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REPORT

OF



THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT CONSTITUENCIES  
DEVELOPMENT FUND BOARD

FOR THE YEAR ENDED  
30 JUNE 2018

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 13 2018

DAY: Thursday

TABLED BY: Majority Whip

CLERK-AT-THE-TABLE: Getrude Chebet



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NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018

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

# NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

Table of Content	Page
I. KEY NGCDF INFORMATION AND MANAGEMENT .....	2
II. THE BOARD OF DIRECTORS .....	8
III. MANAGEMENT TEAM .....	10
IV. CHAIRMAN'S STATEMENT .....	13
V. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	14
VI. CORPORATE GOVERNANCE STATEMENT .....	17
VII. MANAGEMENT DISCUSSION AND ANALYSIS.....	19
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....	22
IX. REPORT OF THE DIRECTORS .....	26
X. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	27
XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018.....	29
XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018.....	30
XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018 .....	31
XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2018 .....	32
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	33
NOTES TO THE FINANCIAL STATEMENTS .....	35

## I. KEY NGCDF INFORMATION AND MANAGEMENT

### (a) Background information

The National Government Constituencies Development Fund (NGCDF) is established under the National Government Constituencies Development Fund (Amendment) Act, 2015. The NG-CDF is under the National Treasury and Planning. The objective of the Fund is to provide mechanisms for supplementing implementation of the National Government development Agenda at the constituency level.

The Fund's overall management is the responsibility of the NGCDF Board. While the supervision and coordination is done by National Treasury and Planning.

The Board has aligned the operations of the Fund with new Act and the Constitution. The Board launched its new strategic plan on 16<sup>th</sup> August 2016 for the planning period 2016/2017 to 2020/2021. The Board also attained ISO 9001:2008 certification in March 2016 whose unveiling was done on the same date 16<sup>th</sup> August 2016.

### (b) Principal Activities

As outlined in the NGCDF Act 2015 the Board's core mandate and responsibilities include:

- Ensuring timely and efficient disbursements of funds to every constituency
- Ensuring efficient management of the fund
- Receiving and discussing annual reports and returns from the constituencies
- Ensuring the compilation of proper records, returns and reports from the constituencies
- Receiving and addressing complaints and disputes, and taking appropriate action
- Considering project proposals submitted from various constituencies in accordance with the Act, approving for funding for those projects proposals that are consistent with the Act and sending funds to respective Constituency Fund accounts of the approved projects.

The Board will provide strategic direction in the management, use and accountability of monies drawn from the Fund. The Board therefore aspires to the following Vision, Mission and Core Values in meeting its mandate.

## **VISION**

Equitable Socio-economic development countrywide

## **MISSION**

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

## **CORE VALUES**

1. **Transparency and accountability**
2. **Professionalism and integrity**
3. **Commitment and teamwork**
4. **Neutrality and objectivity**
5. **Timeliness and excellence**
6. **Advocacy for citizen participation**

## **KEY STRATEGIC OBJECTIVES**

1. To improve operational efficiency and effectiveness in service delivery
2. To Strengthen Institutional Capacity (skills, numbers and work environment)
3. To ensure efficient and effective project management
4. Enhance good governance
5. Promote effective communication and appropriate partnership

## **STRATEGIC GOALS**

- a) Continue Automation of Board's operations
- b) Improve performance management
- c) Implement quality management systems
- d) Improve accounting system
- e) Strengthen research capacity to support evidence based decision making
- f) Strengthening Audit and risk management
- g) Strengthen disaster responsiveness and management
- h) streamline the organizational structure
- i) develop capacity of staff
- j) Develop and implement a talent management and succession planning strategy
- k) improve on the work environment
- l) Promote public participation in project identification and implementation
- m) Promote timely submission and approval of project proposals

- n) Promote prioritization of on-going projects in allocation of Funds
- o) Improve collaboration with technical officers from relevant government agencies
- p) Improve management of transition of NG-CDFC's in relation to resources and projects
- q) widen projects scope and strengthen collaboration with MDAs
- r) Promote openness and accountability in management of the Fund
- s) Promote compliance with applicable laws, regulations and standards.
- t) Adopt Transformative Leadership
- u) Mainstream Cross cutting issues and public participation
- v) Enhance engagement with internal & external stakeholders
- w) Enhance Media Relations
- x) Enhance relations with other Government agencies
- y) Enhance Media monitoring

#### **STRATEGIC PROGRAMMES**

- a) Design, Develop & Rollout Management information systems
- b) Further installation of appropriate ICT network infrastructure and improve their security
- c) Develop and implement annual performance contract for the board, cascade to constituencies
- d) Operationalize M&E Unit and review M&E framework
- e) Develop constituencies factsheets and conduct monitoring & evaluation of Boards' operations
- f) Continuously carry out QMS audits to maintain certification and carry out recertification audit for organization
- g) Develop and disseminate accounting manual for constituencies and establish constituencies accounting unit at Headquarters
- h) Train staff and key stakeholders on public finance management and reporting
- i) Prepare/review annual financial statements and implement audit recommendations
- j) Receive and review financial returns and update the assets register
- k) Establish and operationalize a research and policy Unit and establish and operationalize a resource centre
- l) Establish a Risk management Unit, conduct risk assessment and carryout Risk Response planning
- m) Develop a disaster preparedness and management manual and train constituencies on Disaster Risk Reduction and Response Mechanism
- n) Develop & issue guidelines on community managed disaster risk reduction (CMDRR)
- o) Review and implement an organizational structure, conduct work load analysis to establish optimal staffing levels and recruit more staff

- p) Conduct Training Needs Assessment and develop and implement an annual training plan
- q) Conduct work environment survey and employee satisfaction survey and implement feasible recommendations
- r) Acquire additional office space
- s) Develop and issue guidelines on public participation & identification of projects; submission of project proposals; Projects and release of funds; Project funds absorption; Management of incomplete & on-going projects during NG-CDFCs transitions and Residual Projects
- t) Develop collaboration framework for the NG-CDFCs and government technical officers
- u) Establish a liaison office to enhance operations of the Board, Ministries and National Assembly
- v) Train NG- CDFCs
- w) Develop and implement policy on documentation and dissemination of constituency best practices
- x) Evaluate constituencies' performance, publicize top performers and showcase the best practices in implementation of projects
- y) Implement Mwongozo code of governance and ensure compliance with all tendering and procurement requirements
- z) Facilitate access to information and publish constituency financial and project reports on a timely basis
- aa) Convene regular stakeholder forums/awareness campaigns, open days and road shows and participate in Corporate Social Responsibility activities
- bb) Update the Boards website and social media presence and participate in relevant television and radio programmes to enhance the profile of the NG-CDF
- cc) Review and implement service charter and Corporate Identity Manual
- dd) Participate in relevant exhibitions and conferences and organize media events ( press conferences, media tours, workshops, breakfast meetings) to clarify and explain issues to the media on newsworthy events
- ee) Carry out customer satisfaction survey and implement feasible recommendations

#### **KEY STRATEGIC PRIORITIES**

- Improve the implementation, Monitoring and Evaluation projects
- Come up with strategies to develop and turnaround for under-performing Constituencies
- Ensure timely availability and disbursement of Funds to Constituencies
- Develop and implement guidelines for project implementation that are in line with existing procurement laws and regulations
- Develop sound financial controls in line with Finance management Act of 2012 and in compliance with Office of the Auditor General Requirements

**(c) Key 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 as follows:

S/NO	NAME	TITLE
1.	Yusuf Mbuno	Ag.Chief Executive Officer
2.	Venazio Gachara	Senior Accountant
3.	Polly Maingi	Senior Accountant

**(d) Fiduciary Oversight Arrangements**

- i. Board of Directors
- ii. Internal Audit Department

**(e) Registered office**

NGCDF headquarters  
Harambee Plaza Building  
5<sup>th</sup> Floor  
Telephone No. 2230015/19/27  
Haille Sellasie/Uhuru Highway Junction.  
P.O. Box 46682 – 00100 **NAIROBI**

**(f) Contacts**

Telephone : (020) 2230015/9, 2230027  
E-mail : [info@ngcdf.go.ke](mailto:info@ngcdf.go.ke)  
Website: [www.ngcdf.go.ke](http://www.ngcdf.go.ke)

**(g) NGCDF Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

Kenya Commercial Bank Ltd  
Kipande House  
Kenyatta Avenue  
P.O. Box 30012 – 00100  
Nairobi

Co-operative Bank of Kenya  
Cannon House  
Parliament Road  
P.O. Box 5772-00200  
Nairobi.




