

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

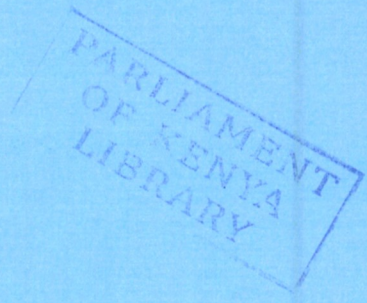
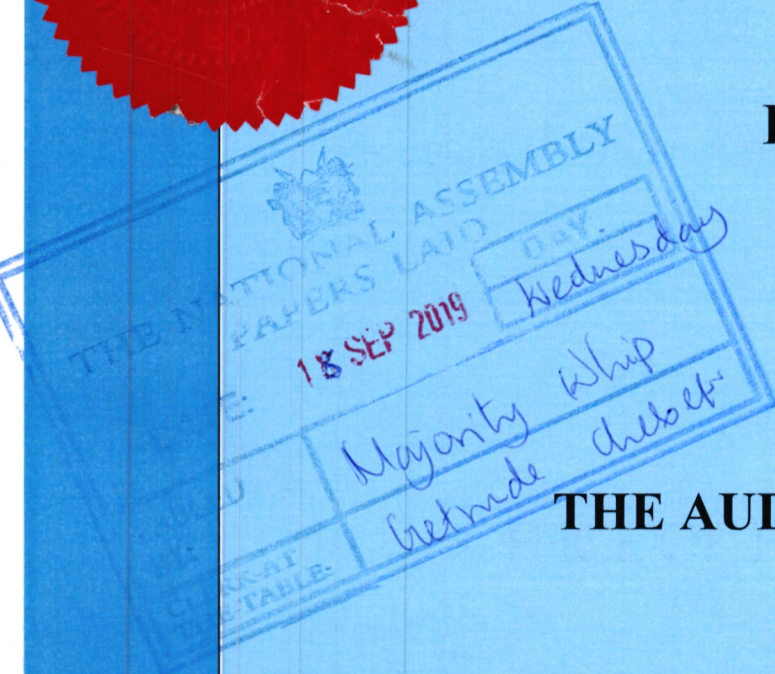
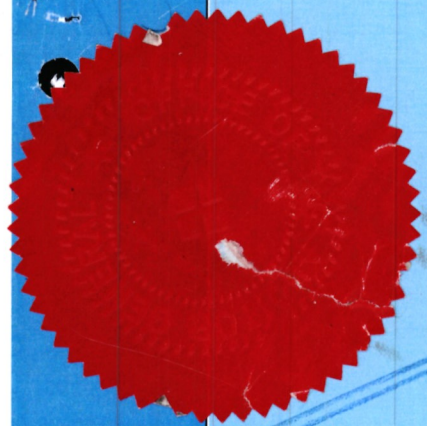
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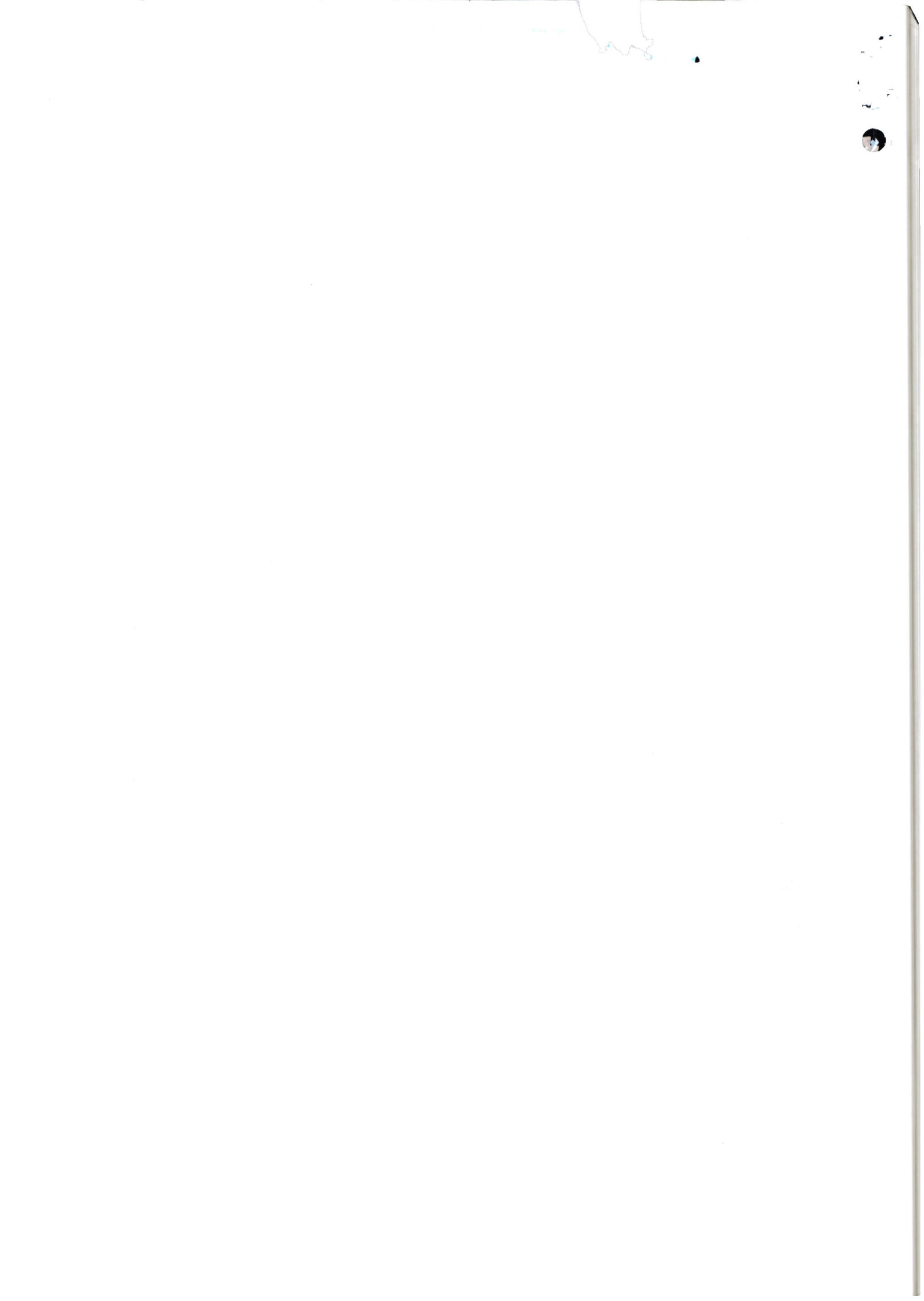
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
MANDERA EAST CONSTITUENCY

FOR THE YEAR
ENDED 30 JUNE 2018





Revised Template 30th June 2018

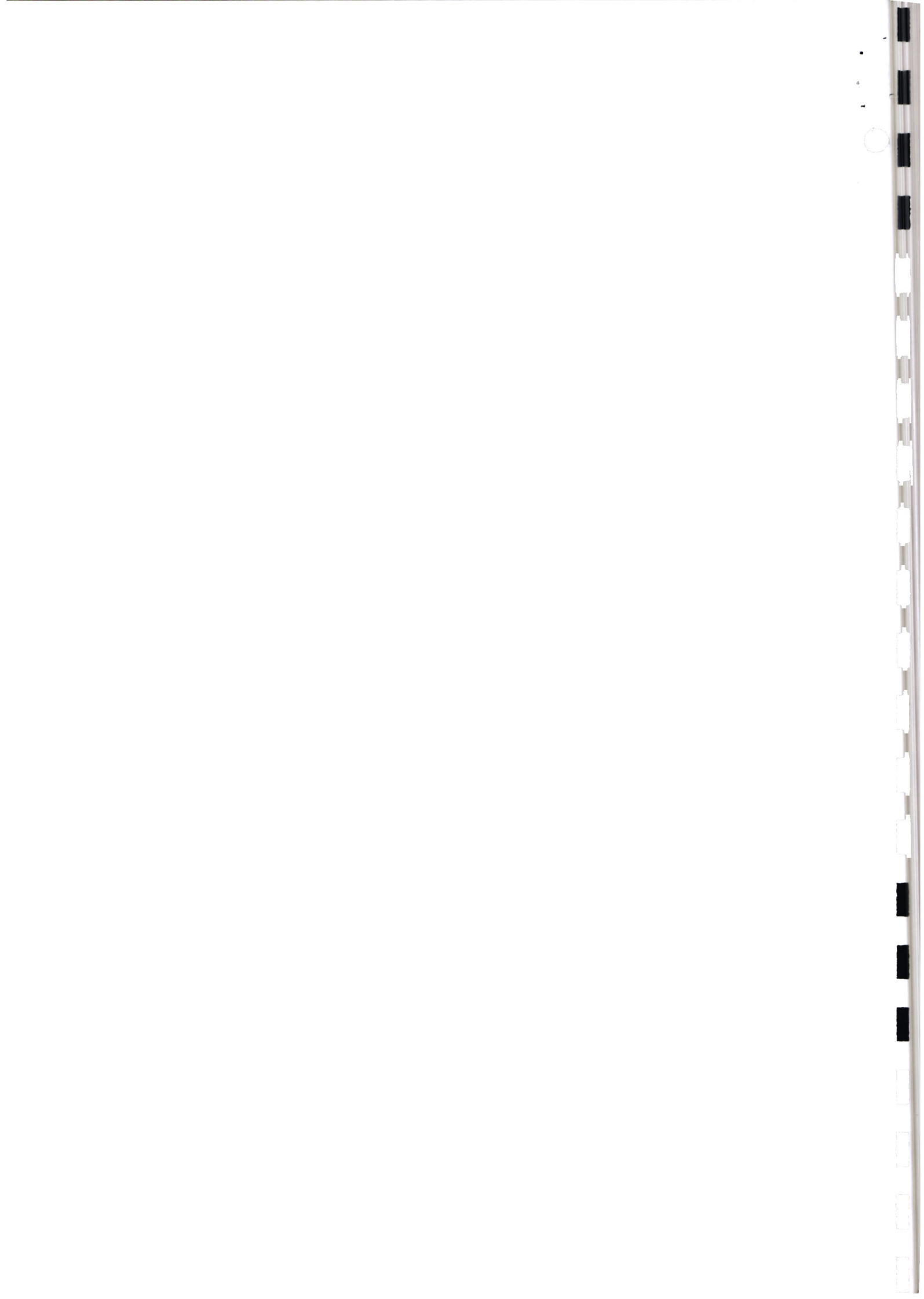


**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND MANDERA
EAST CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

