

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 09 MAY 2019	DAY: THURSDAY
TABLED BY: HON. BENJAMIN WASHALI MAJORITY PARTY WHIP	
CLERK AT THE TABLE: INZOGU MHALU	

PARLIAMENT  
OF KENYA  
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND  
KITUI CENTRAL CONSTITUENCY

FOR THE YEAR ENDED  
30 JUNE 2018

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
KITUI CENTRAL CONSTITUENCY**  
Reports and Financial Statements  
For the year ended June 30, 2018

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**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND KITUI  
CENTRAL CONSTITUENCY**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

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



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)**  
**KITUI CENTRAL CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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**I. CONSTITUENCY INFORMATION AND MANAGEMENT**

**(a) Background information**

The National Government Constituencies Development Fund (NG-CDF) (hereafter referred to as the Fund) formerly Constituencies Development Fund (CDF), is a fund established in 2003 through an Act of Parliament, the Constituencies Development Fund Act, 2003. The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013. The latter was subsequently succeeded by the current NG-CDF Act, 2015. At cabinet level, NG-CDF is represented by the Cabinet Secretary for Devolution, who is responsible for the general policy and strategic direction of the Fund.

**Mandate**

The mandate of the Fund as derived from sec (3) of NG-CDF Act, 2015 is to:

- a) Recognize the constituency as a platform for identification, performance and implementation of national government functions;
- b) Facilitate the performance and implementation of national government functions in all parts of the Republic pursuant to Article 6(3) of the Constitution;
- c) Provide for the participation of the people in the determination and implementation of identified national government development projects at the constituency level pursuant to Article 10(2)(a) of the Constitution;
- d) Promote the national values of human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination and protection of the marginalized pursuant to Article 10 (2) (b) of the Constitution;
- e) Provide for the sustainable development of all parts of the Republic pursuant to Article 10 (2) (d) of the Constitution;
- f) Provide a legislative and policy framework pursuant to Article 21 (2) of the Constitution for the progressive realization of the economic and social rights guaranteed under Article 43 of the Constitution;
- g) Provide mechanisms for the National Assembly to deliberate on and resolve issues of concern to the people as provided for under Article 95 (2) of the Constitution;
- h) provide for a public finance system that promotes an equitable society and in particular expenditure that promotes equitable development of the country by making special provisions for marginalized groups and areas pursuant to Article 201 (b) (iii) of the Constitution;
- i) Authorize withdrawal of money from the Consolidated Fund as provided ' under Article 206 (2) (c) of the Constitution;
- j) Provide mechanisms for the National Assembly to facilitate the involvement of the people in the identification and implementation of projects for funding by the national government at the constituency level; and
- k) Provide for mechanisms for supplementing infrastructure development at the constituency level in matters falling within the functions of the national government at that level in accordance with the Constitution

**Vision**

Equitable Socio-economic development countrywide

**Mission**

To provide leadership and policy direction for effective and efficient management of the Fund

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
KITUI CENTRAL CONSTITUENCY**

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**For the year ended June 30, 2018**

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**Core Values**

1. **Patriotism** – we uphold the national pride of all Kenyans through our work
2. **Participation of the people**- We involve citizens in making decisions about programmes we fund
3. **Timeliness** – we adhere to prompt delivery of service
4. **Good governance** – we uphold high standards of transparency, accountability, equity, inclusiveness and integrity in the service of the people
5. **Sustainable development** – we promote development activities that meet the needs of the present without compromising the ability of future generations to meet their own needs.

**(b) Key Management**

The NGCDF Kitui Central day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NGCDFB)
- ii. National Government Constituency Development Fund Committee (NGCDFC)

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Josephine Mutua
3.	Sub-County Accountant	David Munyao
4.	Chairman NGCDFC	Boniface Kithita
5.	Member NGCDFC	Rose Mbula

**(d) Fiduciary Oversight Arrangements**

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

**(e) NGCDF KITUI CENTRAL Constituency Headquarters**

P.O. Box 732-90200  
Near Deputy County Commissioners office  
Off Kwa Ngindu Road  
Kitui.

**(f) NGCDF KITUI CENTRAL Constituency Contacts**

Telephone: (254) 734909303  
E-mail: kituicentralngcdf@ngcdf.go.ke  
Website: www.ngcdf.go.ke

**(g) NGCDF KITUI CENTRAL Constituency Bankers**

1. National Bank of Kenya  
Kitui Branch  
Account No. 01001052093400  
P.O. Box 166,  
Kitui.

...