**Independent Auditors**

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




**(h) Principal Legal Adviser**

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





II. THE BOARD OF DIRECTORS





	NAME	ACADEMIC	APPOINTMENT
1.	 Robert Nyariki Momanyi Masese Alternate Director to the Principal Secretary Ministry of Education D.O.B.- May 19, 1956	<ul style="list-style-type: none"> <li>• Master in Education, Management and Planning</li> <li>• Bachelor of Science Education</li> </ul>	Appointed 26.02.2016
2	 Mumbi Githaiga Mahinda Alternate director to Attorney General D.O.B.-March 13, 1975	<ul style="list-style-type: none"> <li>• Masters in Law</li> </ul> Previously served in the following Boards: <ul style="list-style-type: none"> <li>• Kenya Broadcasting Corporation (KBC)</li> <li>• Sports Stadia Board</li> <li>• Brand Kenya Board</li> </ul>	Advocate Appointed 07.04.2014
3	 Kennedy Ogendi Ondieki Alternate Director to the Cabinet Secretary , the National Treasury D.O.B.-1967	Masters	Appointed 14.10.2015



NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

4	 <p>Joseph Njihia Mukui Alternate Director to the Principal Secretary , State Department of Planning and Statistics , Ministry of Devolution and Planning D.O.B.- June 16, 1958</p>	Masters	Has been serving for over five years, reappointed on 07.01.2016
6	 <p>Yusuf Mbuno Ag. Chief Executive Officer D.O.B.-April 27, 1966</p>	<p>Master of Arts – Economics Bachelor of Arts – Economics Certificate in Project Planning &amp; Management</p>	Appointed in 2011
7	 <p>Simon Ndweka Secretary to the Board D.O.B.-December 24, 1974</p>	<p>Master in Business Administration-Strategic Management Bachelors of Laws CPA (K) CPS (K)</p>	Appointed 01.03.2014

**III. MANAGEMENT TEAM**

	NAME	ACADEMIC	PROFESSIONAL
1	 Yusuf Mbuno Chief Executive Officer	Master of Arts – Economics Bachelor of Arts –Economics	<ul style="list-style-type: none"> <li>• Certificate in Project Planning &amp; Management</li> </ul>
2	 Simon Ndweka Corporation secretary	Master of Business Administration Bachelor of Laws	<ul style="list-style-type: none"> <li>• Post Graduate Diploma in Law, Kenya School of Law.</li> <li>• CPA (K)</li> <li>• CPS (K)</li> </ul>
3	 Venazio Gachara Senior Accountant	Master of Business Administration	<ul style="list-style-type: none"> <li>• CPA (K)</li> </ul>
4	 Raphael Nduati Ag. Chief Manager Corporate Planning and Strategy	Master of Art in Economics Bachelor of Arts In Economics.	CPA Part I

4	 Alice Wachira Chief Internal Auditor	Master of Business Administration – Finance & Banking	<ul style="list-style-type: none"> <li>• CPA (K)</li> <li>• CPS (K)</li> </ul>
5	 Anne Thumbi Senior Manager Human Resource	Master of Science – Human Resource Management Bachelor of Science – Communication & PR	<ul style="list-style-type: none"> <li>• Higher Diploma – Human Resource Management</li> <li>• Diploma – Personnel Management</li> </ul>
6	 Brenda Onyino Senior Manager Communication	Master of Arts – Communication Bachelor of Arts in Communication – PR & Business Administration	Diploma in Project Management
7	 Jack Odhoch Chief ICT Officer	Master of Science – Information Systems Bachelor of Science	<ul style="list-style-type: none"> <li>• Certified Professional – Oracle</li> <li>• CCNSP</li> <li>• Prince 2 and Web development</li> </ul>

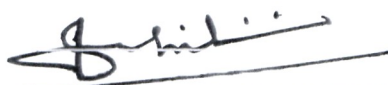
8	 Shafee Yaqub Procurement Officer (Resigned in May 2018)	MSc Procurement & Logistics Bachelor of Commerce - Finance	<ul style="list-style-type: none"> <li>• CIPS</li> <li>• Diploma – Purchasing &amp; Supply</li> </ul>
9	 Elizabeth Kitundu Ag. Chief Manager Programme and Field Services Coordination	Master of Education – Economics & Education Bachelor of Education – Arts	<ul style="list-style-type: none"> <li>• Diploma in Management – Project Planning</li> </ul>

**IV. DIRECTOR'S STATEMENT**

The Board has the responsibility of preparing financial statements that give a true and fair view of the state of affairs of the Fund at the end of the financial year. Section 39(3) of the NGCDF Act 2015, requires that the Chairperson of the Board submit an annual report on the activities, operations and the expenditure of the Fund and the Board. They are also responsible for safeguarding the assets of the Fund and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors regularly meet to monitor the Fund's financial performance. Specific review of management performance and operational issues were undertaken through normal board meetings and working session of the Board of Directors.

Nothing has come to the attention of the Directors to indicate that the National Government Constituencies Development Fund will not remain as a going concern for at least the next twelve months



.....

**Joseph Mukui**  
**Board Member**

Date... 11/2/19 .....

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Fund was initially established in 2003 as the Constituencies Development Fund (CDF). The name was changed to the National Government Constituencies Development Fund (NG-CDF) following the enactment of the NG-CDF Act, 2015 which was meant to align the Fund with the Constitution of Kenya.

Between 2003/2004 and 2017-2018, the fund has been allocated a total of **Kes.261.979 billion**. Kes.258.316 billion being statutory allocation while Kes.3.663 billion was conditional grant for completing stalled projects. Out of the funds allocated, **Kes.10.38 billion** was allocated for running the Board secretariat while the balance of **Kes.247.936 billion** was allocated for disbursement to constituencies.

The Board secretariat had a budget **Kes 2.49 billion** in Financial Year 2017/18 to meet the proposed expenditure on Personnel emoluments, Operations and maintenance. The breakdown of revenue consists of Kes 1.325 Billion being funds allocated in Financial Year 2017/18, and Kes 45 Million to be generated as Appropriation in Aid (AIA). The budget deficits of Kes1.120 Billion as a result of activities not carried out during the previous year and whose expenditure were re-voted, and catered for from the unutilized funds brought forward from 2016/17 fiscal year.

The 2017-2018 Budget was anchored on five key strategic objectives:-

- (i) Improve of operational efficiency and effectiveness
- (ii) Strengthen institutional capacity
- (iii) Ensure efficient and effective project management
- (iv) Enhance Good Governance
- (v) Promote effective communication and appropriate partnerships

To achieve the above strategic objectives, the Board put in place key measures to address core areas including improvement of accounting systems, strengthening audit and risk management, improvement of performance management and implementation of quality management systems. The board utilized Kes 2.490 billion budgeted for in Financial year 2017-2018 on planned activities and implemented the procurement plan. The Board ensured timeliness in the disbursement of funds, by disbursing Kes 21.874 billion out of the Kes 21.875 received from the National treasury to the Constituencies and the secretariat within 6 days upon approval of the project proposals and receipts of funds.

To improve on the management of funds, the Board within the Reporting period undertook audit in 129 constituencies and inspected books of accounts in 75 constituencies. This also facilitates identification of areas of improvement in internal controls. Monitoring and evaluation of projects at the constituencies were also undertaken to ensure project implemented meet the required standards and they are as per the Board's approval. The Board also established the risk management division, trained staff on risk management, identified and documented risks for all the departments and 30 constituencies. Measures have also been put in place to continuously monitor and review these risks.

To improve on institutional capacity, the Board undertook various training activities aimed at improving and enhancing the effectiveness as well as efficiency. The staff were trained on project management, Senior Management Courses, Strategic management Courses and financial management within the reporting period. In addition, roll-out and training of FAMs on NGCDFMIS was undertaken in the third quarter of the financial year. The constituencies will therefore be required to process and implement their 2018/19 project proposals through the system to reduce projects turn-around time. The Board also trained 150 Youths and 110 Women representatives from NG-CDFCs on key operations of the fund and cross cutting issues. Further trainings, including training on ICT literacy, risk management, ISO 9001:2015, preparation of financial statements, project management, as well as continuous professional development will be undertaken in Financial Year 2018/19.

To improve on performance management, the Board continued implementing activities in line with its five years strategic plan (2016/17-2020-21). The board also retained 9001:2008 ISO Certification therefore continuing its commitment to quality assurance, quality management and continuous improvement of processes. Thus consistently provide products and services that meet customer and applicable requirements, placing customer satisfaction as a key component of those requirements. The Board is also in the process of transitioning to ISO 9001:2015 certification.

In order to improve the visibility of NG-CDF projects at the grass root, the Board undertook various Public relation and media relation activities among them exhibitions, roadshows, media education tours, surveys documentaries and various infomercials. To show case best practices in implementation of the projects, the Board undertook Corporate Social Responsibility projects in the constituencies.

*NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018*

Finally, this year the Board has prepared financial statement for the secretariat based on 5% of the allocation and separate 290 financial statements for the constituencies on the remaining 95%.



.....  
**Yusuf Mbuno**

**Ag. Chief Executive Officer**

Date. *12/02/2019* .....

## VI. CORPORATE GOVERNANCE STATEMENT

During the year under review, there were five (5) meetings of the Board held. The attendances of the said meetings by directors were as follows:

	<b>Name of the Director</b>	<b>Number of meetings attended out of 18</b>
1.	Mr. Robert Masese	5
2.	Mr. Joseph Mukui	5
3.	Ms. Mumbi Mahinda	5
4.	Mr. Kennedy Ondieki	5
5.	Mr Yusuf Mbuno (Ag. CEO)	5

Section 2 (1) of the Second Schedule to the NGCDF Act provides that the Board shall not meet less than six and not more than eighteen times in the financial year and not more than two months shall elapse between the date of one meeting and the date of the next meeting. However, during the year, the Board held five meetings only. This was attributed to lack of duly constituted Board. Section 15 of the NGCDF Act provides for twelve (12) members of the Board, including the Chief Executive Officer. However, during the year, there were five (5) members only, constituting just a quorum, as provided for under the Section 2 (4) of the Second Schedule. Hence, in absence of all the serving members, as it could happen from time to time, the Board could not hold a scheduled meeting.

In its operations, the Board is aided by a Strategic plan (2016-2021). Coupled with the Strategic Plan, the Board has a Charter which is a guide that stipulates, amongst others, the individual Director Obligations and commitment towards the work of the Board. The Board charter is reviewed periodically to suit the changing circumstances. The Board Charter is supplemented by the Code of Governance of State Corporations (*Mwongozo*).

The members of the Board are nominated by the Cabinet Secretary, parent Ministry and approved by the National Assembly, and thereafter appointed by the Cabinet Secretary. The Members of the Board serve for a period of three (3) years, renewable once. Section 19 of the NGCDF Act stipulates removal of a member thereof. Amongst reasons for removal of a Board member are:

1. Serious violation of the Constitution or any other Laws;
2. Gross misconduct, whether in performance of the member's or Office holder's functions or otherwise;
3. Physical or mental incapacity to perform the functions of office;
4. Incompetence;
5. Bankruptcy; or

6. Engaging in active politics.

The removal of a member on any of the above grounds is initiated by sending a petition to the National Assembly Select Committee on NGCDF. A member of the Board may be suspended pending hearing of a petition. The National Assembly Committee hears a petition and makes final determination on the matter.

