfers from CDF Board	1	173,081,845.60	59,429,799.90
Other Receipts	3	-	-
<b>Payments for operating expenses</b>			
Compensation of Employees	4	1,428,830.00	1,207,000.00
Use of goods and services	5	8,258,859.82	7,017,500.00
Transfers to Other Government Units	6	81,800,887.44	59,210,814.50
Other grants and transfers	7	29,673,692.00	30,351,080.00
Other Payments	9	-	-
		<b>121,162,269.00</b>	<b>97,786,394.50</b>
<b>Adjusted for:</b>			
Adjustments during the year	14	-	-
<b>Net cash flow from operating activities</b>		51,919,576.34	(38,356,594.60)
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	-	-
<b>Net cash flows from Investing Activities</b>		51,919,576.34	(38,356,594.60)
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
<b>Cash and cash equivalent at BEGINNING of the year</b>	15	7,471,867.90	45,828,462.60
<b>Cash and cash equivalent at END of the year</b>	16	<b>59,391,444.24</b>	<b>7,471,868.00</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The LAGDERA NGCDF financial statements were approved on 8/09/2016 and signed by:

  
\_\_\_\_\_  
Chairman NGCDF

  
\_\_\_\_\_  
Fund Account Manager

For the year ended June 30, 2016

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Transfers from C'DE Board	117,605,669.00	62,948,044.50	180,553,713.50	180,553,713.50	-	100
Proceeds from Sale of Assets	-	-	-	-	-	0
Other Receipts	-	-	-	-	-	0
<b>TOTAL</b>	<b>117,605,669.00</b>	<b>62,948,044.50</b>	<b>180,553,713.50</b>	<b>180,553,713.50</b>	<b>-</b>	<b>100</b>
<b>PAYMENTS</b>						
Compensation of Employees	1,985,879.40	679,690.00	2,665,569.40	1,428,830.00	1,236,739.40	54
Use of goods and services	8,598,630.81	4,724,376.13	13,323,006.94	8,258,859.82	5,064,147.12	62
Transfers to Other Government Units	69,908,434.68	52,019,287.62	121,927,722.30	81,800,887.44	40,126,834.86	67
Other grants and transfers	37,112,724.11	5,204,690.75	42,137,414.86	29,673,692.00	11,463,722.86	70
Acquisition of Assets	-	-	-	-	-	0
Other Payments	-	500,000.00	500,000.00	-	500,000.00	0
<b>TOTAL</b>	<b>117,605,669.00</b>	<b>62,948,044.50</b>	<b>180,553,713.50</b>	<b>121,162,269.26</b>	<b>59,391,444.24</b>	<b>67</b>

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAGDERA  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016 (Kshs'000)**

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**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 NGCDF 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 NGCDF.

**2. Recognition of revenue and expenses**

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

**3. In-kind contributions**

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

**4. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - LAGDERA  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016 (Kshs'000)**

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the NGCDF 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 NGCDF'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 NGCDF'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 CONSTITUENCY DEVELOPMENT FUND - LAGDERA  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016 (Kshs'000)**

**VIII. NOTES TO THE FINANCIAL STATEMENTS**

**1 TRANSFERS FROM CDF BOARD**

<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Normal allocation</b>		
AIE NO.796220	27,738,090.10	7,300,000.00
AIE NO.790755	27,738,086.50	-
AIE NO.796310	10,000,000.00	20,438,086.50
AIE NO.724115	10,000,000.00	14,642,851.90
AIE NO.820593	20,000,000.00	3,953,630.50
AIE NO.820827	28,000,000.00	13,095,231.00
AIE NO.825796	49,605,669.00	-
<b>TOTAL</b>	<b>173,081,845.60</b>	<b>59,429,799.90</b>

**2. PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS**

	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
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>		

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - LAGDERA  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**3. OTHER RECEIPTS**

	2015 - 2016 Kshs	2014 - 2015 Kshs
Interest Received	-	-
Rents	-	-
Receipts from Sale of tender documents	-	-
Other Receipts Not Classified Elsewhere	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4. COMPENSATION OF EMPLOYEES**

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Basic wages of contractual employees	1,304,830.00	1,066,000.00
Basic wages of casual labour	90,000.00	90,000.00
<b>Personal allowances paid as part of salary</b>	-	-
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Other personnel payments	-	17,000.00
Employer contribution to NSSF	34,000.00	34,000.00
gratuity	-	-
<b>Total</b>	<b>1,428,830.00</b>	<b>1,207,000.00</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**5. USE OF GOODS AND SERVICES**