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

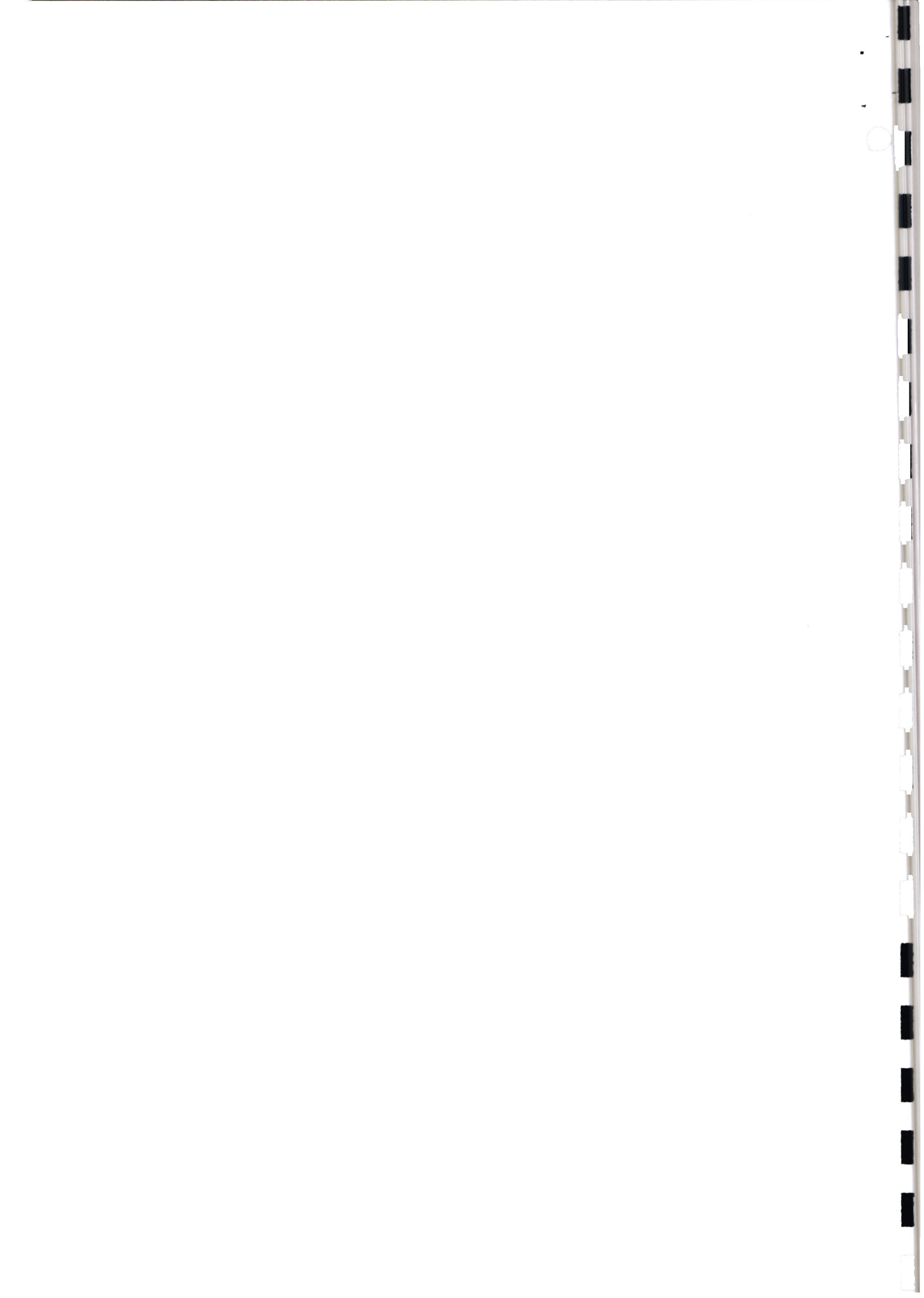
Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector
Accounting Standards (IPSAS)



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

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

Table of Content	Page
I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT.....	1
II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE	5
III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES.....	7
IV. STATEMENT OF RECEIPTS AND PAYMENTS.....	8
V. STATEMENT OF ASSETS AND LIABILITIES.....	9
VI. STATEMENT OF CASHFLOW	10
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED.....	11
VIII. SIGNIFICANT ACCOUNTING POLICIES.....	13
IX. NOTES TO THE FINANCIAL STATEMENTS	20



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

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

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

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

Mandate

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

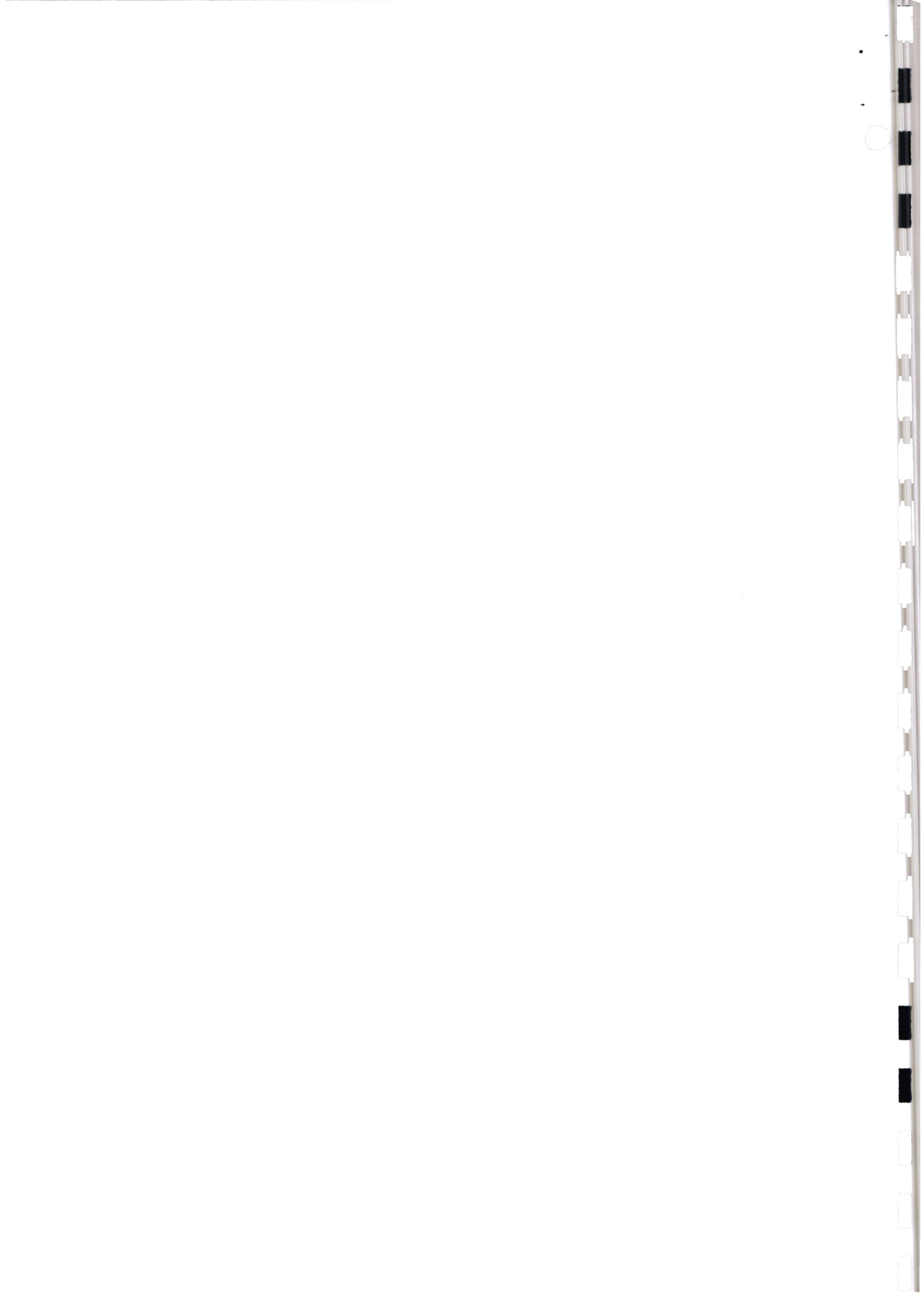
- a) Recognize the constituency as a platform for identification, performance and implementation of national government functions;
- b) Facilitate the performance and implementation of national government functions in all parts of the Republic pursuant to Article 6(3) of the Constitution;
- c) Provide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

Vision

Equitable Socio-economic development countrywide

Mission

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



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

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

Core Values

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

(b) Key Management

The NGCDF day-to- **MANDERA EAST CONSTITUENCY** day management is under the following key organs:

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

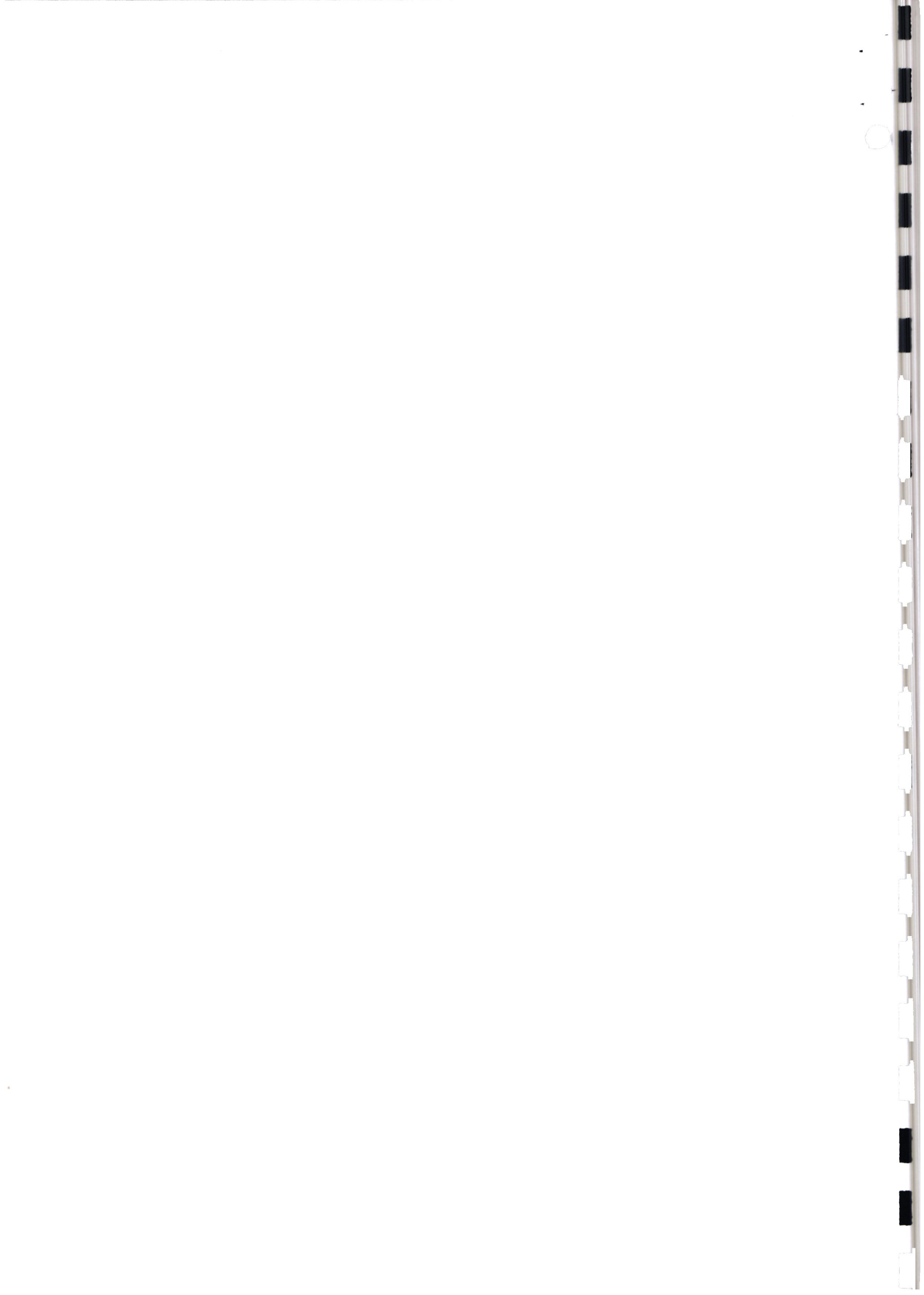
(c) Fiduciary Management

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

No	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Mohamed I. Jattaani
3.	Sub-County Accountant	Lawrence peter Kusumu
4.	Chairman NGCDFC	Farah Mohamd Adan
5.	Member NGCDFC	Hibo Abdi Ali