Under the NGCDF Act of 2015, the functions of the Board are listed under Section 16 thereof. The functions are as follows:

- a. Ensure timely and efficient disbursement of funds to every constituency
- b. Ensure efficient management of the Fund;
- c. Consider project proposals submitted from various constituencies in accordance with the Act, approve for funding those projects proposals that are consistent with this Act and send funds to the respective constituency fund account of the approved projects;
- d. Co-ordinate the implementation of projects at the inter-constituency level;
- e. receive and address complaints that may arise from the implementation of the Act;
- f. Encourage best practices in the implementation of projects; and
- g. Administer the funds and assets of the Board in such manner and for such purpose as shall promote the best interest of the Board in accordance with the Act to ensure efficient management of the Fund.

Upon appointment, the Board members are undertaken through induction training, besides being sponsored to attend governance related trainings, lasting not less than one week. The current Board members attended training on the Code of Governance of State Corporations (*Mwongozo*).

During every meeting of the Board, all directors are required to declare conflict of interest and recorded in the minutes. The Board maintains a conflict of interest register as required by Leadership and Integrity Regulations, 2015. Regarding Board's remuneration, Directors are paid sitting allowances whenever they attend a meeting or any other Board's function. While attending Board's functions outside the station, Directors are paid Daily Subsistence Allowances in accordance with prevailing rates. In terms of Governance Audit, Mwongozo requires that the exercise should be conducted once every year. The exercise can only be facilitated by accredited officers. During the year under review, no governance audit was undertaken as there were no accredited governance auditors. This fact was well communicated by SCAC. The Board shall, however, continue to observe and enforce set governance standards in its operations. The Board shall continually improve its performance with a view to achieving the strategic objectives, effectively and efficiently.

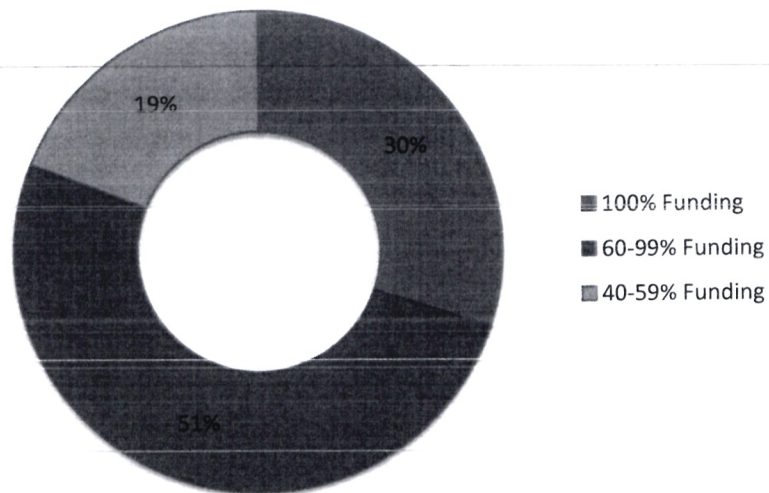
**VII. MANAGEMENT DISCUSSION AND ANALYSIS**

**Funds Disbursements**

Pursuant to section 34 (1) of the NG-CDF (Amendment) Act of 2016, the Board allocated all 290 constituencies an equal share of the Kes. 28.48 National NG-CDF kitty. As at the time of reporting, 84.82% (Kes. 24.15 Billion), of the National allocation had been disbursed to the constituencies. 87 constituencies were fully funded while a further 148 constituencies received between 60% and 99% of their FY 2017/18 allocated amount. The remaining 55 constituencies received at least 40% of their 2017/18 funding.

Constituencies Allocation (Kes.)	Disbursed (Kes.)	Balance (Kes.)
28,475,000,000	24,153,548,813	4,321,451,187

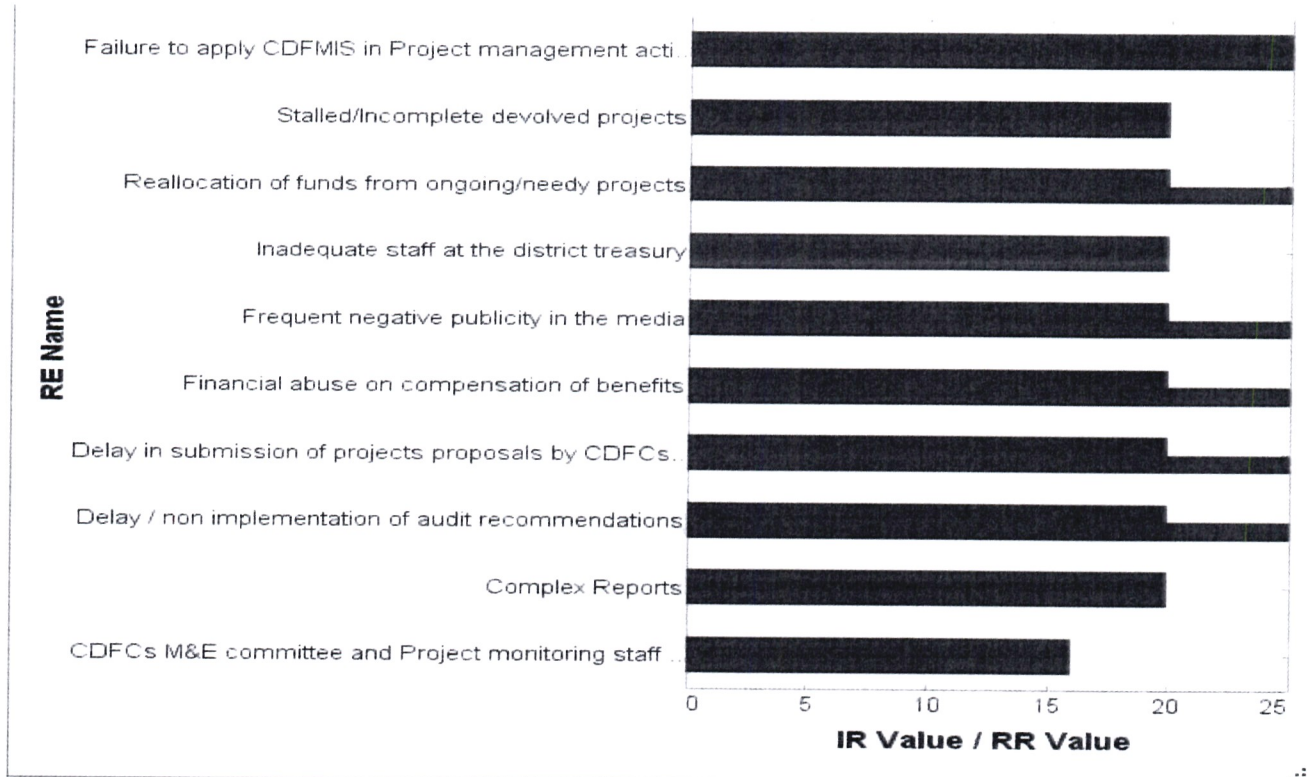
**Table 1: Disbursements FY 2017/18**



**Figure 1: % Funding Received by Constituencies**

**Major risks facing NGCDF**

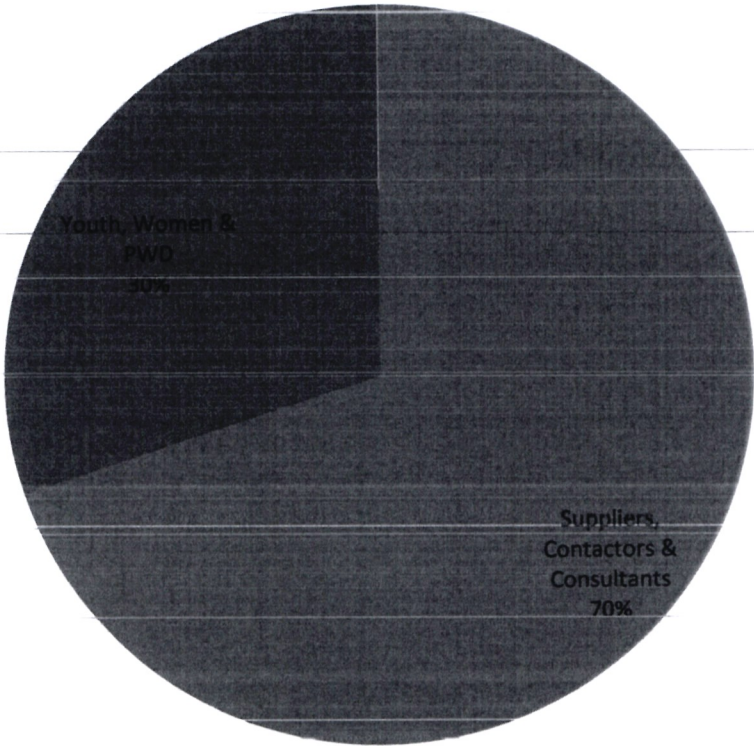
The Board through risk management unit has established risks the fund faces. This figure below provides a summary of the top 10 risks that National Government Constituency Development Fund (NG-CDF) faces.



**Figure 2: Overall top 10 risks**

**Statutory requirements**

The Board is currently implementing the code of governance for state corporations (Mwongozo) especially chapter 3 which deals with accountability, risk management and internal control. It has established a risk department unit and integrated risk management in most of its operations. The Board in its policy statement has made a commitment to operate a Quality Management System in accordance with ISO 9001:2015 international standard with focus on provision of quality services. Additionally, the Board has complied with all tendering and procurement requirements as laid out by the Public Procurement and Asset Disposal Act of 2015. In 2017/2018 FY the Board allocated at least 30% of the of its procurement budget amounting to Kes. 37,030,110.00 out of the procurement budget of Kes. 123,463,700 to youth, women and persons with disabilities. In addition, the Board maintained and updated lists of registered suppliers, contactors and consultants; and, submitted to PPRA a summary of the procurement opportunities awarded to the target groups.