**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**

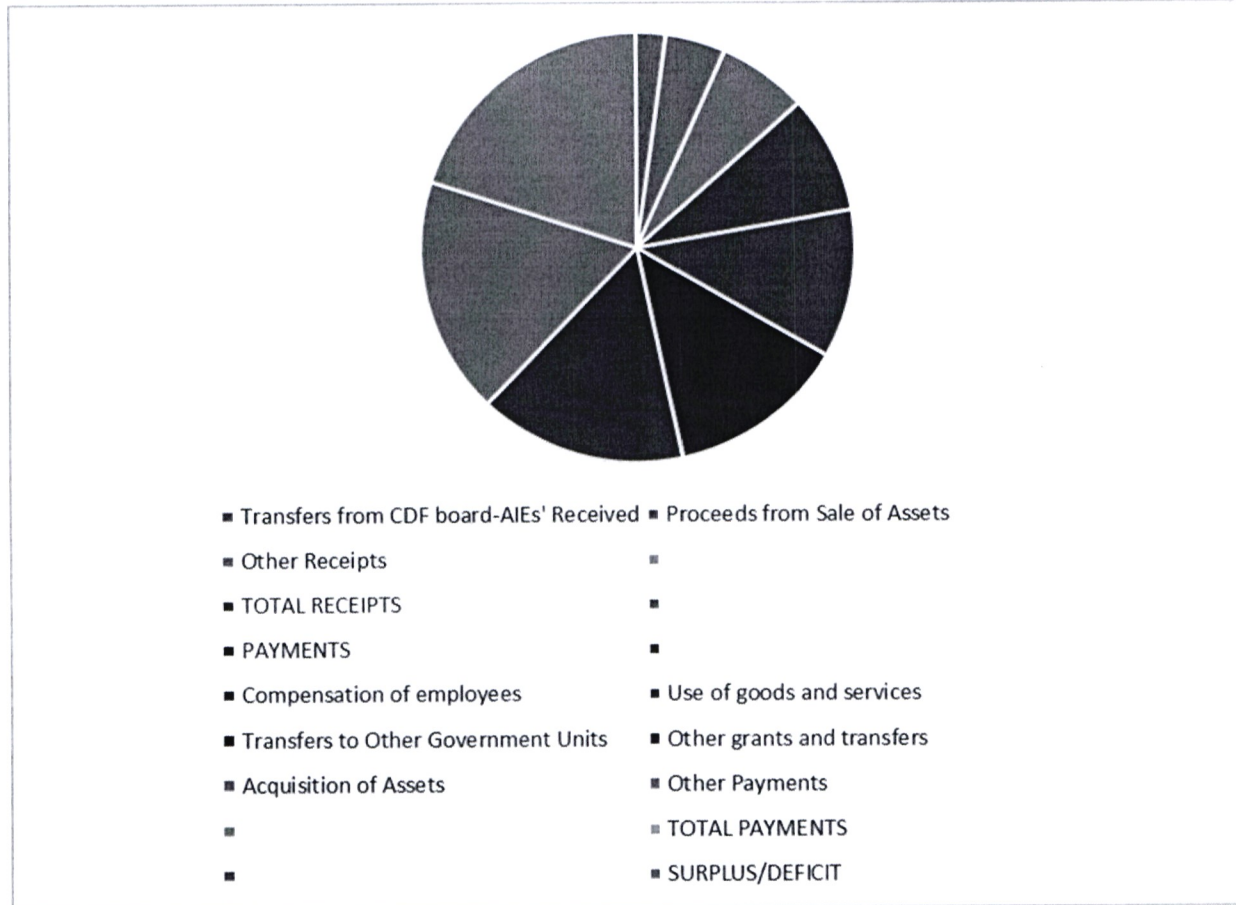
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
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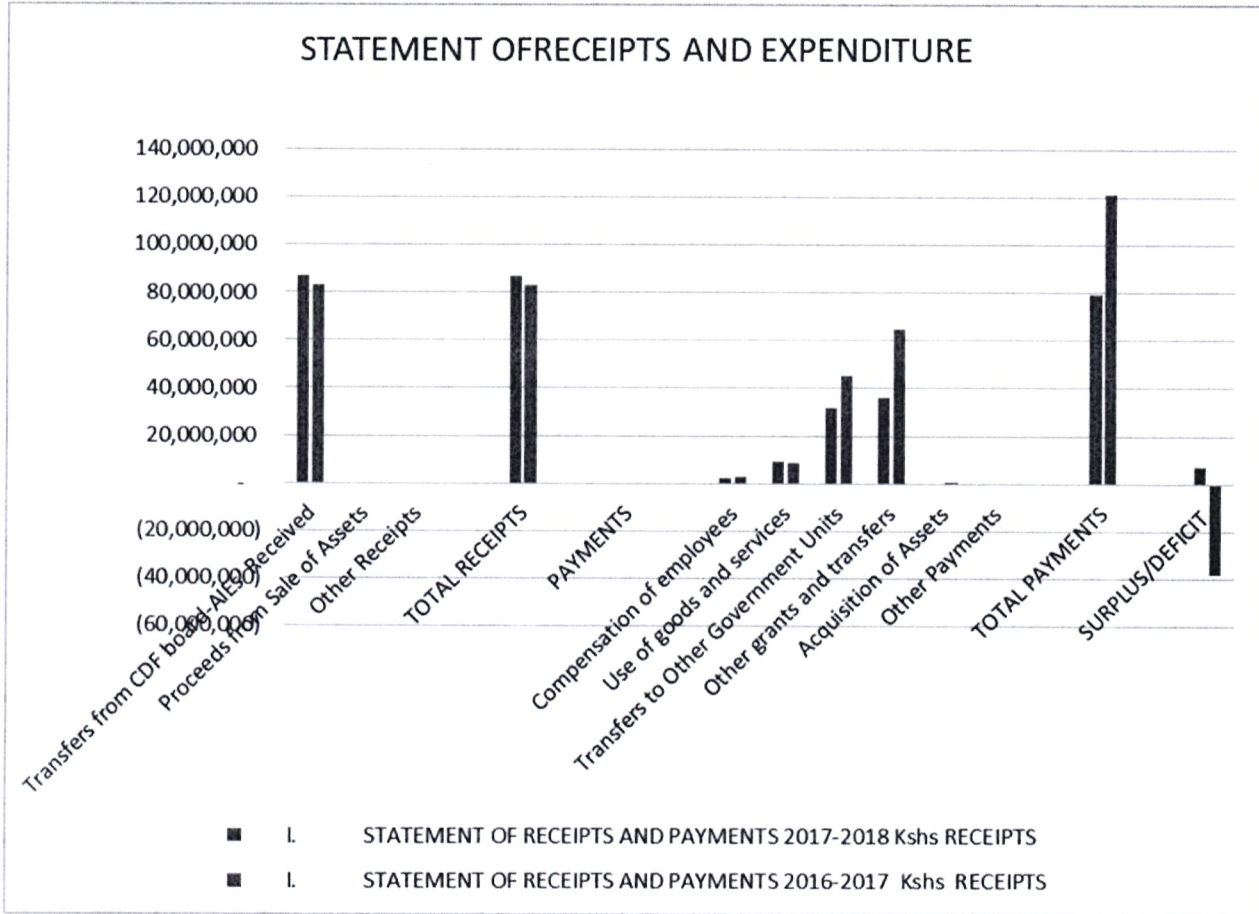
**II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE**