<b>Description</b>	<b>2015 - 2016 Kshs</b>	<b>2014 - 2015 Kshs</b>
Utilities, supplies and services	90,584.10	48,720.00
Office rent	150,000.00	300,000.00
Communication, supplies and services	-	-
Domestic travel and subsistence		
Printing, advertising and information supplies & services	-	-
Rentals of produced assets	-	360,000.00
Training expenses	-	-
Hospitality supplies and services	-	-
Other committee expenses	-	-
Committee allowance	5,296,630.36	4,204,100.00
Insurance costs	-	
Specialised materials and services	-	
Office and general supplies and services	2,721,645.36	2,061,110.00
Fuel ,oil & lubricants	-	-
Other operating expenses	-	43,570.00
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance – other assets	-	-
<b>Total</b>	<b>8,258,859.82</b>	<b>7,017,500.00</b>

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - *LAGDERA*  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Transfers to primary schools	64,300,887.44	42,748,779.50
Transfers to secondary schools	17,500,000.00	7,579,349.00
Transfers to tertiary institutions	-	-
Transfers to health institutions (see attached list)	-	-
<b>-TOTAL</b>	<b>81,800,887.44</b>	<b>59,210,814.50</b>

7. OTHER GRANTS AND OTHER PAYMENTS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bursary – secondary schools	5,797,000.00	5,567,850.00
Bursary – tertiary institutions	470,000.00	15,991,000.00
Bursary – special schools	-	-
Mock & CAT	0	600,000.00
Water projects	-	-
Agriculture projects	-	-
Electricity projects	-	-
Security projects	-	-
Roads projects	9,000,000.00	-
Sports projects	2,352,113.00	1,449,600.00
Environment projects	2,352,113.00	1,453,630.00
Emergency Projects	7,205,466.00	5,289,000.00
Strategic plan	2,497,000.00	-
<b>Total</b>	<b>29,673,692.00</b>	<b>30,351,080.00</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

Non-Financial Assets

	2015 - 2016 Kshs	2014 - 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	-	
Purchase of ICT Equipment, Software and Other ICT Assets	-	
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>-</b>	

9. OTHER PAYMENTS

Specify	2015 - 2016 Kshs	2014 - 2015 Kshs

10A. Bank Balances (cash book balance)

Name of Bank, Account No. & currency	2015 - 2016 Kshs	2014 - 2015 Kshs
First Community Bank, Garissa Branch A/c NO.95767	58,171,444.24	7,471,867.90
	-	-
	-	-
	-	-
	<b>58,171,444.24</b>	<b>7,471,867.90</b>

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - LAGDERA  
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**Reports and Financial Statements**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**10B: CASH IN HAND**

	2015 - 2016	2014- 2015
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other Locations (specify)		

**11. OUTSTANDING IMPREST**

Name Of Officer	Amount Taken	Amount Surrendered	Balance (30/6/2016)
	Kshs	Kshs	
Yussuf Kilas Aden	350,000.00		350,000.00
Fredrick Wesonga	770,000.00		770,000.00
FAM	100,000.00		100,000.00
<b>Total</b>	<b>1,220,000.00</b>		<b>1,220,000.00</b>

**13. BALANCES BROUGHT FORWARD**

Description	2015-16	2014-15
	Kshs. (1/7/2016)	Kshs. (1/7/2015)
Bank accounts	58,171,444.24	7,471,867.90
Cash in hand	-	-
Imprest	1,220,000.00	-
<b>Total</b>	<b>59,391,444.24</b>	<b>7,471,867.90</b>

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - LAGDERA  
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**For the year ended June 30, 2016 (Kshs'000)**

**15. OTHER IMPORTANT DISCLOSURES**

**15.3: OTHER PENDING PAYABLES (See Annex 1)**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Compensation of employees	1,095,739.40	-
Use of goods and services	6,136,689.40	-
Transfer to other government units	36,753,086.24	3,937,500.00
Other grants and transfers	13,685,928.75	3,034,367.90
Acquisition of assets	-	-
Other payments	500,000.00	500,000.00
Total	58,171,444.24	7,471,867.90

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - LAGDERA  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