(d) Fiduciary Oversight Arrangements

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

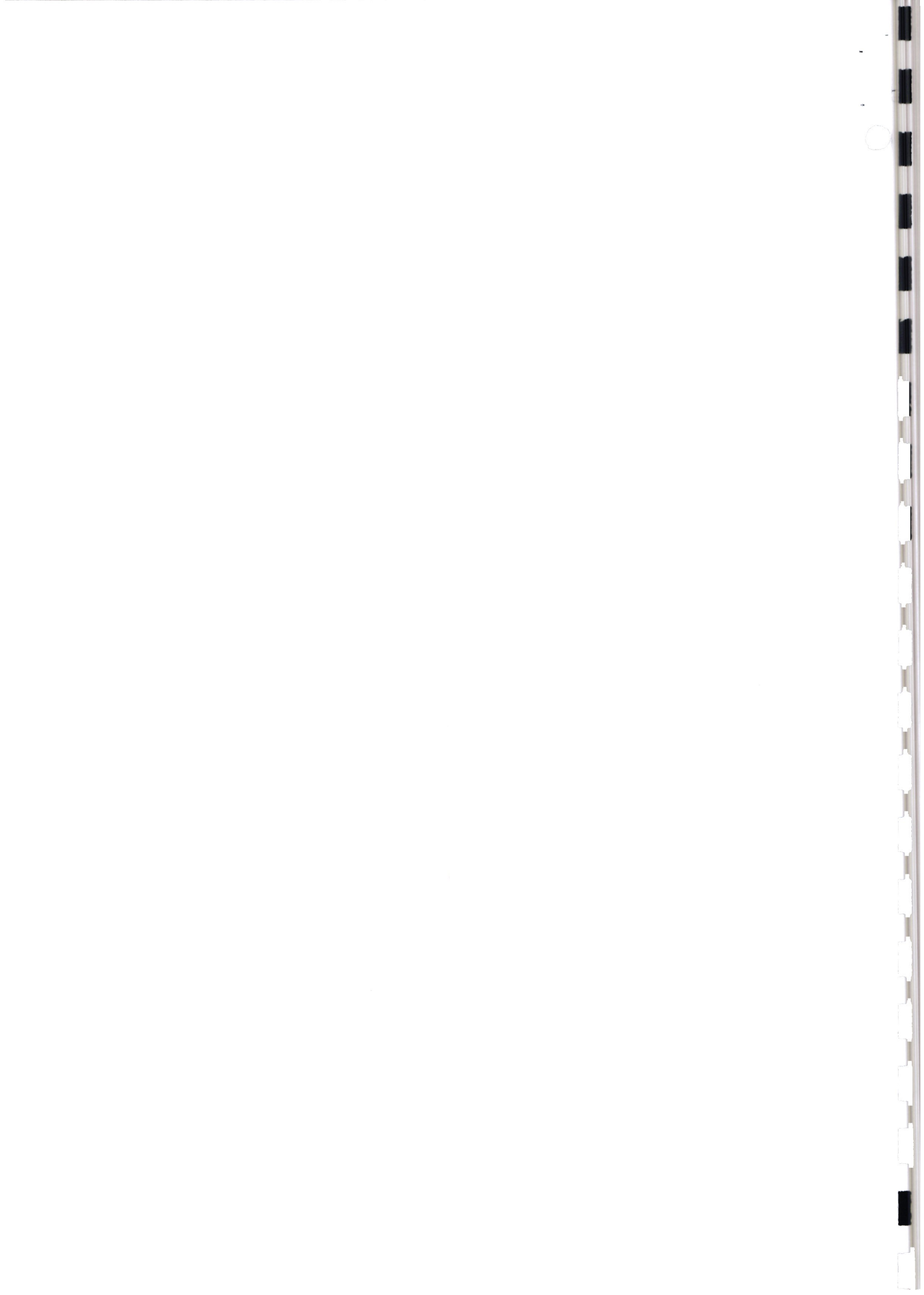


**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

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

**NGCDF MANDERA EAST CONSTITUENCY
(e) Headquarters**

P.O. Box 197-70300
KASSIM KERROW BUILDING
ISiolo Manderu Highway
Nairobi, KENYA



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

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

(f) Constituency Contacts

Telephone: (254) 0729466330
E-mail: mijkenya@yahoo.com.
Website: www.go.ke

NGCDF MANDERA EAST CONSTITUENCY

(g) Constituency Bankers

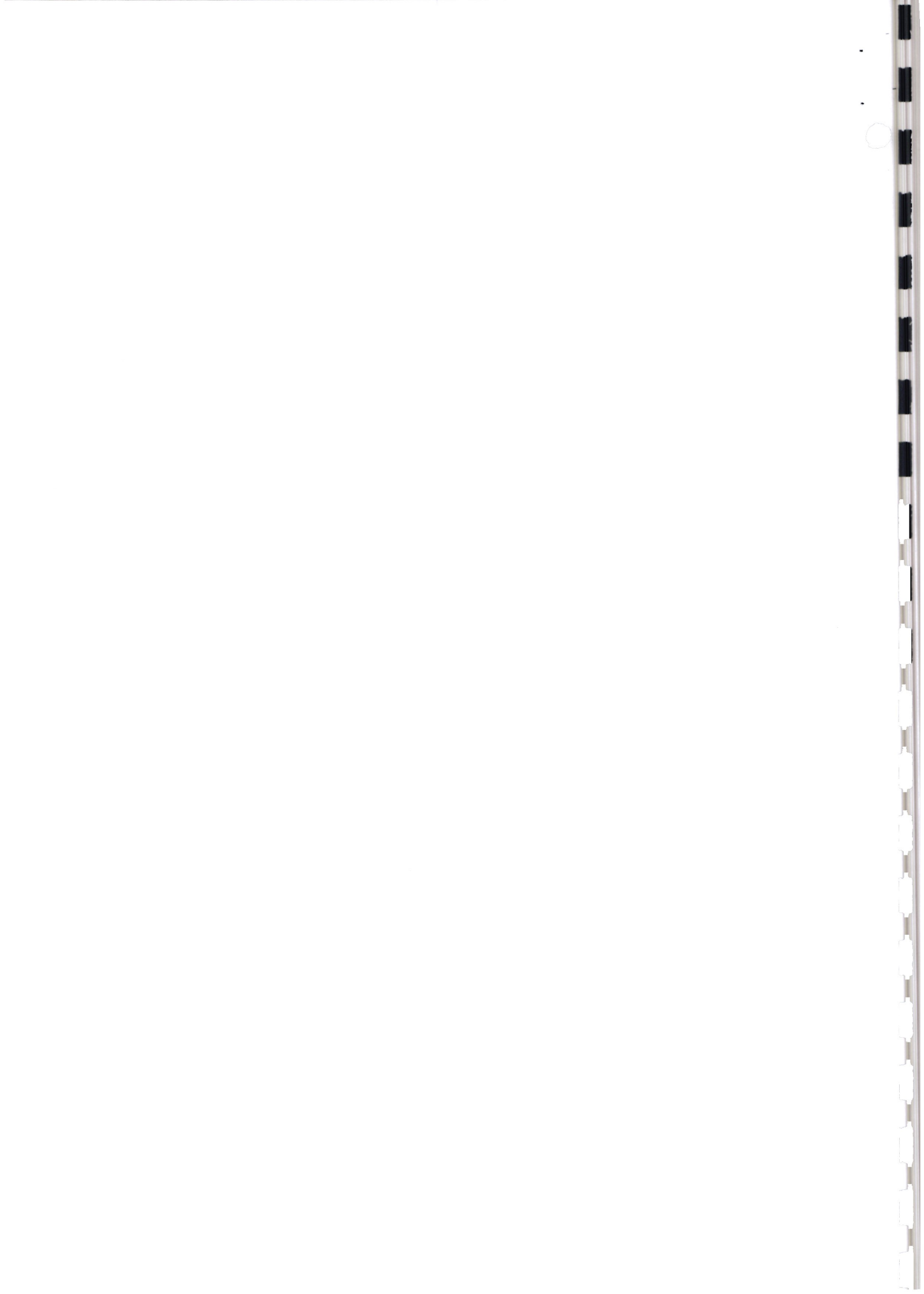
1. Equity Bank Manderla Branch
Isiolo Manderla Road
P.O. Box 193-70300
Manderla

(h) Independent Auditors

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

(i) Principal Legal Adviser

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



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

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

II.FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

The NGCDF Mandera East had developed a budget of **ksh,86,810,344.82** during the financial year under review of 2017/2018. The constituency also received **ksh,40,948,226.36** from the previous year 2016/17. The financial year also started with a balance carried forward of **ksh,8,568,486** In addition the constituency received as an additional funding to the earlier budget of **ksh,11,379,310**. From the going the constituency in total under took its overall operations with **ksh,145,252,916.17**.

As at the close of the financial year the constituency on a waits **ksh,2,453,451,01** still out standing from the board.

The NGCDFC have managed to put the availed funds into effective and efficient use in the mandatory areas of education, security, emergency and bursaries. The constituency have utilized 98% of the received allocation during the fiscal year.

The constituency have made vital achievements this financial to mention but a few

- The constituency made to set up their comities without any issues and this has lead to the completion of the constituency activities without any delay
- The constituency moved the NGCDF office from where it was before and settled in a more spacious and accommodating office. The staffs, the office of the chairman and the Fund account manager are accommodated well. The comities can do their meeting in a bigger hall which awaits refurbishments soon.
- We proud and as an achievement where by through mutual and coexistence with the county government we are able to negotiate with the county land CEC where land is given to the constituency to build its own office. This is a major milestone and soon we will construct our own office.
- During the last financial year the constituency paid for a land cruiser for the office. This office vehicle is contributing a lot to the overall effectiveness in the service delivery to the constituents.

(pictorials)

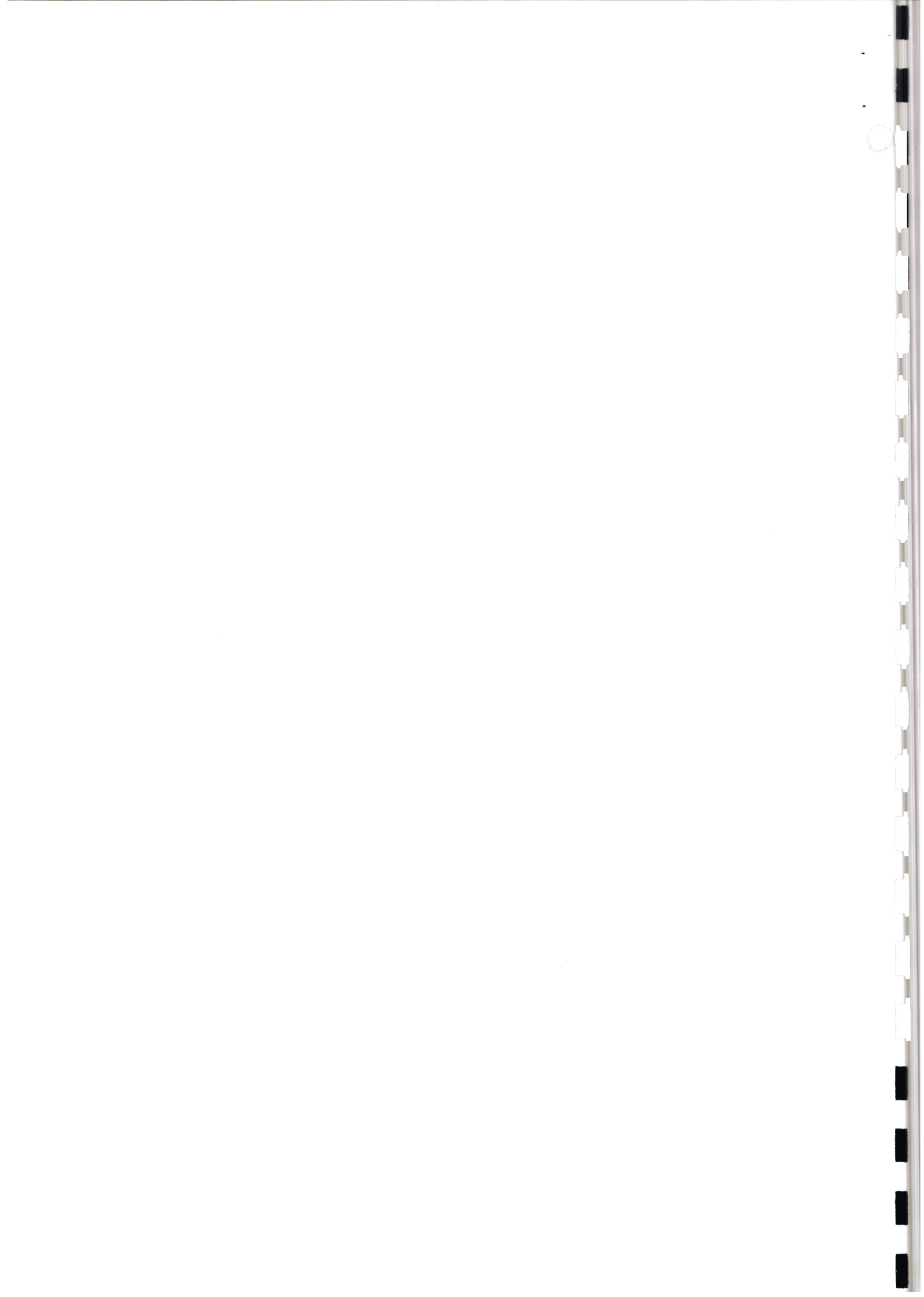
One main emerging issue relates to the issues of bursary cheques which makes the operations of the constituency a bit difficult. Cheques have been lying at the constituency office and with the beneficiaries before they are presented to the banks.

Include among others the following. This will lead into long list of unrepresented cheques. The cheques may eventually come back to the constituency and still needs replacements. This will in itself again call for meetings for the committees to place another needy children. One other emerging issues is the lack of the cash book not updated monthly or regularly. This have lead on many occasions to poor record keeping at the treasury where the bank reconciliation is also not done monthly and the cash book regularly updated using the bank reconciliation

The implementation challenges of Mandera East constituency are numerous i would like to mention a few as follows.

- There has been a hard drought at the begging of the year which compelled the constituency

to a lot of pressure



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

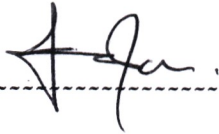
**Reports and Financial Statements
For the year ended June 30, 2018**

- Due to the recurred problems of across boarder attacks by the Al shabab,the constituency the delayance in implementation of Development projects, especially in Arabia ward.
- Constant attacks be it during the day or night is experienced rampantly. Its difficult to make monitoring of some constituency projects without security arrangements.
- Other challenges include of poor road networks, harsh climatic conditions, distance to major cities where some amenities can be achieved. Poor network communications is another challenges where it's difficult to access electronically or even send their due to poor networks.

While all is said and done we are proud that we have overcome most of those challenges and made sure that our constituents have received the best services this financial year. We wish and believe that with the current training in put i believe our achievement will be realized even more in the coming financial years.