The Budget performance is graphically highlighted below



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
KITUI CENTRAL CONSTITUENCY**

**Reports and Financial Statements  
For the year ended June 30, 2018**



***NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)***  
***KITUI CENTRAL CONSTITUENCY***  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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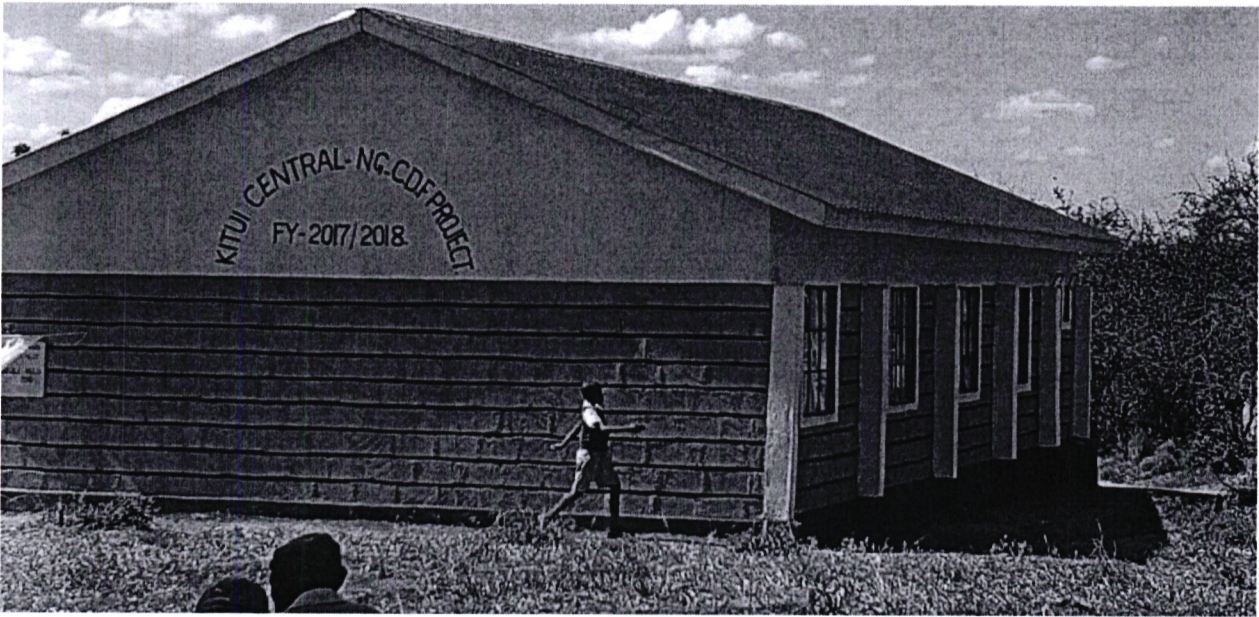
**KEY ACHIEVEMENTS (SOME OF OUR SUCCESSFUL PROJECTS)**