**Figure 3: Summary of distribution of procurement budget for 2017/18 FY**

## VIII. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

The Board adopted a Corporate Social Responsibility (CSR) policy as part of mechanism to encourage best practices in the implementation of projects as provided for in Section 16 (f) of the NG-CDF Act, 2015.

The objective of the NG-CDF Board CSR is to guide stakeholders in embracing requisite values that encourage continuous improvement by demonstrating ideal approaches in project implementation that embrace the principles of community participation, social inclusion, environmental sustainability, excellence in quality of project implementation and adherence to pertinent laws and government policies/guidelines.

In line with this, the NGCDF Board focuses on:

- Maintaining good environmental system that is suitable to the nature, scale and environmental impacts of its operations and related activities.
- Making environmental concerns as an integral part of its' planning and decision making process by committing sufficient resources in order to implement effective environmental and sustainability programs.
- Providing the necessary training for its employees to ensure that they have enough knowledge and capacity to conduct operations in a manner that is consistent with sound environmental practices while at the same time encouraging employees to be involved in environmental action.
- Avoiding, minimizing and mitigating any adverse environmental impacts caused by its operations.
- Adopting the highest standards in all areas of operations, meeting and exceeding all relevant requirements.
- Assessing its operational activities and identifying areas where it can minimize waste and negative environmental impacts through careful and efficient use of all materials and energy by promoting the use of environmentally friendly technologies.
- Promoting environmental awareness among its employees by encouraging them to work in an environmentally responsible manner.
- Continually assessing the environmental impact of all its operations.

Fundable projects under the CSR programme are those that meet the eligibility criteria as per the law governing NG-CDF. The above notwithstanding, eligible projects under the CSR programme are required to meet the following criteria:-

- a) Community based projects addressing the needs of a wide cross section of inhabitants of a particular area;
- b) Projects addressing National Government mandates as outlined in the Fourth Schedule of the Constitution of Kenya;
- c) Activities focusing on persons with special needs with a view to promoting equal opportunities to all persons;
- d) High impact projects to the community for optimal value for the allocated funds;
- e) Integration of environmental/tree planting programme into the facilities proposed for support under the NG-CDF Board CSR programme.
- f) Incorporation of project components which include requisite accessories, equipment and safety installations (such as fire extinguishers, lightning arresters, emergency exits among other applicable components) to facilitate immediate and safe use after handover;
- g) The design should cater for the needs of all users including persons with special needs, such as access ramps for wheelchair users; separate sanitation facilities for persons of all gender, underage persons and persons with disability must be included in the project design.
- h) The projects must comply with pertinent laws, regulations and government policies/guidelines including recommended designs and requirements for specific facilities e.g. dormitories, classrooms, libraries among others.

In the financial year 2017/2018, the Board approved projects proposal under the CSR programme for twenty five (25) constituencies drawn from various parts of the country.

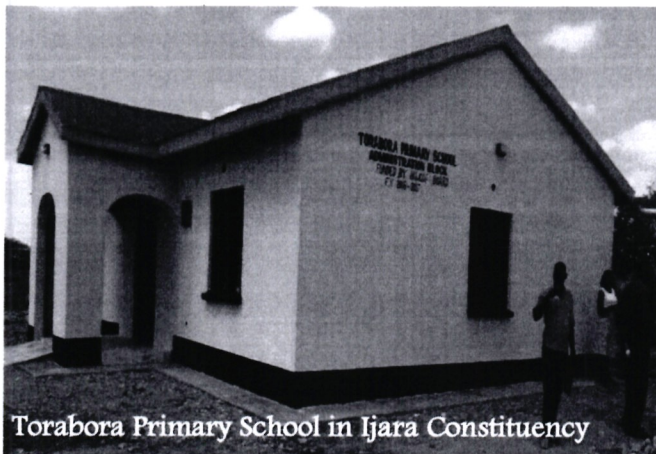
The NGCDF Board recognizes its responsibility of being environmentally responsible by complying with all environmental laws at all phases of its activities. The Board is responsible for ensuring that the policy on environmental sustainability is implemented and that the natural and man-made resources are protected through the implementation of proactive environmental programs.

To achieve the 2017-2018 objectives, the Board undertook several activities aimed at enhancing environmental education, awareness and Sensitization on environmental sustainability relevant to the institutional mandate. The Board carried out environmental activities in the following counties:

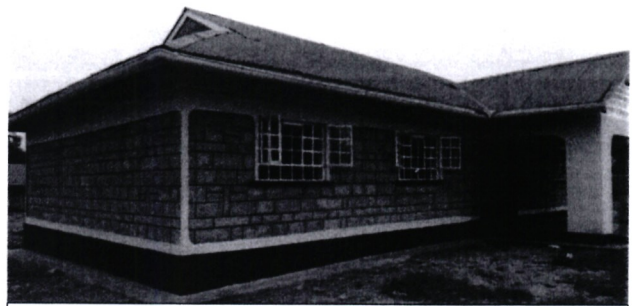
**Narok** - Narok East, Narok West, Narok South constituencies; **Laikipia** - Laikipia North and West constituencies; **Kiambu** - Kiambaa constituency; **Makueni** - Makueni constituency. **Baringo** - Eldama Ravine constituency.

The Board also participated in Chemususu Dam Half Marathon in Eldama Ravine constituency and undertook tree planting, conservation using biogas at Poror High School.

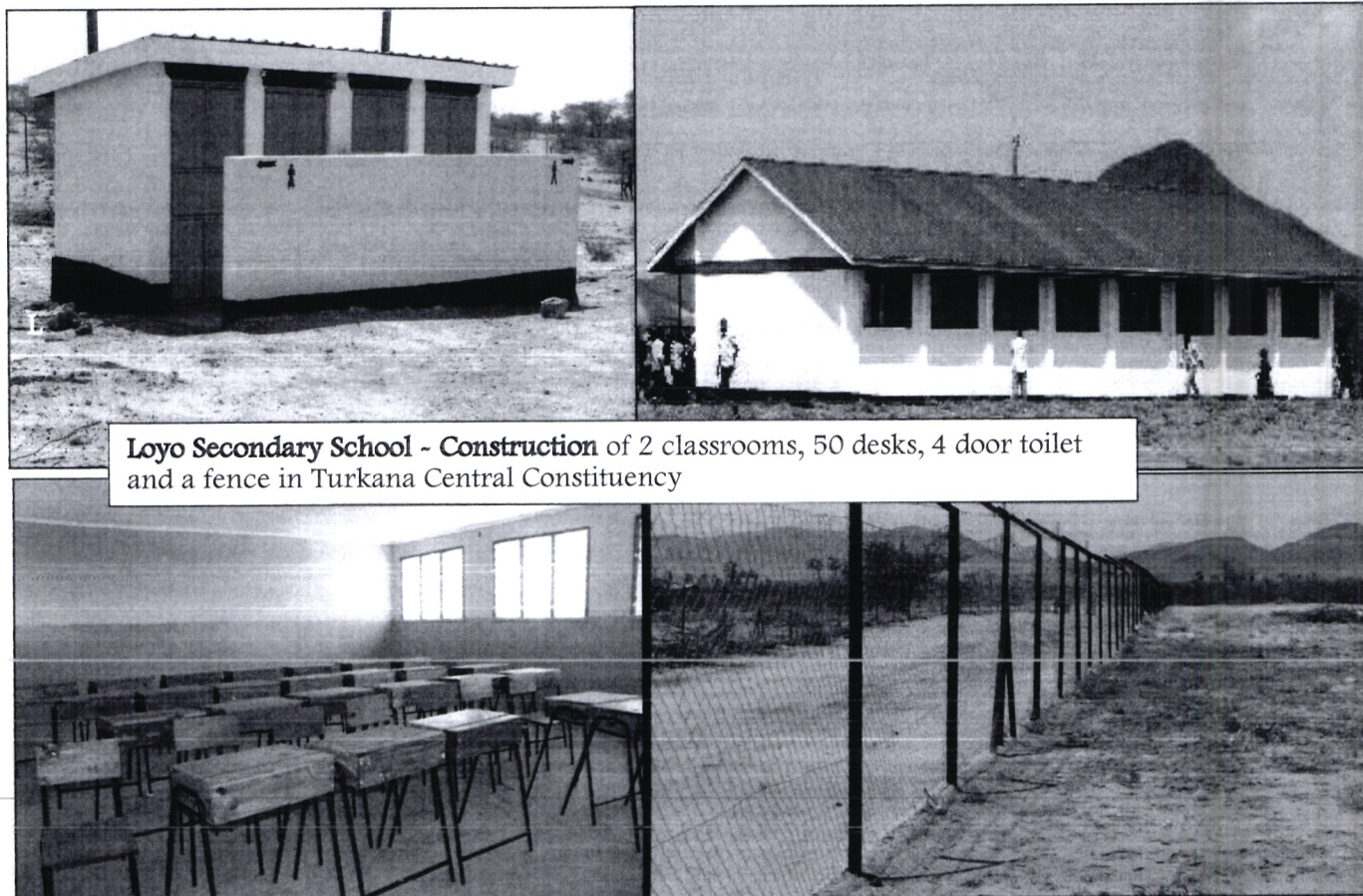
#### Some of the Corporate Social Responsibility Projects



Torabora Primary School in Ijara Constituency



Construction of Chief's office and AP Camp in Moiben Constituency



## IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018, which show the state of the NGCDF Board affairs.

### Principal activities

The principal activities of the Board continue to be:

- (a) Ensure timely and efficient disbursement of funds to every constituency;
- (b) Ensure efficient management of the Fund;
- (c) Consider project proposals submitted from various constituencies in accordance with the Act. Approve for funding those projects proposals that are consistent with this Act and send funds to the respective constituency fund account of the approved projects;
- (d) Co-ordinate the implementation of projects at the inter-constituency level;
- (e) Receive and address complaints that may arise from the implementation of the Act;
- (f) Encourage best practices in the implementation of projects;
- (g) administer the funds and assets of the Board in such manner and for such purpose as shall promote the best interest of the Board in accordance with the Act to ensure efficient management of the Fund; and
- (h) Perform such other duties, as the Board may deem necessary from time to time for the proper management of the Fund.