Regards

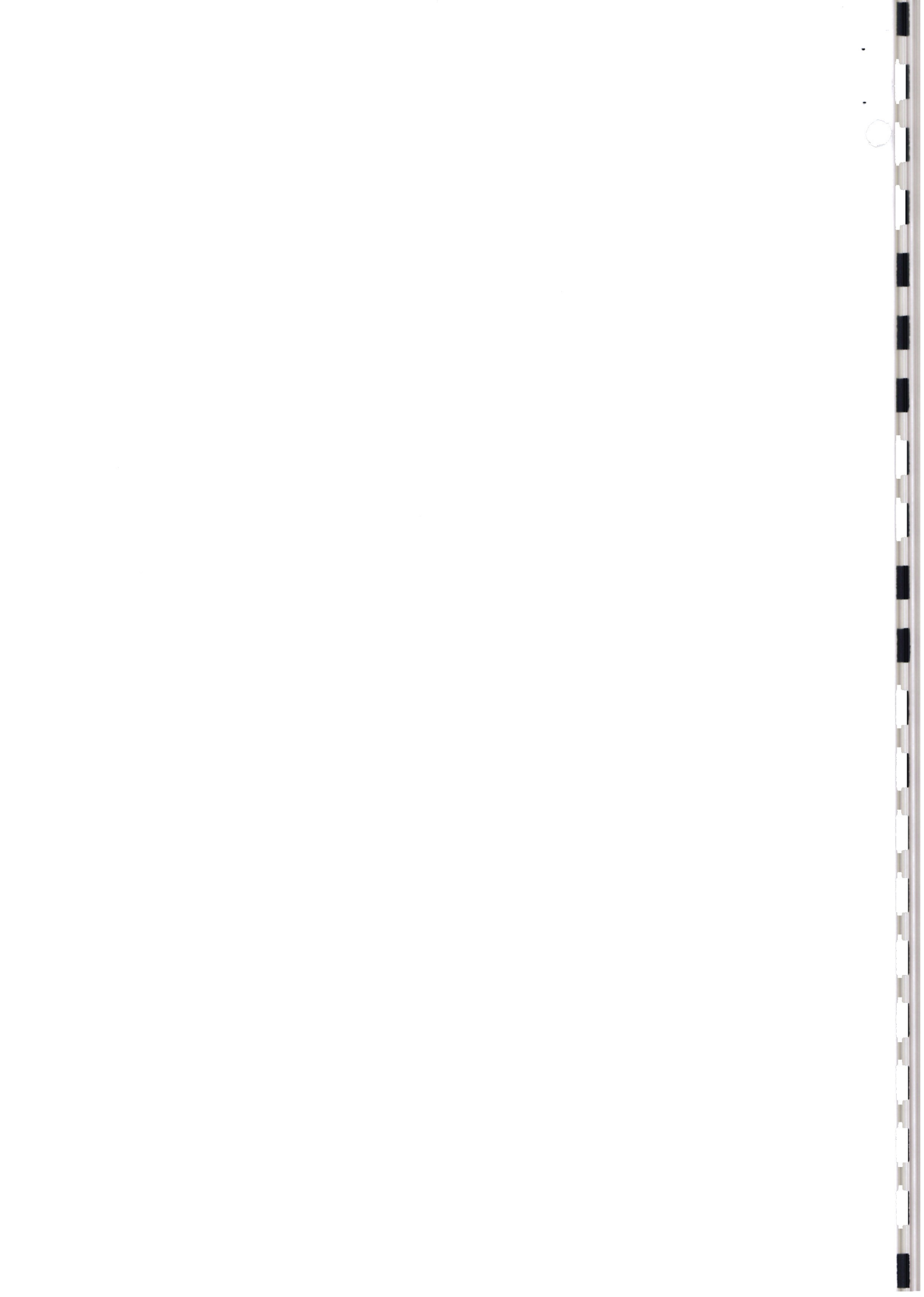
FARAH MOHAMED ADAN



DATE

23/4/2019

CHAIRMAN NGCDF COMMITTEE



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

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

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

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

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

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

Approval of the financial statements

The NGCDF- **MANDERA EAST CONSTITUENCY**

Constituency financial statements were amended and signed by the Accounting Officer on 23rd
APRIL 2019.

Fund Account Manager

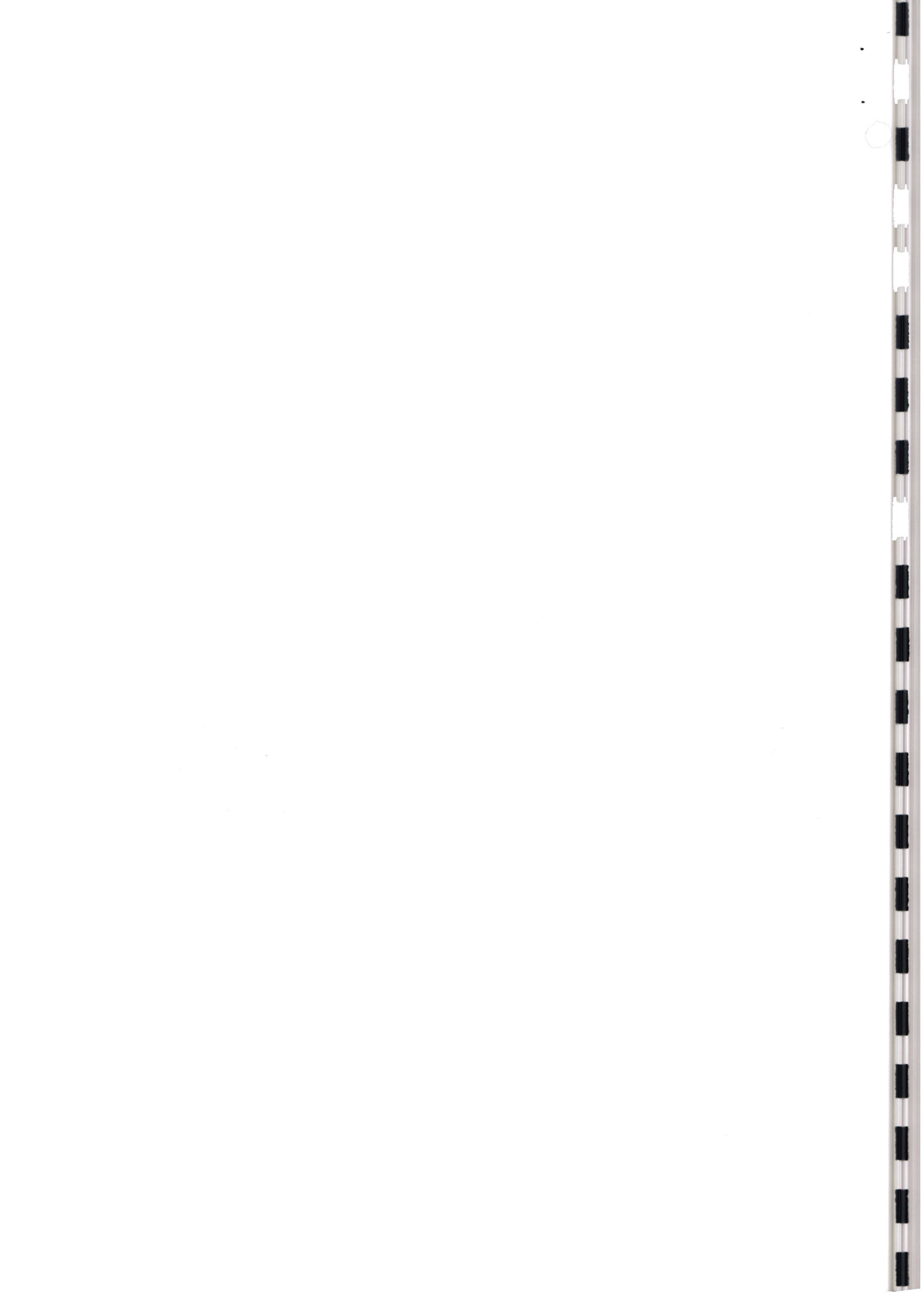
Name:

Hassan Kassim

Sub-County Accountant

Name:

ICPAK Member Number:



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MANDERA EAST CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Mandera East Constituency set out on pages 8 to 38, which comprise the statement of assets as at 30 June 2018 and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of National Government Constituencies Development Fund - Mandera East Constituency as at 30 June 2018 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the National Government Constituencies Development Fund Act, 2015.

Basis for Adverse Opinion

1. Cash and Cash Equivalents

1.1 Bank Reconciliation Statement

The Fund's bank reconciliation statement for the month of June 2018 reflected cash book bank balance of Kshs.41,095,732 while the financial statements indicated Kshs.41,206,858 as at 30 June 2018 resulting in an unreconciled and unexplained variance of Kshs.111,126.

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

1.2 Receipts in Bank Statement not Recorded in the Cash Book

Bank reconciliation statement reflected an amount of Kshs.61,680 as receipts in bank statement not recorded in cash book as detailed below: -

Date	Details	Amount Kshs.
01 September 2015	Egerton	41,480
01 September 2015	Egerton	20,000
23 February 2016	Unpaid Cheque No.2129	200
	Total	61,680

It is not clear how cheques dating back to 2015 and 2016 have not been cleared from the books of account.

1.3 Variance between Statement of Cash Flows and the Statements of Assets

The cash flow statement reflects cash and cash equivalents balance of Kshs.41,157,412 as at 30 June 2018. However, an audit examination of the same revealed an amount of Kshs.37,562,213 as cash and cash equivalents and therefore resulting into an unreconciled variance of Kshs.3,595,199 between the balance in the statement of cash flows and the re-computed balance which.

Further, the statement of assets, cash book and note 10A to the financial statements disclosed cash and cash equivalents balance amounting to Kshs.41,206,858 as at 30 June 2018. However, the statement of cash flows reflected an amount of Kshs.41,157,412 as cash and cash equivalents resulting to unreconciled variance of Kshs.49,446 between the two statements.

1.4 Statement of Cash Flows and Statement of Receipts and Payments Variances

The statement of receipts and payments reflected an amount of Kshs.60,768,836 as other grant and transfers. However, the statement of cash flows on the same item reflected an amount of Kshs.61,189,743 as other grants and transfers resulting in an unreconciled variance of Kshs.420,907.

In the circumstances, it has not been possible to confirm that the cash and cash equivalents balance amounting to Kshs.41,206,858,732 as at 30 June 2018 is fairly stated.