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
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***NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)***  
***KITUI CENTRAL CONSTITUENCY***  
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Some of the challenges we faced during project implementation was community being misinformed about what the NGCDF Act says about the management of the fund, the projects which we are required to fund and also their role in implementation and to counteract this we have embraced a culture of thorough capacity building of the community members that is the project management committees before and even during the implementation process

*Sign* 

**CHAIRMAN NGCDF COMMITTEE**

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)**

**KITUI CENTRAL CONSTITUENCY**

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**For the year ended June 30, 2018**

**III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the NGCDF-KITUI CENTRAL Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018 This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the NGCDF-KITUI CENTRAL Constituency accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the NGCDF-KITUI CENTRAL Constituency further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the NGCDF-KITUI CENTRAL Constituency confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The NGCDF-KITUI CENTRAL Constituency financial statements were approved and signed by the Accounting Officer on \_\_\_\_\_ 2018.



**Fund Account Manager**  
Name: Josephine Mutua



**Sub-County Accountant**  
Name: David Muniyao  
ICPAK Member Number: 13402

# 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 - KITUI CENTRAL CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of the National Government Constituencies Development Fund- Kitui Central Constituency set out on pages 10 to 29, which comprise statement of assets and liabilities as at 30 June 2018 and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of National Government Constituencies Development Fund- Kitui Central Constituency as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act no.30 of 2015.

#### Basis for Qualified Opinion

##### 1.0 Cash and cash equivalents

##### 1.1 Stale Cheques

The statement of assets and liabilities for the year ended 30 June 2018 reflects Kshs.7,850,817 being cash and cash equivalents as at 30 June 2018. However, the respective bank reconciliation statement showed that excluded in the Kshs.7,850,817 balance are stale cheques totaling to Kshs.238,000 which had not been written back to the cash book or replaced as at 30 June 2018.

In the circumstances, the reported cash and cash equivalents balance of Kshs.7,850,817 as at 30 June 2018 is understated by Kshs.238,000.

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*Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund- Kitui Central Constituency for the year ended 30 June 2018*

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund- Kitui Central Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **1.0 Budgetary Controls and Performance**

##### **1.1 Receipts**

The combined summary statement of appropriation recurrent and development reflects approved budgeted receipts of Kshs.98,822,630 and actual receipts of Kshs.87,443,320 resulting to an unrealized revenue of Kshs.11,379,310 or 12% for the year ended 30 June 2018.

Overall, the Fund failed to actualize its budget by Kshs.11,379,310 or 12% an indication that some of the programmes and activities that had been planned were not implemented. There is need therefore for Constituency Development Fund management to review its budget making process with a view to formulating a realistic budget that would be actualized for service delivery to the citizens of Kitui Central Constituency.

In the circumstances the residents of the Constituency did not get expected services equivalent to the Kshs. 11,379,310 being unrealized exchequer releases from the board for the year ended 30 June 2018.