### Results

The results of the entity for the year ended June 30, 2018 are set out on page 29 to 46 of this report

### Directors

The members of the Board of Directors who served during the year are shown on page 8-9 of this report.

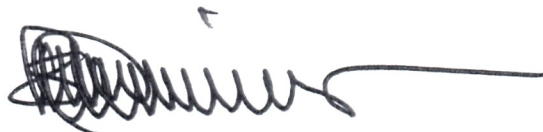
### Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Corporate Secretary

Nairobi

Date:.....



## **X. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and Section 39 (4) of the NGCDF Act 2015 require the Directors to prepare financial statements in respect of NGCDF, which give a true and fair view of the state of affairs of the NGCDF at the end of the financial year/period and the operating results of the NGCDF for that year/period. The Directors are also required to ensure that the NGCDF keeps proper accounting records which disclose with reasonable accuracy the financial position of the NGCDF. The Directors are also responsible for safeguarding the assets of the NGCDF.

The Directors are 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 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 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 Directors accept responsibility for the NGCDF's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) accrual, and in the manner required by the PFM Act and the State Corporations Act. The Directors are 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, 2018, and of the NGCDF's financial position as at that date. The Directors further confirm 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.

Nothing has come to the attention of the Directors to indicate that the NGCDF will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

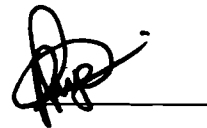
The NGCDF financial statements were signed on behalf of the Board by:



**Joseph Mukui**  
Board Member



**Yusuf Mbuno**  
Ag. Chief Executive Officer



**Polly Maingi**  
Head of Finance  
ICPAK No: 5427

# 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 BOARD 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 set out on pages 29 to 46, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund Board as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1. Unsupported expenditure

##### 1.1. Unsupported Corporate Social Responsibilities

The statement of financial performance reflects general expenses balance of Kshs.584,678,158.00 which as per note 10 of the financial statements includes a figure of Kshs.217,617,644.00 relating to Corporate Social responsibility.

Included in the expenditure of Corporate Social responsibility of Kshs.217,617,644 is an expenditure amount totaling Kshs.78,132,400 which had no supporting documentation. Consequently, it was not possible to confirm the propriety for the expenditure of Kshs.78,132,400 included in the statement of financial performance under general expenses.

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

## 1.2. Unsupported Adjustments

The management submitted financial statements to the Auditor-General on 28 September 2018 which was revised and another set submitted on 26 February 2019. However, the movements in the balances noted in some of the components as detailed below were not supported by any documentation or supported adjustments.

Component	1 <sup>st</sup> Financial statements Kshs.	Revised financial statements Kshs.	Variance
<b>General expenses</b>			
General office supplies	15,597,182	15,583,175	14,007
Medical, cleaning, membership, legal, parking	20,740,722	22,194,537	(1,435,815)
<b>Cash and cash equivalents</b>			
Coop Bank	1,502,782,497	1,502,721,471	61,026
<b>Receivables</b>			
Insurance	71,690,057	70,365,859	1,324,198

Under the circumstances, the accuracy of the financial statements for the year ended 30 June, 2018 could not be confirmed.

## 1.3. Unsupported Contracted Services

The statement of financial performance for the year ended 30 June, 2018 reflects contracted services figure of Kshs.27,699,963. Included in this balance of contracted services figure of Kshs.27,699,963 is expenditure amounting to Kshs.341,975 (Note 9) whose contract and other relevant documentations were not availed for audit review.

Consequently, the propriety of the expenditure of Kshs.341,975 on contracted services included in the financial statements could not be confirmed.

## 1.4. Unsupported Board Expenses

The statement of financial performance and note 6 to the financial statements reflects Board expenses figure of Kshs.8,755,505. Included in this balance of Board expenses figure of Kshs.8,755,505 is expenditure amounting to Kshs.649,200 that was not supported with payment vouchers and related documents.

Consequently, the propriety of the expenditure of Kshs.649,200 on Board expenses could not be confirmed.

Further, included in board expenses of Kshs.8,755,505 is a payment to two board members of Kshs.40,000 which was wrongly paid out as Kshs.160,000, resulting to an overpayment of Kshs.120,000 which has not been recovered. As a result, the accuracy

of the board expenditure of Kshs.8,755,505 reported in the financial statements could not be confirmed.

In view of the foregoing, it has not been possible to ascertain the accuracy and completeness of the financial statements for the year ended 30 June 2018.

## **2. Cash and Cash Equivalents**

The statement of financial position as at 30 June 2018 reflects cash and cash equivalent balance of Kshs.1,502,721,471. However, the following unsatisfactory issues have been observed:

### **(i) Cooperative Bank Account**

Included in the bank reconciliation statement for cooperative bank are payments in the cashbook not in the bank statements totaling to Kshs.90,272,821.04 for which cheques totalling Kshs.55,747,834.60 were later cancelled and reversed back without proper explanation and supporting documentation.

### **(ii) Kenya Commercial Bank (KCB) Account**

The figure in the financial statements for KCB bank account is Kshs.5,435,664 which differs with the reconciled cashbook balance as at 30 June 2018 of Kshs.38,052,848 resulting to an unreconciled variance of Kshs.32,617,184.

The above variance is in respect of monies fraudulently withdrawn from the Board's KCB bank account in the year 2011/2012 which has not been recovered to date. It is not clear how the amount was cleared from the reconciliation.

### **(iii) Equity-Gratuity Account**

The statement of financial position and note 11 to the financial statements reflects cash and cash equivalents figure of Kshs.1,502,721,471. Included in this cash balance of Kshs.1,502,721,471 is Equity gratuity money balance of Kshs.110,786,072 which had an opening balance of Kshs.79,259,177. During the year under review, a provision of gratuity was made and an amount of Kshs.60,598,759 was sent to the gratuity account at equity bank. However, this block figures for provision of gratuity, the payments made during the year and closing balance have not been analyzed and submitted for audit review.

In the circumstances, the accuracy and correctness of the equity-gratuity bank balance of Kshs.110,786,072 as at 30 June 2016 could not be confirmed.

### **(iv) Dormant Bank accounts**

The following bank accounts maintained by the CDF Board remained dormant during the year;

<b>Bank Name</b>	<b>Balance as at 30 June 2018 Kshs.</b>
KCB(ESP)	32,506,625
ABC(current)	371
Equity	415
SBM-Chase	332,522,667
Eco(Current)	2,938.601
<b>Total</b>	<b>365,033,017</b>

No explanation has been provided why these bank accounts remained dormant during the year and why action has not been taken to close them down to avoid incurring unnecessary running expenses.

In consequence, it has not been possible to confirm that the cash-and-cash equivalents balance of Kshs.1,502,721,471 is fairly stated in the financial statements.

### **3. Wrong Charge and Misclassification of Expenses**

**3.1** The following amounts were charged wrongly to repair and maintenance of furniture as tabulated in the table below;

<b>Expenditure Account Charged</b>	<b>Correct account to be charged</b>	<b>Expenditure Amount Kshs.</b>
Repair and Maintenance of furniture	Repairs and maintenance of Computers	2,430,000
Repairs and Maintenance of furniture	Repairs and maintenance of Computers	353,220
Repairs and Maintenance of furniture	Repairs and maintenance of Computers	1,055,300
Repairs and Maintenance of furniture	Repairs and maintenance of Computers	1,160,000
Repairs and Maintenance of furniture	Repairs and maintenance of Computers	489,752
Repairs and Maintenance of furniture	Repairs and maintenance of Computers	2,430,000
Board expenses	Daily subsistence allowance	307,400
Acting allowance.	Daily subsistence allowance	1,002,400
Temporary employees	Housing allowance	9,723,331
<b>TOTAL</b>		<b>17,641,603</b>

The inconsistency in charging the expenditures to wrong expenditure account class undermines the accuracy of the financial statements and renders budgeting meaningless.

As a result, the propriety and validity of the expenditure of Kshs.17,641,603 could not be confirmed.

#### 4. Employee costs

##### 4.1 Variances between the Ledger and Financial statements

The statement of performance for the year ended 30 June 2018 reflects employee costs figure of Kshs.832,559,413 which, when compared against the Integrated Personal Payroll Data (IPPD) report on the same of Kshs.841,727,361.80 results in unreconciled variance of Kshs.1,845,434 which has not been explained.

<b>Expenditure</b>	<b>Balance for F/S (Kshs.)</b>	<b>Balance for IPPD (Kshs.)</b>	<b>Difference (Kshs.)</b>
Basic Salary	349,594,535	349,240,513	354,022
Total Allowances	357,210,569	375,375,935	(21,165,366)
Temporary Employees	19,237,414	9,514,082	9,723,332
NSSF Employer	875,000	800,370	74,630
Gratuity	105,641,895	103,796,461	1,845,434
<b>TOTAL</b>	<b>832,559,413</b>	<b>841,727,361</b>	<b>(9,156,948)</b>

Further, the payroll for the year under review contains an amount of Kshs.20,061,185 classified as payroll arrears. It is not clear how the arrears were computed, the period to which they related to, payees and type of earnings paid out.

In the circumstance, it has not been possible to confirm the expenditure on employee costs of Kshs.832,559,413 included in the statement of receipts and payments for the year ended 30 June 2018.