<b>LAGDERA CONSTITUENCY ASSET REGISTER</b>					
<b>Type of Furniture</b>	<b>Assent Number</b>	<b>Asset Serial Number</b>	<b>Acquisition Date</b>	<b>Cost</b>	<b>Current Condition</b>
1.TABLE	CDF/LAG/T01	-	-	-	GOOD
2.TABLE	CDF/LAG/TO2	-	-	-	GOOD
3.TABLE	CDF/LAG/TO3	-	-	-	GOOD
4.TABLE	CDF/LAG/TO4	-	-	-	GOOD
5.ARM CHAIR	CDF/LAG/AC/01	-	-	-	GOOD
6.ARM CHAIR	CDF/LAG/AC/02	-	-	-	GOOD
7.ARM CHAIR	CDF/LAG/AC/03	-	-	-	GOOD
8.ARM CHAIR	CDF/LAG/AC/04	-	-	-	GOOD
9.OFFICE CHAIR	CDF/LAG/OC/01	-	-	-	GOOD
10.OFFICE CHAIR	CDF/LAG/OC/02	-	-	-	GOOD
11.OFFICE CHAIR	CDF/LAG/OC/03	-	-	-	GOOD
12.OFFICE CHAIR	CDF/LAG/OC/04	-	-	-	GOOD
13.OFFICE CHAIR	CDF/LAG/OC/05	-	„	„	GOOD
14.OFFICE CHAIR	CDF/LAG/OC/06	-	„	„	GOOD
15.OFFICE CHAIR	CDF/LAG/OC/07	-	„	„	GOOD
16.OFFICE CHAIR	CDF/LAG/OC/08	-	„	„	GOOD
17.OFFICE CHAIR	CDF/LAG/OC/09	-	„	„	GOOD
18.OFFICE CHAIR	CDF/LAG/OC/010	-	„	„	GOOD
19.ROTATING OFFICE CHAIR	CDF/LAG/RC/01	-	„	„	POOR
20.OFFICE DESKS	CDF/LAG/OD/01	-	„	„	GOOD
21.OFFICE DESK	CDF/LAG/OD/02	-	-	-	GOOD
22.OFFICE DESK	CDF/LAG/OD/03	-	„	„	GOOD
23.STEEL SHELF CABINET	CDF/LAG/SC/01	-	-	-	POOR
24.STELL SHELF CABINET	CDF/LAG/SC/02	-	„	„	GOOD
25.PHOTOCOPY MACHINE	CSD/LAG/PC/01	-	-	-	POOR
26.PAPER PUNCH	CDF/LAG/PP/01	-	-	-	GOOD

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - LAGDERA  
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**Reports and Financial Statements**

**For the year ended June 30, 2016 (Kshs'000)**

27. SCANNER	CDF/LAG/SC/01	-	-	-	GOOD
28. DESK TOP(HP)	CDF/LAG/DT/01	-	-	-	GOOD
29. PRINTER(HP)	CDF/LAG/PR/01	-	-	-	GOOD
30. WATER DISPENSER	CDF/LAG/WD/01	-	-	-	GOOD
31. five sitter sofa sets	CDF/LAG/SS/01				GOOD
Excecutive table	CDF/LAG/TB/03				GOOD
32. STELL SHELF CABINET	CDF/LAG/SC/003		09.07.2015	45,000	GOOD
33. STELL SHELF CABINET	CDF/LAG/SC/004		09.07.2015	45,000	GOOD
34. STELL SHELF CABINET	CDF/LAG/SC/005		09.07.2015	45,000	GOOD
35. STELL FILLING CABINET(TWO DOORS)	CDF/LAG/SC/006		09.07.2015	60,000	GOOD
35. STELL FILLING CABINET (TWO FILE COMPARTMENT)	CDF/LAG/SC/007		09.07.2015	60,000	GOOD
36. OFFICE EXECUTIVE TABLE TWO SIDED	CDF/LAG/TO5		09.07.2015	25,000	GOOD
37. EXECUTIVE OFFICE CHAIR	CDF/LAG/CH/ O2		09.07.2016	20,000	GOOD
38. HP LAPTOP	CDF/LAG/HPL/ O1		03.02.2016	79,000	GOOD
39. DIGITAL CAMERA	CDF/LAG/DGC/ O1		03.02.2017	21,000	GOOD



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**PROGRESS ON FOLLO UP OF AUDIT 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/OBSERVATION 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	Budget control and performance (under funding)	During the financial year under review the constituency was allocated 110,952,365. however during the audit exercise only 59,429,800 was received from the board but the NG-CDFC office made the request for further funding before the end of financial year. Therefore am sure the projects earmarked will	FAM	Not resolved.	5 <sup>TH</sup> February 2017