##### **1.2 Expenditure**

The combined summary statement of appropriation - recurrent and development reflects approved expenditure budget of Kshs.98,822,630 and actual expenditure of Kshs.79,592,502 resulting to under absorption of Kshs.19,230,128 or 19 % as detailed below:

## Expenditure Analysis

Item	Final Budget (Kshs)	Actual Kshs)	Under Expenditure (Kshs)	% Under Expenditure
Compensation of employees	2,871,000	1,996,672	874,328	30
Use of goods and services	9,599,044	9,316,124	282,920	3
Transfers to other Government entities	34,250,000	32,100,000	2,150,000	6
Acquisition of assets	5,500,000	0.00	5,500,000	100
Other grants and transfer	46,602,586	36,179,706	10,422,880	22
<b>Total</b>	<b>98,822,630</b>	<b>79,592,502</b>	<b>19,230,128</b>	<b>19</b>

In overall, the Fund under spent its budget by Kshs. 19,230,128 of the total budget allocation. The funds could have been allocated to other deserving areas that would have improved delivery of goods and services to the residents of Kitui Central Constituency. There is need therefore for the management to re-look at its budgeting mechanism with a view to focusing on areas which will improve service delivery to the citizens of Kitui Central.

In the circumstances the residents of Kitui Central Constituency did not get expected services equivalent to the Kshs.19,230,128 under expenditure for the year ended 30 June 2018.

## 2.0 Project Implementation Status

During the year under review, the Fund disbursed Kshs.38,522,206 to twenty-eight (28) projects within the constituency. However, twenty-six projects worth Kshs.37,322,206 were completed and in use while two (2) projects, amounting to Kshs.1,200,000 were ongoing as at the end of the financial year under review as analyzed below:

Sector	Project Status	Amount Allocated (Kshs)	Amount Disbursed (Kshs)	No. of Projects
Education	Completed	32,100,000	32,100,000	19
	Ongoing			0
	Not Started			0

<b>Sector</b>	<b>Project Status</b>	<b>Amount Allocated (Kshs)</b>	<b>Amount Disbursed (Kshs)</b>	<b>No. of Projects</b>
<b>Emergency</b>	Completed	1,750,000	1,750,000	4
	Ongoing			
	Not Started			
<b>Security</b>	Completed			0
	Ongoing	1,200,000	1,200,000	2
	Not Started			
<b>Environment</b>	Completed	1,736,206	1,736,206	2
	Ongoing			
	Not Started			
<b>Sports</b>	Completed	1,736,000	1,736,000	1
	Ongoing			
	Not Started			
	<b>Total</b>	<b>38,522,206</b>	<b>38,522,206</b>	<b>28</b>

In view of the foregoing, the constituents did not get the expected services equivalent to the two (2) ongoing projects totaling to Kshs.1,200,000 for the year ended 30 June 2018. This is an indication of inappropriate project implementation mechanism. Therefore, there is need for the Constituency Development Fund management to review its project planning mechanism with a view to prioritizing those projects which will be implemented during the financial year resulting to higher impact in improving service delivery to the citizen of Kitui Central Constituency.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1.0 Strategic Plan

Note 3 to the financial statements reflects Kshs.9,316,124 in respect to use of goods and services which includes Kshs.2,992,480 spent on strategic plan. However, procurement documents availed for audit review revealed that the procurement method applied was use of quotation which is against public procurement and disposal (Amendment) regulation 2013 under threshold matrix C which requires the entity to use request for quotations up to an expenditure of Kshs.500,000.

In the circumstance, the Fund is in breach of the law.

## **2.0 Training allowances**

Note 3 to the financial statements reflects Kshs.600,000 in respect to training expenses which includes Kshs.400,500 paid to a resort in Kilifi for provision of accommodation to fifteen participants for a three days training. However, the resort was not in the list of the Fund's prequalified firms to offer accommodation facilities contrary to Section 95(3) of public procurement and asset disposal Act, 2015 which requires entities to invite tenders from only approved firms which are pre-qualified.

In the circumstance, the Fund is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, except for the matter described in the Basis for Qualified opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSA 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance was operating effectively, in all material respects.

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

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

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund's or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion about whether, in all material respects, the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

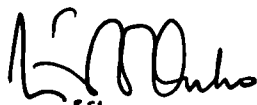
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue offering services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**12 April 2019**

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
KITUI CENTRAL CONSTITUENCY  
Reports and Financial Statements  
For the year ended June 30, 2018**