2. Statement of Assets and Liabilities

The statement of financial assets as at 30 June 2018 reflects net financial assets amounting to Kshs.42,554,858 and a corresponding net liability of Kshs.41,157,412 instead of a net financial position of Kshs.42,554,858. Further, prior year adjustment of Kshs.3,595,200 was reflected in the statement of assets for the year ended 30 June 2018.

However, the same was not disclosed in the statement of assets for the year ended 30 June 2017.

Consequently, the accuracy, validity and completeness of the net liabilities amounting to Kshs.41,157,412 as at 30 June 2018 could not be confirmed.

3. Outstanding Imprest

Note 11 to the financial statement reflects outstanding imprest of Kshs.1,348,000 as at 30 June 2018 held by the Fund's accounts manager. However, it was noted that there were no schedules availed to confirm the date the imprest was taken, the purpose for the imprest and due date for surrender. No reason was given why the imprest remained un-surrendered.

Consequently, the accuracy, completeness and validity of cash and cash equivalents balance of Kshs.41,206,858 as at 30 June 2018 could not be ascertained.

4. Other Grants and Other Payments

4.1 Unaccounted Bursary Expenses

Included in the other grants and other payments balance of Kshs.60,768,836 reflected under note 7 to the financial statements is an expenditure on bursary of Kshs.28,196,424 towards secondary schools and tertiary institutions. However, out of these, an amount of Kshs.19,295,924 had not been acknowledged through official receipts or acknowledgement letters by the beneficiary institutions. The payments were also not supported with minutes of the vetting committee and it was therefore not possible to ascertain the criteria used in vetting the beneficiaries. Further, details of the admission numbers and the level of studies for some students were missing.

In view of the foregoing, the probity of the expenditure of Kshs19,295,924 as at 30 June 2018 could not be confirmed.

4.2 Unvouched Expenditure

Audit review of the financial statements, ledgers and cash books availed for audit revealed that an expenditure worth Kshs.8,244,376 was not supported with payment vouchers and the supporting documents for the expenditure. In the absence of such vital documents, the validity and the genuineness of the expenditure is not clear.

Consequently, the probity of the expenditure of Kshs.8,244,376 as at 30 June 2018 could not be confirmed.

4.3 Irregular Implementation of Roads Projects

Included in other grants and other payment balance of Kshs.60,768,836 under note 7 to the financial statements is an expenditure of Kshs.14,500,000 spent on roads. However, an audit review of the expenditure and other supporting documents revealed the following anomalies;

- i. The projects under taken by the Fund in respect of roads were not a function of the Fund but rather of the County Government, thereby contravening the 4th schedule of the Constitution of Kenya 2010 and Section 11(e) of the National Government Constituency Development Fund Regulations, 2016.
- ii. The projects were awarded by the PMC tender opening committee without carrying out tender evaluation contrary to Section 80 of the Public Procurement and Asset Disposal Act, 2015.
- iii. The Board's project approval for the khalalio-darusalam road and the bills of quantities were not made available for audit review.
- iv. Full payments were made without engineer's certificate of practical completion and without inspection and acceptance committee report.

4.4 Emergency Reserve Fund

Included in the other grants and other payments balance of Kshs.60,768,836 reflected under note 7 to the financial statements is an expenditure on emergency projects amounting to Kshs.6,000,000. However, a review of the expenditure and other supporting documents revealed that payment of Kshs.6,000,000 was in respect to provision of water trucking services to Libahiya ward by a local company but the Fund had not reported to the Board the utilization of the emergency funds within 30 days as required in the regulations. Further, it was also observed that the National Constituencies Development Fund Board had approved Kshs.4,568,965 for emergency projects in the financial year under review. However, the Fund spent Kshs.6,000,000 on the same item thereby overspending the budgetary allocation for emergency projects by Kshs.1,431,035.

Further, tender documents including tender opening register, quotations, tender evaluation minutes, and contract agreement were all not maintained.

There was no water trucking schedule availed for audit review to confirm how the water was distributed across the ward and there was no invoice or delivery notes attached to the payment voucher.

Under the circumstance, the probity of the expenditure of Kshs.6,000,000 as at 30 June 2018 could not be confirmed.

5.0 Transfer to Other Government Entities

5.1 Transfer to Secondary School Projects

Included in the transfer to other Government entities balance of Kshs.35,700,000 reflected under note 6 to the financial statement is an expenditure of Kshs.20,900,000 relating to transfer to secondary schools which in turn includes an amount of Kshs.15,500,000 in respect of construction of classrooms and dormitories in various secondary schools. It was however, observed that tender opening registers availed for audit review lacked vital information such as the names of the bidders, amount each bidder quoted, names of their representative and their signatures. Further, the successful tenderers were required to submit 5% performance security but the winning bidder did not submit the performance security as required by the tender documents. In addition, most of the payments were made as full payments and the 10% retention money was not deducted from the contract sum.

The tender documents required the bidders to submit evidence of prior years' experiences in construction works. However, audit review of bills of quantities and company profiles indicated that some of the winning bidders did not had prior experience in construction despite this being a requirement in the tender evaluation criteria. In addition, review of the bill of quantities revealed that the form of agreement, form of tender security and performance of bank guarantee were not filled, not signed and not stamped as required by the tender documents.

Some payments were also not supported with valid Tax Compliance Certificates and it was therefore not possible to confirm whether the companies were registered and were tax compliant.

In the circumstances, the probity of the expenditure of Kshs.15,500,000 as at 30 June 2018 could not be confirmed.

5.2 Transfer to Primary School Projects

Included in the transfer to other Government entities balance of Kshs.35,700,000 reflected under note 6 to the financial statement is an amount of Kshs.14,800,000 relating to grants to various primary schools project management committees in respect of construction of class rooms and toilets. However, a review of project files, payment vouchers among other tender documents revealed that tender notices as well as the bid documents did not specify mandatory bid requirements which could form basis for preliminary and technical evaluations criteria. Further, tender registers, tender evaluation reports, inspection and acceptance reports and certificates of practical completion were all not maintained.

In addition, some winning bidders were awarded contracts without certificate of registration from National Construction Authority (NCA) which was a mandatory requirement while in some instances there was no contract agreement signed between the PMCs and the contractors.

Under the circumstances, the probity and validity of the expenditure of Kshs.14,800,000 as at 30 June 2018 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Manderia East Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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 described in the Basis for Adverse Opinion section, I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Non-Maintenance of Financial and Accounting Records for the Project Management Committee Bank Accounts

Records of the bank accounts held by the various Project Management Committees and quarterly reports to the constituency committee were not maintained by the Fund. No PMC's bank statements and cash books were maintained and subsequently no reconciliations were carried out for the PMC's accounts.

In view of the foregoing, it was not possible to ascertain whether the funds or grants disbursed to the PMCs were properly managed.

2. Summary of Fixed Asset Register

Annex 4 a summary of fixed asset register attached to the financial statement discloses the value of fixed assets as Kshs.12,097,959. However, the asset register availed for audit review was incomplete as there were no columns for accumulated depreciation and net book values making it difficult to link the information in the asset register and that of annex 4 to the financial statements as per requirements of IPSAS 17.

In the absence of proper fixed asset register, it was not possible to ascertain the validity, completeness and accuracy of the fixed assets balance of Kshs.12,097,959.

3. Budget and Budgetary Control

3.1 Budget Performance Analysis

Review of summary statement of budget appropriation: recurrent and development combined revealed that during the year under review the Fund had an approved budget amounting to Kshs.147,706,367 out of which Kshs.8,568,437 was unspent balance from the financial year 2016/2017. Budget utilization on receipts and expenditure was as detailed below:

Item	Budget Kshs.	Actual Kshs.	Difference Under Kshs.	Difference as % of Budget
Receipts	147,706,367	136,684,479	11,021,888	7.4%
Expenditure	151,206,366	107,690,703	43,515,663	28.7%

The above analysis reflects actual receipts of Kshs.136,684,479 against budgeted amount of Kshs.147,706,367 resulting in a short fall of Kshs.11,021,888 representing 7.4% of undisbursed funds from the Constituencies Development Fund Board. The summary statement of appropriation: recurrent and development combined discloses total final budget expenditure of Kshs.147,706,366 but the total budget expenditure of line items is Kshs.151,206,366 resulting to un-explained difference of Kshs.3,500,000. Further, the Fund incurred an under expenditure of Kshs.107,690,703 against budget expenditure of Kshs.151,206,366 resulting to a difference of Kshs.43,515,663 representing 28.7%.

3.2 Under Expenditure on Overall Budget

The Fund recorded an overall 28.7% under expenditure during the year under review as follows: -

Item	Approved Budget Kshs.	Actual Expenditure Kshs.	Under Expenditure Kshs.	% Under-Expenditure
Compensation of Employees	4,510,753	3,699,095	811,658	17.9
Use of Goods and Services	6,812,930	4,022,772	2,790,158	40.9
Transfer to Other Government Units	55,211,703	35,700,000	19,511,703	35.3
Other Grants and Transfers	81,170,980	60,768,836	20,402,144	25
Acquisition of Assets	0	0	0	0
Other Payments	3,500,000	3,500,000	0	0
Total	151,206,366	107,690,703	43,515,663	28.7

From the analysis above the Fund realized under expenditure in four (4) out of the five (5) items during the year under review.

3.3 Project Implementation and Management

During the financial year under review, the Fund allocated Kshs.78,027,253 to thirty (33) projects in various sectors including Education, Security and Sport, Environment, Emergency, Roads, Fund's offices and others.