#### 5. Property, Plant and Equipment

The statement of financial position and note 13 to the financial statements reflects Property Plant Equipment figure of Kshs.97,283,759 which includes additions during the amounting to Kshs.7,580,899. However, during the year under review, the Board and awarded the contract amounting to Kshs.3,913,086 for partitioning of Board offices at Harambee Co-operative plaza 6th Floor. The payment of Kshs.3, 913,086 was paid before the end of the financial year but the same was not included in property, plant and equipment additions schedule presented for audit verification. The expense account where the payment was captured could not be identified.

Consequently, it has not been possible to confirm that the accuracy of property, plant and equipment balance of Kshs.97,283,759 in the financial statements statement for the year ended 30 June 2018.

#### 6. Intangible Assets

##### Utilization of National Government Constituency Development Fund Management Information System

The Board entered into a contract with a Consultant for the supply and implementation of an integrated CDF Management Information System (CDFMIS) at a contract sum of Kshs.34,800,000 on 31 August 2010.

The major objective of the system was to implement an integrated CDF Management Information System (CDFMIS) across all the departments and at the constituency level.

The system has modules which include programmes, Finance, legal services, corporate planning strategy, audit, communication and procurement. The only department that is partially utilizing the system is the programmes department.

Further, an amount of Kshs.10,536,800 was spent to train fund managers on use of the projects module of the MIS in Eldoret.

The secretariat programmes and finance staff were trained in February 2018 on use of the projects module of the MIS. Details on the cost that was incurred for the training in Naivasha was not availed for audit verification.

Despite all the investment in the cost of purchase, maintenance and training, the integrated CDF Management Information System (CDFMIS) largely remains underutilized since 2010 and hence the CDFMIS has not been put in proper use as intended by the Board. No explanation has been provided why the system has not been fully implemented.

Further, the application has been included in the intangible assets but at historical cost of Kshs.11,332,835 instead of the contract amount as at 30 June 2018.

Consequently, the accuracy and completeness of intangible assets balance of Kshs.5,548,189 as at 30 June 2018 could not be ascertained.

## **7. General Expenses – Training**

The statement of financial performance reflects an amount of Kshs.585,987,958 in respect of general expenses that includes Kshs.57,778,746 in respect of training expenses. The training expense includes an amount of Kshs.10,536,800 paid during the year under review to train fund managers on use of the projects module of the management information system but the system is still not in use. The basis of selection of the trainer who was different from the system implementation consultant was not availed for audit verification.

In addition, the secretariat programmes and finance staff were trained in February 2018 on use of the projects module of the system but details of how the trainer was identified and procured and the cost incurred for the training were not availed for audit verification.

Consequently, there is no evidence that the Fund has received value for money in the procurement of the integrated CDF Management Information System (CDFMIS) despite all the investment in the cost of purchase, maintenance and training. No explanation has been provided why the system has not been fully put into use.

## **8. Prior Year Matters**

The following issues in the audit report for financial year 2016/2017 are yet to be addressed and resolved by Management.

## 8.1 Cash and Cash equivalents

The statement of financial position as at 30 June 2017 reflects cash and cash equivalent balance of Kshs.1,564,762,110. However, the following unsatisfactory issues have been observed:

- i) The bank reconciliation statement as at 30 June 2017 for KCB Bank Account has long outstanding payments in the bank statements and not reflected in cash book amounting to Kshs.32,589,080.60. The details of these payments are as indicated below;
  - An amount of Kshs.32,585,558 in respect of monies that were fraudulently withdrawn from the Board's bank account in the year 2011/2012 and has not been recovered to date.
  - A bank reconciliation error dating back to year 2007 of Kshs.3,522.45 that has never been investigated or resolved to date.
- ii) The cash and cash equivalent balance of Kshs.1,564,762,110 also include an amount of Kshs.332,537,617 held at Chase Bank Limited as an investment. However, Chase Bank Limited was placed under statutory management by Central Bank of Kenya on 7 April 2016 and the realization of this amount is contingent upon the bank reverting back to its normal operations.

Consequently, it has not been possible to confirm the accuracy and validity of cash and cash equivalent balance of Kshs.1,564,762,110 as at 30 June 2017.

## 8.2 Trade Payables

Trade and other payables balance of Kshs.124,173,750 as reflected in the statement of financial position excludes a brought forward liability of Kshs.14,917,200 in respect of Stimulus Project Management Committee (SPMCs) and Constituency Project Tender Committee (CPTCs) which were operating under the Economic Stimulus Programme (ESP). No documentation has been provided in support of the authority to write off the liability. Consequently, the payables balance of Kshs.124,173,750 as at 30 June 2017 is not fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 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 qualified opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) 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. Unaccounted and Unutilized Procurements**

#### **1.1. Purchase and Payment for Undelivered Motor Vehicles**

During the year 2017/2018, approved procurement plan for National Government Constituencies Development Fund Board for the purchase of motor vehicles was Kshs.24,000,000 , while the budget for the board shows that the Board will utilize Kshs.40,000,000 to purchase new motor vehicles for the nine regional offices. However, only four motor vehicles were purchased at a total cost of Kshs.37,544,600 resulting to unplanned variance of Kshs.13,544,600 contrary to Section 53. (2) of Public Procurement and Asset Disposal, 2015.

Further, the payment of Kshs.37,544,600 was made to Toyota Kenya on 30<sup>th</sup> June 2018 before the delivery of motor vehicles contrary to government regulations governing the purchase of motor vehicles.

No explanation has been provided for not complying with the law.

#### **1.2 Purchase of Televisions**

Included in additions of furniture fittings and general equipment are three televisions that were bought at Kshs.1,907,000 for the boardroom. Details on why three televisions were acquired for the boardroom as opposed to one television were not provided. Further, the price at which each TV was acquired do not reflect fair market price in accordance with fair competition and value for money.

In view of the foregoing, the propriety and validity of the expenditure could not be ascertained.

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

### **Conclusion**

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

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit 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 overall governance were not effective.

### **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 Financial Reporting Standards/International Public Sector Accounting Standards (Accrual 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 Board's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations of the Board, 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 resources are applied in an effective way.

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

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 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:

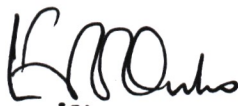
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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**

**09 July 2019**

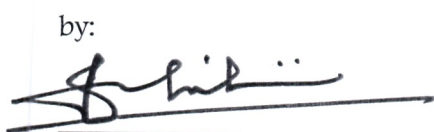
**XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

		2017/2018	2016/2017
		Kes	Kes
<b>Revenue from non-exchange transactions</b>			
Capital Grants from the Fund	3	1,325,000,000	1,250,000,000
<b>Revenue from exchange transactions</b>			
Interest Earnings	4	35,045,761	64,429,842
Other Income	4	2,000	75,400
		<b>35,047,761</b>	<b>64,505,242</b>
<b>Total revenue</b>		<b>1,360,047,761</b>	<b>1,314,505,242</b>
<b>Expenses</b>			
Employee costs	5	832,559,413	803,385,224
Board Expenses	6	8,755,505	18,972,384
Depreciation and Amortization expense	7	24,906,903	30,946,669
Repairs and maintenance	8	15,153,477	13,483,380
Contracted services	9	27,699,963	22,615,138
General expenses	10	584,678,158	669,043,550
<b>Total expenses</b>		<b>1,493,753,419</b>	<b>1,558,446,345</b>
<b>(Deficit)/Surplus before Taxation</b>		<b>(133,705,658)</b>	<b>(243,941,102)</b>
<b>Taxation ( Exempt)</b>	21	-	-
<b>(Deficit)/Surplus for the period</b>		<b>(133,705,658)</b>	<b>(243,941,102)</b>

**XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018**

<b>Assets</b>	<b>Notes</b>	<b>2017/2018</b>	<b>2016/2017</b>
<b>Current assets</b>		<b>Kes</b>	<b>Kes</b>
Cash and cash equivalents	11	1,502,721,471	1,564,762,110
Receivables	12	130,028,779	93,390,661
		<b>1,632,750,250</b>	<b>1,658,152,772</b>
<b>Non-current assets</b>			
Property plant equipment	13	97,283,759	113,445,403
Intangible Asset	14	2,718,613	3,883,733
		<b>100,002,372</b>	<b>117,329,135</b>
<b>Total assets</b>		<b><u>1,732,752,623</u></b>	<b><u>1,775,481,907</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	15	147,192,700	130,355,319
Employee benefit obligation	16(a)	4,072,867	5,046,949
		151,265,567	135,402,268
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	16(b)	143,672,256	68,559,182
		143,672,256	68,559,182
<b>Total liabilities</b>		<b><u>294,937,823</u></b>	<b><u>203,961,449</u></b>
<b>Net assets</b>		<b><u>1,437,814,800</u></b>	<b><u>1,571,520,458</u></b>
<b>Represented by</b>			
<b>Accumulated Reserves</b>		<b><u>1,437,814,800</u></b>	<b><u>1,571,520,458</u></b>

The Financial Statements set out on pages 29 to 45 were signed on behalf of the Board of Directors by:



Joseph Mukui  
Board Member

Date 11/2/19



Yusuf Mbuno  
Ag. Chief Executive Officer

Date 12/02/2019



Polly Maingi  
Head of Finance  
ICPAK No: 5427

Date 11/2/19

**XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018**

<b>Revenue Reserve</b>	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kes</b>	<b>Kes</b>
Reserves at the Beginning of the Year	1,571,520,458	<b>1,848,012,712</b>
(Deficit)/Surplus for the Year	(133,705,658)	(243,941,102)
Prior year adjustments	-	(32,551,152)
Reserves at the End of the Year	<b>1,437,814,800</b>	<b>1,571,520,458</b>

Revenue reserve resulted from savings/under absorption of funds accumulated from the previous year.

**XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018**

		2017/2018	2016/2017
		Kes	Kes
<b>Surplus for the year</b>		(133,705,658)	(243,941,102)
Add Depreciation & Amortization	7	24,906,903	30,946,669
<b>Cash from Operating Activities</b>		<b>(108,798,754)</b>	<b>(212,994,433)</b>
<b>Changes in Working Capital</b>			
Increase in Payables	15	16,837,381	66,310,167
(Decrease)/Increase in Employee benefit obligation	16(a)	(974,082)	(988,000)
(Decrease)/Increase in Non-Current Employee obligation	16(b)	75,113,074	(114,280,609)
Receivables	12	(36,638,118)	(18,898,515)
<b>Net Cash flow Used in Operating activities</b>		<b>54,338,255</b>	<b>(67,856,958)</b>
<b>Cash flow from Investing activities</b>			
Purchase of Property Plant Equipment	13	(7,580,140)	(20,822,976)
<b>Net Cash flow Used in Investing activities</b>		<b>(7,580,140)</b>	<b>(20,822,976)</b>
<b>Net (Decrease)/Increase in Cash &amp; Cash equivalents</b>		<b>(62,040,639)</b>	<b>(301,674,367)</b>
<b>Cash &amp; Cash Equivalent at start of the year</b>		<b>1,564,762,110</b>	<b>1,898,987,630</b>
<b>Adjustment (prior year)</b>	17	-	(32,551,152)
<b>Adjusted Cash &amp; Cash Equivalent at the start of the year</b>		<b>1,564,762,110</b>	<b>1,866,436,478</b>
<b>Cash &amp; Cash Equivalent at end of the year</b>	11	<b>1,502,721,471</b>	<b>1,564,762,110</b>

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FINANCIAL YEAR 2017/2018	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE
	Kes		Kes	Kes	Kes
Revenues					
Government of Kenya Grants	1,325,000,000		1,325,000,000	1,325,000,000	
A-I-A				35,047,761	(35,047,761)
Total Income	1,325,000,000		1,325,000,000	1,360,047,761	(35,047,761)
Expenses					
Employee costs	1,060,277,298		1,060,277,298	832,559,413	227,717,885
Board Expenses	53,597,500		53,597,500	8,755,505	44,841,995
General expenses	1,293,183,548		1,293,183,548	584,678,158	708,505,390
Contracted services	45,500,000		45,500,000	27,699,963	17,800,037
Repairs and Maintenance	37,900,000		37,900,000	15,153,477	22,746,523
Depreciation and Amortization expense				24,906,903	(24,906,903)
Total Expenses	2,490,458,346		2,490,458,346	1,493,753,419	996,704,927
Deficit	(1,165,458,346)		(1,165,458,346)	(133,705,658)	(1,031,752,688)

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

FINANCIAL YEAR 2016/2017	ORIGINAL BUDGET		ADJUSTMENTS		FINAL BUDGET		ACTUAL AMOUNTS		VARIANCE	
		Kes		Kes		Kes		Kes		Kes
Revenues										
Government of Kenya Grants		1,250,000,000				1,250,000,000		1,250,000,000		
A-I-A		45,000,000				45,000,000				45,000,000
<b>Total Income</b>		<b>1,295,000,000</b>				<b>1,295,000,000</b>		<b>1,250,000,000</b>		<b>45,000,000</b>
Expenses										
Employee costs		1,248,547,279		133,400,000		1,381,947,279				1,381,947,279
Board Expenses		53,000,000				53,000,000				53,000,000
General expenses		1,186,283,169		78,695,565		1,264,978,734		669,043,550		595,935,184
Contracted services		51,200,000		(6,400,000)		44,800,000		22,615,138		22,184,862
Repairs and Maintenance		19,200,000				19,200,000		13,483,380		5,716,620
Depreciation and Amortization expense								30,946,669		(30,946,669)
<b>Total Expenses</b>		<b>2,558,230,448</b>		<b>205,695,565</b>		<b>2,763,926,013</b>		<b>736,088,737</b>		<b>2,027,837,276</b>
Deficit		(1,263,230,448)		(205,695,565)		(1,468,926,013)		513,911,263		(1,982,837,276)

Refer to note 18 for explanatory notes on material variances

## NOTES TO THE FINANCIAL STATEMENTS

Following discussions we held with the Public Sector Accounting Standards Board, the NGCDF Board has prepared two separate statements for the Board Secretariat (5% allocation) and the Fund Account at Central Bank of Kenya (CBK).

In effect, the Board Secretariat (5% allocation) financial statements together with the financial statements for each of the 290 constituencies (95% allocation) constitute mirror statements for the CBK Fund account financial statements.

### 1. Statement of compliance with IPSAS

The NGCDF's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya Shillings (Kes), which is the functional and reporting currency of the NGCDF and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

### 2. Summary of significant accounting policies applied

#### a) Revenue recognition

##### Transfers from other government entities

The receipts/revenue of the Fund consists of at least 2.5% of the total annual ordinary revenue the Government collects in a financial year. Revenue for the secretariat is 5% of the Fund's total allocation and the remaining 95% is disbursed to constituencies to fund various development projects and treated as grants to constituencies.

Revenue is recognized once the National Budget has been approved by Parliament.

##### Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

#### b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the NGCDF. As a result of the adoption of the accrual basis

for budgeting purposes, there are no basis, timing or NGCDF differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Reducing balance method is used in calculating depreciation using the following rates:

	Asset category	Rate of depreciation/amortisation
1.	Motor vehicles	25%
2.	Computers equipment	30%
3.	Furniture, Fittings and general equipment	12.5%
4.	Intangible assets	30%

**d) Intangible assets – IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The intangible Asset is the NGCDF MIS (Management Integrated System) which is an Enterprise Resource Planning (ERP) tool developed for the Board.

**e) Employee benefits – IPSAS 25**

**Retirement benefit plans**

Employees of the Fund’s Secretariat are either on secondment from various ministries or are employed on contract terms and therefore accrue pension /gratuity obligations. The pension/gratuity obligations for the staff members are calculated and paid monthly to a separate bank account opened for the purpose with Equity bank. Monthly payments are made to the Pensions department for those on secondment.

**f) Comparative figures**

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

**g) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation, uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The NGCDF based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the NGCDF. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**h) Provisions**

Provisions were raised and management determined an estimate based on the information available. These are measured at the management's best estimate of the expenditure required to settle an obligation at the reporting date.

**j) Risk Management Policies – IPSAS 30**

This standard requires disclosure of information about the nature and extent of risks arising from financial instruments which includes qualitative and monetary disclosures about exposure to each class of risk and how those risks are managed separately for liquidity, credit and market risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Board held in various banks Current account balances Kes 1,502,721,471 as at 30<sup>th</sup> June 2018 which exposes the Fund to credit risk. The Board's investment policy requires that deposits should be held in commercial banks that meet all the Central Bank of Kenya regulatory requirements. Regular financial appraisals of the banks to evaluate their strengths are carried out.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Board had payables of Kes 147,192,700 to suppliers and Kes 143,672,256 provision for Non - Current Employee benefit obligation (gratuity) for employees as at 30<sup>th</sup> June 2018. As per government financial procedures and regulations, the Board does not enter into financial commitments for which funds have not been

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

received. Further, stringent vote control procedures ensure funds committed for a particular purpose whose obligation has materialised are not utilized for any other purpose.

**k) Receivables**

Outstanding imprest at year end is recognized as sundry debtors. Imprest is managed as per government financial regulations and procedures. Receivables include the sundry debtors and prepayments.

**m) Subsequent event – IPSAS 14**

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended 30 June, 2018.

<b>3. Revenue from non-exchange transactions</b>	<b>Date Received</b>	<b>2017/2018</b>	<b>Date Received</b>	<b>2016/2017</b>
Capital Grants from the Fund	30.01.2018	132,220,000	29.11.2016	1,250,000,000
	16.05.2018	513,300,000		
	06.06.2018	679,480,000		
<b>Total</b>		<b>1,325,000,000</b>		<b>1,250,000,000</b>

<b>4. Revenue from Exchange Transactions</b>	<b>2017/2018</b>	<b>2016/2017</b>
Interest Earnings	35,045,761	64,429,842
Other Income	2,000	75,400
<b>Total</b>	<b>35,047,761</b>	<b>64,505,242</b>

<b>5. Employee Costs</b>	<b>2017/2018</b>	<b>2016/2017</b>
Personnel Emoluments	349,594,535	334,826,685
Other Personnel Emoluments	357,210,569	357,030,471
Temporary Employees	19,237,414	10,261,124
NSSF paid by employer	875,000	924,800
Non - Current Employee Obligation	105,641,895	100,342,145
<b>Total</b>	<b>832,559,413</b>	<b>803,385,224</b>

<b>6. Board Expenses</b>	<b>2017/2018</b>	<b>2016/2017</b>
Allowances	8,361,650	16,530,544
Other Expenses	393,855	2,441,840
<b>Total</b>	<b>8,755,505</b>	<b>18,972,384</b>

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

<b>7. Depreciation and Amortization</b>	<b>2017/2018</b>	<b>2016/2017</b>
Property Plant Equipment	23,741,783	29,282,212
Intangible Asset	1,165,120	1,664,457
<b>Total</b>	<b>24,906,903</b>	<b>30,946,669</b>

<b>8. Repairs and Maintenance</b>	<b>2017/2018</b>	<b>2016/2017</b>
Equipment	1,426,137	702,415
Vehicles	8,239,067	6,222,742
Furniture	5,488,272	6,558,223
<b>Total</b>	<b>15,153,477</b>	<b>13,483,380</b>
<b>9. Contracted Services</b>	<b>2017/2018</b>	<b>2016/2017</b>
Contracted Services	27,699,963	22,615,138
<b>Total</b>	<b>27,699,963</b>	<b>22,615,138</b>