**IV. STATEMENT OF RECEIPTS AND PAYMENTS**

	Not e	2017 - 2018 Kshs	2016 - 2017 Kshs
<b>RECEIPTS</b>			
Transfers from NGCDF board	1	86,810,345	83,096,552
Proceeds from Sale of Assets			
Other Receipts			
<b>TOTAL RECEIPTS</b>		<b>86,810,345</b>	<b>83,096,552</b>
<b>PAYMENTS</b>			
Compensation of employees	2	1,996,672	2,841,625
Use of goods and services	3	9,316,124	8,447,709
Transfers to Other Government Units	4	32,100,000	45,405,172
Other grants and transfers	5	36,179,706	64,727,588
Acquisition of Assets	6	-	133,576
<b>TOTAL PAYMENTS</b>		<b>79,592,502</b>	<b>121,555,670</b>
<b>SURPLUS/(DEFICIT)</b>		<b><u>7,217,843</u></b>	<b><u>(38,459,118)</u></b>

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



**Fund Account Manager  
Name: Josephine Mutua**



**Sub-County Accountant  
Name: David Munyao  
ICPAK Member Number: 13402**

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**Reports and Financial Statements**  
**For the year ended June 30, 2018**

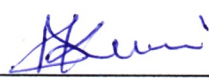
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**V.STATEMENT OF ASSETS AND LIABILITIES**

	Note	2017 - 2018 Kshs	2016 - 2017 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	7	7,850,817	632,975
<b>Total Cash and Cash Equivalents</b>		<b>7,850,817</b>	<b>632,975</b>
Current receivables - Outstanding Imprests	-	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>7,850,817</b>	<b>632,975</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts payable - Retention		-	-
<b>NET FINANCIAL ASSETS</b>		<b>7,850,817</b>	<b>632,975</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July...	8	632,975	39,092,093
Surplus/Defict for the year		7,217,843	(38,459,118)
Prior year adjustments		-	-
<b>NET FINANCIAL POSITION</b>		<b>7,850,817</b>	<b>632,975</b>

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

\_\_\_\_\_  
**Fund Account Manager**  
**Name: Josephine Mutua**

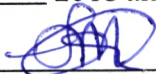
  
 \_\_\_\_\_  
**Sub-County Accountant**  
**Name: David Munyao**  
**ICPAK Member Number: 13402**

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
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**V. STATEMENT OF CASHFLOW**

Receipts for operating income		2017 - 2018	2016 - 2017
Transfers from NGCDF Board	1	86,810,345	83,096,551.70
		<b>86,810,345</b>	83,096,551.70
<b>Payments for operating expenses</b>			
Compensation of Employees	2	1,996,672	2,841,625
Use of goods and services	3	9,316,124	8,447,708.92
Transfers to Other Government Units	4	32,100,000	45,405,172.00
Other grants and transfers	5	36,179,706	64,727,588.00
		<b>(79,592,502)</b>	<b>(121,422,093.92)</b>
<b>Adjusted for:</b>			
<b>Net cash flow from operating activities</b>		<b>7,217,843</b>	<b>(38,325,542.22)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
		-	-
Acquisition of Assets	6	-	(133,576)
<b>Net cash flows from Investing Activities</b>		-	<b>(133,576)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>7,217,843</b>	<b>(38,459,118.22)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	<b>8</b>	<b>632,975</b>	<b>39,092,092.72</b>
<b>Cash and cash equivalent at END of the year</b>		<b><u>7,850,817</u></b>	<b><u>632,975</u></b>

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



**Fund Account Manager  
Name: Josephine Mutua**



**Sub-County Accountant  
Name: David Munyao  
ICPAK Member Number: 13402**

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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**Reports and Financial Statements**

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**VI. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

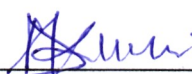
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>
<b>RECEIPTS</b>						
Transfers from NGCDF Board	86,810,345	12,012,285	98,822,630	87,443,320	11,379,310	90%
Proceeds from Sale of Assets						
Other Receipts						
<b>PAYMENTS</b>						
Compensation of Employees	2,391,000	480,000	2,871,000	1,996,672	874,328	70%
Use of goods and services	8,421,931	1,177,113	9,599,044	9,316,124	282,920	97%
Transfers to Other Government Units	32,100,000	2,150,000	34,250,000	32,100,000	2,150,000	94%
Other grants and transfers	38,397,414	8,205,172	46,602,586.41	36,179,706	10,422,880	78%
Acquisition of Assets	5,500,000		5,500,000		5,500,000	0%
Other Payments						
<b>TOTALS</b>	<b>86,810,345</b>	<b>12,012,285</b>	<b>98,822,630</b>	<b>79,592,502</b>	<b>19,230,128</b>	

Below is a commentary on significant underutilization (below 90% of utilization)

- i. Compensation of employees-Employees were hired during the last quarter of the financial year.
- ii. Acquisition of Assets- purchase of a new motor vehicle could not be done without authority to donate the old one which had not been granted by the NGCDF board. Other monies for other grants and transfers were received after the end of the financial year
- iii. The difference between 87,443,320 and 86,810,345 is as a result of the balance B/F of Kshs 632,975.