2	Unaccounted for grants.	be implemented as planned by the office. During the exercise the projects file under question have not been submitted to the office by the project management committee and they are now available for audit review.	FAM	Not resolved.	5 <sup>TH</sup> February 2017
3	Unsupported bursaries payment.	After scrutiny of bursaries and acknowledgement receipts file we found that only one of the receipts and acknowledgements file was given to the audit team. The other file was not available by then and is now available for verification	FAM	Not resolved.	5 <sup>TH</sup> February 2017
4	Unaccounted for goods and services	The NG-CDF Lagdera submitted payment vouchers with all its supporting documents to the district treasury before any payment is effected. However after consultation with the district treasury we found that some documents attached to the payment voucher	FAM	Not resolved	5 <sup>TH</sup> February 2017

5	Unutilized girls' secondary school.	<p>had been detached during the transportation of the records from one office to the other. Therefore some of the missing documents have been retrieved from their original files and can now be verified.</p> <p>The NG-CDF Lagdera implemented projects in Modogashe Girls' secondary school for the construction of four classrooms. After completing construction, the NG-CDF Lagdera had written to the district education officer requesting for the registration of the school for the enrolment to be done before January 2017. However the district education officer in his letter informed the office that the county education board requested the remaining infrastructures to be completed before registration. We are</p>	FAM	Not resolved.	5 <sup>TH</sup> February 2017
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6	Unsupported committee allowances.	<p>therefore intending to complete the remaining projects proposed by the education board for the school to operate.</p> <p>Prepared vouchers with all the necessary documentations are normally taken to the District treasurer. However some anomalies were noted and corrected for the purpose of verification.</p>	FAM	Not resolved.	5 <sup>TH</sup> February 2017
7	Payments for emergency water tracking services.	<p>During voucher examination the anomalies were noted but the documents required were with the procurement officer who was not in office by then. After consultation the documents have been provided and are now available.</p>	FAM	Not resolved.	5 <sup>TH</sup> February 2017

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “Management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or not resolved by the date of submitting of this report to the National Treasury

PREPARED BY:



YUSSUF KILAS ADEN  
FUND ACCOUNT MANAGER  
LAGDERA CONSTITUENCY

CONFIRMED BY:



MAULID YARE MUKTAR  
CDF CHAIRMAN  
LAGDERA CONSTITUENCY

## **ANNEX 1**

### **compensation of employees**

Employees salaries	1,062,039.00
NHIF	21,300.00
NSSF	12,400.00
<b>TOTAL</b>	<b>1,095,739.00</b>

### **use of good services**

goods and services(admin)	1,775,414.50
admin committee expense	1,293,302.22
M&E goods	662,650.81
M&E committee expenses	905,322.26
PMC capacity building	1,500,000.00
<b>TOTAL</b>	<b>6,136,689.79</b>

### **Transfer to other government units**

<b>2</b>	Elan primary school	1,500,000.00
<b>3</b>	Baraki primary school	23,086.24
<b>5</b>	Wayamo jibril primary	965,000.00
<b>6</b>	Sheikh hajir primary school	965,000.00
<b>7</b>	Dihle primary school	965,000.00
<b>8</b>	Garse primary school	965,000.00
<b>9</b>	Rigdam primary school	1,965,000.00
<b>10</b>	Skansaprimary school	965,000.00
<b>11</b>	Hagar jareer primary school	1,965,000.00
<b>12</b>	Hadun primary school	965,000.00
<b>13</b>	Bullo primary school	965,000.00

15	Ahmed tukale primary school	1,965,000.00
16	Afweine primary school	1,465,000.00
17	Aqalaar primry school	1,965,000.00
18	Jilango primari school	765,000.00
19	Sarta primary school	965,000.00
20	Shabel dula primary school	965,000.00
21	Barfin primary schoool	965,000.00
22	Janju primary school	965,000.00
23	Barkuke primary school	465,000.00
24	Madina primary school	165,000.00
25	Barsaben primary school	1,965,000.00
26	Ali sagaar primary school	965,000.00
27	Modogashe technical institute	10,000,000.00
	<b>Total</b>	<b>36,753,086.24</b>

**other grants and transfers**

1	Bursary secondary	2,485,000.00
2	Bursary tertiary	10,032,431.00
3	Mocks and cats	42,851.00
4	Strategic plan	3,000.00
5	Emergency	622,647.00
6	Audit fee	500,000.00
	<b>TOTAL</b>	<b>13,685,929.00</b>