<b>10. General Expenses</b>	<b>2017/2018</b>	<b>2016/2017</b>
Telephone, Electricity, internet & courier	8,231,094	7,192,368
Travel cost	11,365,457	24,095,026
Daily Subsistence Allowance	112,444,116	110,928,117
Publishing and Printing	14,389,505	11,960,102
Newspapers	925,795	913,535
Advertising, awareness and publicity	16,002,040	29,055,776
Corporate Social Responsibilities	217,617,644	166,220,312
Trade shows and exhibitions	13,286,800	9,481,389
Rent	14,976,136	12,605,479
Training expenses	57,778,746	181,017,149
Catering Services	9,206,950	10,303,902
Insurance	64,220,012	61,363,140
General Office Suppliers	15,583,175	16,163,121
Fuel, Oils & Lubricants	6,456,152	7,697,242
Medical, Cleaning, membership, legal, parking	22,194,537	20,046,893
<b>Total</b>	<b>584,678,158</b>	<b>669,043,550</b>

<b>11. Cash and cash equivalent</b>	<b>2017/2018</b>	<b>2016/2017</b>
KCB	5,435,664	38,025,848
KCB (ESP)	32,506,625	32,507,690
Coop Bank	1,018,531,056	1,079,480,997
ABC (Current)	371	7,081
<b>EQUITY</b>	<b>415</b>	<b>800</b>

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

EQUITY-Gratuity	110,786,072	79,259,177
SBM -CHASE	332,522,667	332,529,817
ECO (current)	2,938,601	2,950,701
Total	1,502,721,471	1,564,762,110

<b>12.Receivables</b>	<b>2017/2018</b>	<b>2016/2017</b>
Sundry debtors	20,722,842	31,209,549
Kenyatta National Hospital	250,000	250,000
Mater Hospital	300,000	300,000
Toyota Kenya Ltd	37,544,600	
Amolo & Gachoka Advocates	845,478	
Insurance	70,365,859	61,631,112
Total	130,028,779	93,390,661

<b>13. Property, plant and equipment 2017/2018</b>	Motor Vehicles	Computer Equipment	Furniture, Fittings & General Equipment	Total
COST	Kes	Kes	Kes	Kes
01.07.2017	123,638,356	141,172,939	97,569,604	362,380,899
Additions	-	2,003,140	5,577,000	7,580,140
(Disposals)	-	-	-	-
Total	123,638,356	143,176,079	103,146,604	369,961,039
ACCUMULATED DEPRECIATION	-	-	-	-
01.07.17 Accumulated depreciation b/f	93,139,310	115,740,594	40,055,593	248,935,496
Charge for the year	7,624,762	8,230,645	7,886,376	23,741,783
Accumulated Depreciation 30.06.18	100,764,071	123,971,239	47,941,969	272,677,280
NBV 30.06.2018	22,874,285	19,204,839	55,204,635	97,283,759
NBV 30.06.2017	30,499,046	25,432,345	57,514,011	113,445,403

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

<b>13. Property, plant and equipment 2016/2017</b>	Motor Vehicles	Computer Equipment	Furniture, Fittings & General Equipment	Total
COST	Kes	Kes	Kes	Kes
01.07.2016	123,638,356	128,545,439	89,374,128	341,557,923
Additions	-	12,627,500	8,195,476	20,822,976
(Disposals)	-	-	-	-
Total	123,638,356	141,172,939	97,569,604	362,380,899
ACCUMULATED DEPRECIATION	-	-	-	-
01.07.16 Accumulated depreciation b/f	82,972,961	104,841,018	31,839,305	219,653,284
Charge for the year	10,166,349	10,899,576	8,216,287	29,282,212
Accumulated Depreciation 30.06.17	93,139,310	115,740,594	40,055,593	248,935,496
NBV 30.06.2017	30,499,046	25,432,345	57,514,011	113,445,403
NBV 30.06.2016	40,665,395	23,704,421	57,534,823	121,904,639

<b>14. INTANGIBLE ASSET- NGCDF MIS</b>	<b>2017/2018</b>
COST	Kes
1.07.2017	11,322,835
Additions	-
(Disposals)	-
Total	11,322,835
Accumulated Amortisation	
01.07.17 Accumulated Amortisation b/f	7,439,102
Charge for the year	1,165,120
Accumulated Amortisation 30.06.18	8,604,222
NBV 30.06.2018	2,718,613
NBV 30.06.2017	3,883,733

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

<b>14. INTANGIBLE ASSET- NGCDF MIS</b>		<b>2016/2017</b>
COST		Kes
1.07.2016		11,322,835
Additions		-
(Disposals)		-
Total		11,322,835
Accumulated Amortisation		
01.07.16 Accumulated Amortisation b/f		5,774,645
Charge for the year		1,664,457
Accumulated Amortisation 30.06.17		7,439,102
NBV 30.06.2017		3,883,733
NBV 30.06.2016		5,548,189

<b>15. Payables</b>	<b>2017/2018</b>	<b>2016/2017</b>
Accounts Payable	9,083,478	2,624,586
Corporate Social Responsibilities	124,392,964	120,251,068
Corporate Social Responsibilities Retention	13,716,257	7,479,665
Total	147,192,700	130,355,319

<b>16(a). Employee Benefit Obligation</b>	<b>2017/2018</b>	<b>2016/2017</b>
Balance at the beginning of year	5,046,949	6,034,949
Provisions utilised	(974,082)	(998,000)
Balance at end of year	4,072,867	5,046,949
<b>16(b). Non - Current Employee benefit obligation</b>	<b>2017/2018</b>	<b>2016/2017</b>
Balance at the beginning of year	68,559,182	182,839,791
Additional provisions raised	105,641,895	100,342,145
Provisions utilised	(30,528,821)	(214,622,754)
Balance at end of year	143,672,256	68,559,182

## **Other Disclosures**

### **17) Contingent Loss/Asset – IPSAS 19**

Some fraudulent transaction of Kes 13,391,130 and Kes 26,170,836 occurred in the Financial Years 2011/2012 and 2012/2013 through electronic fund transfer to various accounts opened in the names of parties unknown to the Board.

The matter was reported to the Banking Fraud Investigating unit of Kenya Police and investigations carried out resulting to arrest of some suspects who have since been charged in court with stealing under SEC 275 of the penal code. However, the bank (KCB) initiated fraud recovery measures where to date Kes.5.6 million has been credited back to the account while Kes.1.4 million bounced back to the account. The resultant loss is Kes.32, 551,152.

The financial statement are prepared basing on the best accounting estimates therefore the recognition of this contingent loss is dependent upon the outcome of the proceedings in court and/or on-going discussions with KCB bank arising from breach of duty of care.

### **18) Statement of Comparison of Budget and Actual Amounts IPSAS 24.**

Employee cost – the board utilized Kes 832,559,413 of the budgeted amount of Kes 1,060,277,298. The underutilization of Kes 227,717,885 was as result of the Board not being able fill the vacant position budgeted for due to freezing of employment by the National government. The board also budgeted for staff salary increment after the approval by the board of directors. However, this could not be implemented as the letter of authority was not received within the financial year from Salary Remuneration Commission.

Board Expenses- the Board utilized Kes 8,755,505 of the budgeted amount of Kes 53,597,500. The balance of Kes 44,841,995 could not utilize due to delay in fully constituting the board of directors.

### **19. Related Party Disclosures – IPSAS 20**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. The following are related party transactions that took place during the year:

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

Related party	Number	Nature	Transaction type	Amount (Kes)	Balances as at 30 <sup>th</sup> June 2018 (Kes)
Board members	5	Governing body	Allowances	8,361,650	Nil
Constituencies	290	Sub-entities	Funds transferred	21,874,208,050	4,976,750,000

NB: the amounts disclosed under constituencies as a related party are recognised in separate Central Bank of Kenya (CBK) Fund Account financial statements for the year ended 30<sup>th</sup> June 2018.

## 20. Events after the reporting Period

There were no material events that are either adjusting or non-adjusting after the reporting date.

## 21. Taxation

The Fund is tax exempt from corporate tax since it's funded through government exchequer.

The interest earned from Commercial Banks is classified as qualifying interest hence withholding tax of Kes 6,184,546 is final and reported net of Kes 35,045,761 in the financial statements.

**I. 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	Status:
	<b>Accrued Economic Stimulus Programme (ESP):</b> Supporting	Restatement has been done on the accrued ESP liabilities since the affected constituency committees did/has not submitted the expenditure returns which was the required criteria for reimbursement .Also the ESP program lapsed and the committee disbanded making it difficult to locate the beneficiaries since no claim has been made to date and is unlikely to	Venazio Gachara	On-
1.1	documentation and analysis of Kes 14,917,200.00 owed to the constituencies.	happen. A reversal of the accrued expenditure has been done by debiting the liability and crediting the surplus brought forward and restatement of the financial statement for 2015/2016. The funds shall remain with the Board and can be paid against claim should there be any. Such funds may be used on monitoring and taking stock of ESP projects across the country which was the purpose for such also.	Senior Accountant	going
1.2	<b>Cash and cash equivalent:</b> Realizable value of funds held at chase	The bank was put out of receivership on 15 <sup>th</sup> August, 2018 after being acquired by SBM bank. Hence no funds shall be lost and all the money	Venazio Gachara Senior Accountant	On-going

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:
	bank as call deposit could not be determined	<p>amounting to Kes 332.521 Million will be fully paid, partly by SBM Holdings Mauritius which acquired 75% assets matched to equivalent liabilities in Chase bank. The CBK signed a contract with SBM on the payment mode of 75%. Payment will be made at 37.5% in the year 2018; 12.5% in 2019; 12.5% to be paid in 2020 and final balance of 12.5% to be paid in year 2021.</p> <p>The 25% balance under moratorium will be paid by Kenya Deposit Insurance Corporation (KDIC).</p>		