The NGCDF-KITUI CENTRAL Constituency financial statements were approved on \_\_\_\_\_ 2018 and signed by:

\_\_\_\_\_  
Fund Account Manager  
Name: Josephine Mutua

  
\_\_\_\_\_  
Sub-County Accountant  
Name: David Munyao  
ICPAK Member Number: 13402

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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**VII. SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

**2. Reporting Entity**

The financial statements are for the NGCDF-KITUI CENTRAL Constituency. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012

**3. Reporting Currency**

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

**4. Significant Accounting Policies**

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

**a) Recognition of Receipts**

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

**Tax Receipts**

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

**Transfers from the Exchequer**

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

## **SIGNIFICANT ACCOUNTING POLICIES**

### **External Assistance**

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

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

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

During the year ended 30<sup>th</sup> June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

### **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

## **b) Recognition of payments**

The Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

### **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

### **Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

### **Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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**SIGNIFICANT ACCOUNTING POLICIES**

**5. In-kind contributions**

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**6. Cash and Cash Equivalents**

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

**7. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**8. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

**9. Pending Bills**

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

**10. Unutilized Funds**

Unutilized funds consist of bank balances in the constituency account and previous year(s) balances not yet disbursed by the Board to the constituency at the beginning of the financial year. These balances are available for use in the year under review to fund projects approved in the respective prior financial years consistent with sec 6(2) and sec 7(1) of NGCDF Act, 2015.

**SIGNIFICANT ACCOUNTING POLICIES**

**11. Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2017 for the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018 as required by Law and there was one supplementary adjustment to the original budget during the year. Included in the adjustments are the unutilized funds.

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

**12. Comparative Figures**

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

**13. Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2018.

**14. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 14 explaining the nature and amounts.

**15. Related Party Transactions**

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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**VIII. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description		2017-2018	2016-2017
		Kshs	Kshs
NGCDF Board			
AIE NO 855878	1	5,500,000	1,200,000
AIE NO 892774	2	37,905,172	4,094,827.6
AIE NO 896861	3	42,868,965.92	36,853,449
AIE NO 896951	4	536,206.90	40,948,275.
<b>TOTAL</b>		<b>86,810,345</b>	<b>83,096,552</b>

**2. COMPENSATION OF EMPLOYEES**

	2017-2018	2016-2017
	Kshs	Kshs
Basic wages of contractual employees	1,115,362	2,187,101
Gratuity	881,310	654,524
<b>Total</b>	<b>1,996,672</b>	<b>2,841,625</b>

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
CENTRAL CONSTITUENCY**

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**3. USE OF GOODS AND SERVICES**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Committee Expenses	3,925,700	4,166,000
Utilities, supplies and services	383,000	725,500
Communication, supplies and services	51,000	270,000
Domestic travel and subsistence	84,000	138,000
Printing, advertising and information supplies & services	59,900	88,000
Electricity	4020	-
Training expenses	600,000	388,800
Strategic Plan	2,992,480	-
Fuel ,oil and Lubricants	339,600	590,400
Water and sewerage charges	21,128	-
Office and general supplies and services	479,000	522,000
Other operating expenses	94,611	383,799.92
Routine maintenance – vehicles and other transport equipment	218,000	1,055,209
Routine maintenance – other assets	30,000	120,000
Bank charges	33,685	
<b>Total</b>	<b>9,316,124</b>	<b>8,447,708.92</b>

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to primary schools	27,600,000	25,700,000
Transfers to secondary schools	4,500,000	16,300,000
Transfers to tertiary institutions		3,405,172
<b>TOTAL</b>	<b>32,100,000</b>	<b>45,405,172</b>

**5. OTHER GRANTS AND OTHER PAYMENTS**

	2017-2018	2016- 2017
	Kshs	Kshs
Bursary – secondary schools	29,617,500	23,904,500
Bursary – tertiary institutions	140,000	4,786,500
others	-	3,300,000
Electricity	-	7,000,000
Security projects	1,200,000	6,300,000
Sports projects	1,736,000	3,716,900
Environment projects	1,736,206	1,620,688
Emergency projects	1,750,000	4,399,000
Water projects		9,700,000
<b>Total</b>	<b>36,179,706</b>	<b>64,727,588</b>

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**6. ACQUISITION OF ASSETS**

**Non Financial Assets**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Office Furniture and General Equipment	-	133,576
<b>Total</b>	-	133,576

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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7. Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2017-2018	2016-2017
	Kshs	Kshs
<i>Name of Bank, Account No. 01001052093400</i>	7,850,817	632,975
<b>Total</b>	<b>7,850,817</b>	<b>632,975</b>

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**8. BALANCES BROUGHT FORWARD**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	632,975	39,092,092.72
<b>Total</b>	<u>632,975</u>	<u>39,092,092.72</u>

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**15. OTHER IMPORTANT DISCLOSURES**

**15.1: PENDING ACCOUNTS PAYABLE**

	2017- 2018 Kshs	2016-2017 Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
	<u>-</u>	<u>-</u>

**15.2: PENDING STAFF PAYABLES**

	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others ( <i>specify</i> )	-	-
	<u>-</u>	<u>-</u>

**15.3: UNUTILIZED FUNDS (See Annex 1)**

	Kshs	Kshs
Compensation of employees	874,328	200,000
Use of goods and services	282,900	432,975
Amounts due to other Government entities (see attached list)	2,150,000	
Amounts due to other grants and other transfers (see attached list)	10,422,880	
Acquisition of assets	5,500,000	
	<u>19,230,128</u>	<u>632,975</u>

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – KITUI  
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

15.4: PMC account balances (See Annex 3)

	<b>2017- 2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
PMC account Balances	9,494,660.50	7,183,629
	9,494,660.50	7,183,629



NATIONAL GOVERNMENT ENTITY – KITUI CENTRAL CONSTITUENCY.  
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ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2016/17	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2017/18
Land, Buildings and structures	3,600,000	-	-	3,600,000
Transport equipment	3,087,000	-	-	3,087,000
Office equipment, furniture and fittings	1,271,076	-	-	1,271,076
ICT Equipment, Software and Other ICT Assets	718,041	-	-	718,041
Other Machinery and Equipment	600,000	-	-	600,000
<b>Total</b>	<b>9,276,117</b>			<b>9,276,117</b>

**NATIONAL GOVERNMENT ENTITY –KITUI CENTRAL CONSTITUENCY**  
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**ANNEX 3 –PMC BANK BALANCES AS AT 30<sup>TH</sup> JUNE 2018**

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
St Pauls Mutula Secondary School	Co-operative bank	01139810412400	1,238,610.25	-
Mutula Assistant Chiefs office	Co-operative bank	01141810412300	272,775.25	-
Yakalia Primary School		01139810412200	1,150,760	-
Kavuti primary school	National bank	01022117821900	750,000	-
St Pauls Kasyala Secondary School	Co-operative bank	01139810410800	1,969,560	-
Kilungu primary school	National bank	01024123055100	473,000	-
Wii primary school	National bank	010247128673200	960,600	8,250
Ilooi primary school	National bank	01022205483000	26,250	-
Unyaa primary school	National bank	01022205524900	28,750	-
Tiva primary school	National bank	01022205503600	914,745	-
Ithimani primary school	National bank	01022205506400	1,201,250	-
AIC Katisaa primary school	National bank	01024128693000	12,385	-
Mulundi primary school	National bank	01022205742300	54,550	-
Nduumoni Primary School	National bank	01022069358200	7,250	-
Matunguni primary school	National bank	01022117806000	251,450	-
Kwa Mutheke Assistant Chiefs Office	National bank	01020205568800	182,725	-
<b>Total</b>			<b>9,494,660.50</b>	<b>8,250</b>

**NATIONAL GOVERNMENT ENTITY – KITUI CENTRAL CONSTITUENCY.**

**Reports and Financial Statements**

**For the year ended June 30, 2017 (Kshs'000)**

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
EH/AU D/NG-CDF/KITUI C. /2016-2017/9	Incomplete project :Kiluma Primary School	Omissions were done after a request by the PMC and after a subsequent variation done by the public works engineer that the contractor omits some parts of the bills of quantities and make good the roofing. Please note that the cost of the omissions was less than the additional work	Josephine (FAM)	Resolved	
EH/AU D/NG-CDF/KITUI C. /2016-2017/9	<b>Budget and budgetary control</b>	Some Kshs 632,975 were not spent at the end of the financial year because the funds were meant for use of goods and services and payment of staff salaries.	Josephine (FAM)	Resolved	
EH/AU D/NG-CDF/KITUI C. /2016-2017/9	<b>Project Implementation Status</b>	Projects worth Kshs 4,700,000 were not complete by the end of the financial year note that they were mega project and are now complete and in use	Josephine (FAM)	Resolved	