Analysis as per Project Implementation Status(PIS) presented for audit review revealed that twenty-five (25) projects were completed, four (4) had not started and four (4) projects were on going as analyzed in the table below:

Sector	Project Status	Project Cost Kshs.	Number of projects
Sports	Complete	1,736,206	1
	Ongoing	0	0
	Not started	0	0
Environment	Complete	1,736,206	1
	Ongoing	0	0
	Not started	0	0
Security	Complete	3,050,000	3
	Ongoing	1,300,000	2
	Not Started	0	0
Education	Complete	35,786,206	17
	Ongoing	4,000,000	1
	Not started	0	0
Emergency	Complete	0	0
	Ongoing	0	0
	Not started	5,216,045	1
Others	Complete	0	0
	Ongoing	0	0
	Not started	2,453,451	3
Roads	Complete	8,500,000	2

	Ongoing	0	0
	Not started	0	0
Strategic Plan	Complete	4,000,000	1
CDF-Offices	Ongoing	10,249,139	1
Total		78,027,253	33

Failure to complete projects in the envisaged timeline may have had negative impact on service delivery to constituents of Mandera East.

3.4 Constituency Oversight Committee

The Fund had not appointed Constituency Oversight Committee as required by Section 53(1) of the National Government Constituency Development Fund Act, 2015. No proper explanation was given for not appointing the committee as required by the Act.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the

audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the fund either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public 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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statement 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 judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue 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 Fund in order 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 August 2019

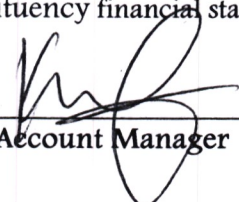
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

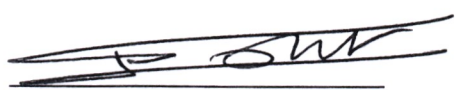
**Reports and Financial Statements
For the year ended June 30, 2018**

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018 Kshs	2016-2017 Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	136,684,479	107,369,519
Proceeds from Sale of Assets	2		-
Other Receipts	3		-
TOTAL RECEIPTS		136,684,479	107,369,519
PAYMENTS			
Compensation of employees	4	3,699,095	2,902,936
Use of goods and services	5	4,022,772	4,860,940
Transfers to Other Government Units	6	35,700,000	53,512,451
Other grants and transfers	7	60,768,836	46,507,000
Acquisition of Assets	8	-	8,630,429
Other Payments	9	3,500,000	-
TOTAL PAYMENTS		107,690,703	116,414,556
SURPLUS/DEFICIT		28,993,776	9,045,038

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF- **MANDERA EAST CONSTITUENCY** Constituency financial statements were amended on 23rd April 2019 and signed by:

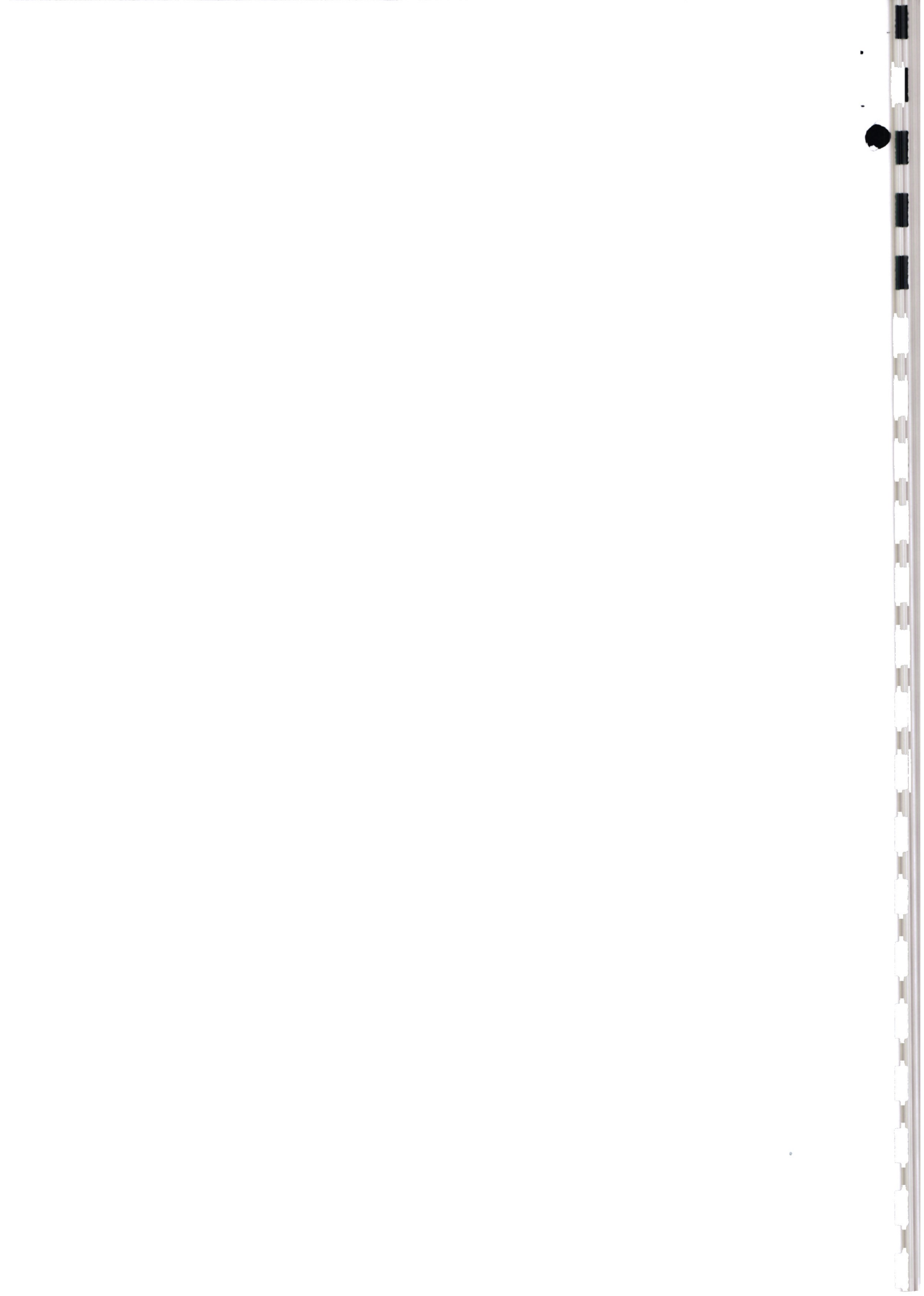

Fund Account Manager


Sub-County Accountant

Name: Hassan Kassim

Name: Y.A. D...

ICPAK Member Number:



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

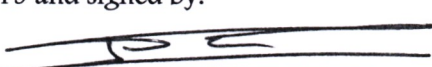
**Reports and Financial Statements
For the year ended June 30, 2018**

STATEMENT OF ASSETS AND LIABILITIES

	Note	2017-2018 Kshs	2016-2017 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	41,206,858	8,568,437
Cash Balances (cash at hand)	10B	-	-
Total Cash and cash Equivalent		41,206,858	8,568,437
Outstanding Imprests	11	1,348,000	2,109,000
TOTAL FINANCIAL ASSETS		42,554,858	10,677,436
FINANCIAL LIABILITIES			
Accounts Payables - Retention	12	-	-
Net Fianacial Assets		<u>42,554,858</u>	<u>10,677,436</u>
REPRESENTED BY			
Fund balance b/fwd 1st July...	13	8,568,437	19,722,475
Surplus/Defict for the year		28,993,776	(9,045,038)
Prior year adjustments	14	3,595,200	-
NET LIABILITIES		<u>41,157,412</u>	<u>10,677,436</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF- **MANDERA EAST CONSTITUENCY** financial statements were amended on 23rd APRIL 2019 and signed by:


Fund Account Manager


Sub-County Accountant

Name:

Hassan Kassim

Name:

J.A. Aikal

ICPAK Member Number:



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MANDERA EAST CONSTITUENCY**

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

V. STATEMENT OF CASHFLOW

Receipts for operating income		2017-2018	2016-2017
Transfers from CDF Board	1	136,684,479	107,369,519
Other Receipts	2	-	-
Payments for operating expenses			
Compensation of Employees	4	3,699,095	2,902,936
Use of goods and services	5	4,022,772	4,860,940
Transfers to Other Government Units	6	35,700,000	53,512,451
Other grants and transfers	7	61,189,743	46,507,800
Other payments	9	3,500,000	-
Total Payment		104,711,910	107,784,128
Adjusted for:			
Adjustments during the year		-	-
Net cash flow from operating activities		31,972,669	(414,609)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	-	8,630,429
Net cash flows from Investing Activities		-	8,630,429
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year	13	8,568,437	19,722,475
Cash and cash equivalent at END of the year	10A	41,157,413	8,568,437

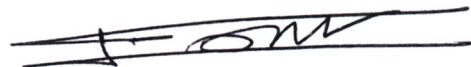
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF- **MANDERA EAST CONSTITUENCY** Constituency financial statements were amended on 23rd APRIL 2019 and signed by:



Fund Account Manager

Name:

Hassan Kassim



Sub-County Accountant

Name: Y.A. Daxal

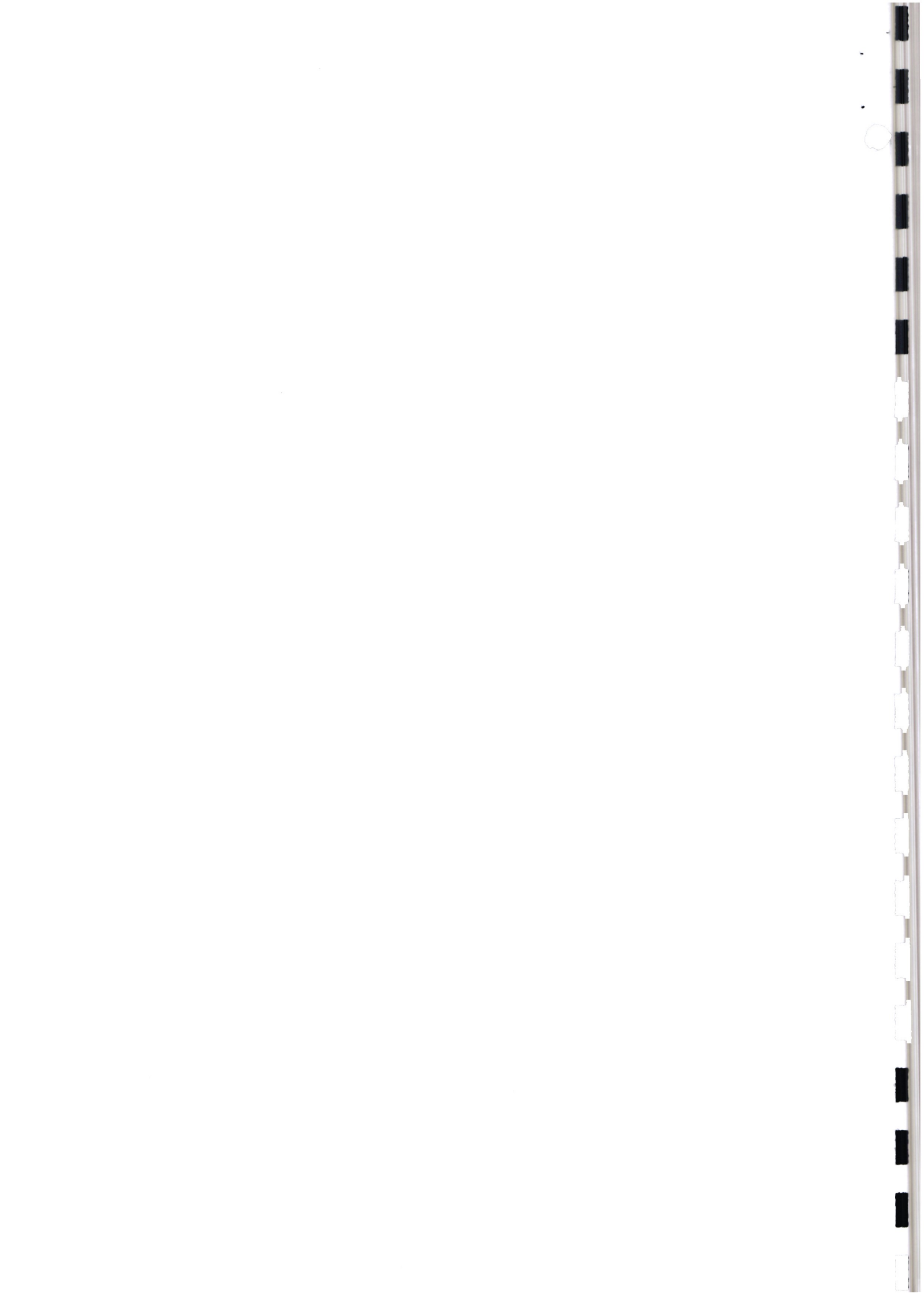
ICPAK Member Number:



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

VI. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	86,810,345	60,896,022	147,706,367	145,252,916	2,453,451	98%
Proceeds from Sale of Assets	-	-	-	-	-	
Other Receipts	-	-	-			
TOTALS	86,810,345	60,896,022	147,706,367	145,252,916	2,453,451	1
PAYMENTS						
compensation of employees	2,500,000	2,010,753	4,510,753	3,699,095	811,658	82%
Use of goods and services	5,312,930	1,500,000	6,812,930	4,022,772	399,157	59%
Transfers to Other Government Units	28,174,998	27,036,705	55,211,703	35,700,000	18,711,703	65%
Other grants and transfers	50,822,416	30,348,564	81,170,980	60,768,836	23,688,344	75%
Acquisition of Assets						
Other Payments	-	-	3,500,000	3,500,000	-	0%
TOTALS	86,810,344	60,896,022	147,706,366	107,690,703	43,610,862	73%



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – MANDERA EAST CONSTITUENCY

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


- i. *I am glad to report that the funding for the year 2017/18 was utilized to 98%. This was possible because we were able to absorb the monies received in good time and request for the subsequent funding in good time*
- ii. *Compensation of employees was achieved at 82%. This was so because some amount of the allocation was not received at the closure of the financial year.*
- iii. *On the transfer of other Government units we managed to disburse at 66%. The projects could not have formed the PMC before the closure of the financial year and hence the projects funding could not be transferred to the accounts in good time.*
- iv. *The process in forming the PMCS in good time to allocate and transfer the funds to the respective projects accounts delayed the process of the transfer to the accounts before the end of the financial year.*
- v. *The constituency did not allocate any funding for any new acquisition of funding or for any other payments hence 0%.*
- vi. *On overall the constituency expenditure was at 70. The few projects were influenced by the amount of the allocations which was not received and the balance as per cash book relating to projects which did not form PMC or projects where the engineers tender documentations were not done as at the closure of the financial year.*

The NGCDF- MANDERA EAST CONSTITUENCY

Constituency financial statements were amended on __23rd April 2019 and signed by:


Fund Account Manager

Name: *Hassan Kassin*


Sub-County Accountant

Name: *Y.A. Daker*

ICPAK Member Number:



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

VII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

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

2. Reporting Entity

The financial statements are for the NGCDF- **MANDERA EAST CONSTITUENCY**. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012

3. Reporting Currency

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

4. Significant Accounting Policies

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

a) Recognition of Receipts

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

Tax Receipts

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

Transfers from the Exchequer

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



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

SIGNIFICANT ACCOUNTING POLICIES

External Assistance

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

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

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

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

Other receipts

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

b) Recognition of payments

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

Compensation of Employees

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

Use of Goods and Services

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

Acquisition of Fixed Assets

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

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



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

SIGNIFICANT ACCOUNTING POLICIES

5. In-kind contributions

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

6. Cash and Cash Equivalents

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

7. Accounts Receivable

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

8. Accounts Payable

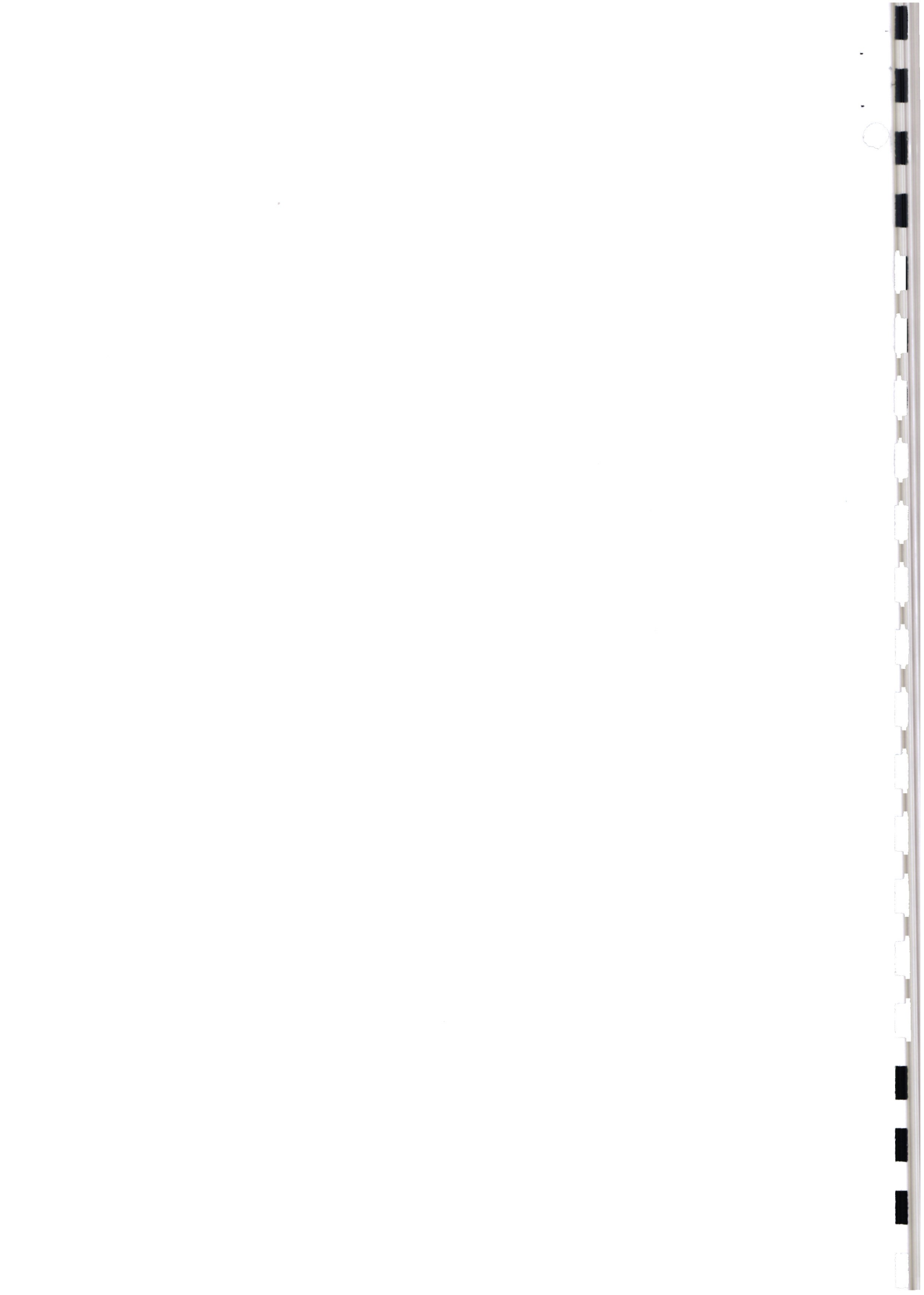
For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations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

9. Pending Bills

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

10. Unutilized Funds

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



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

SIGNIFICANT ACCOUNTING POLICIES

11. Budget

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

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

12. Comparative Figures

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

13. Subsequent Events

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

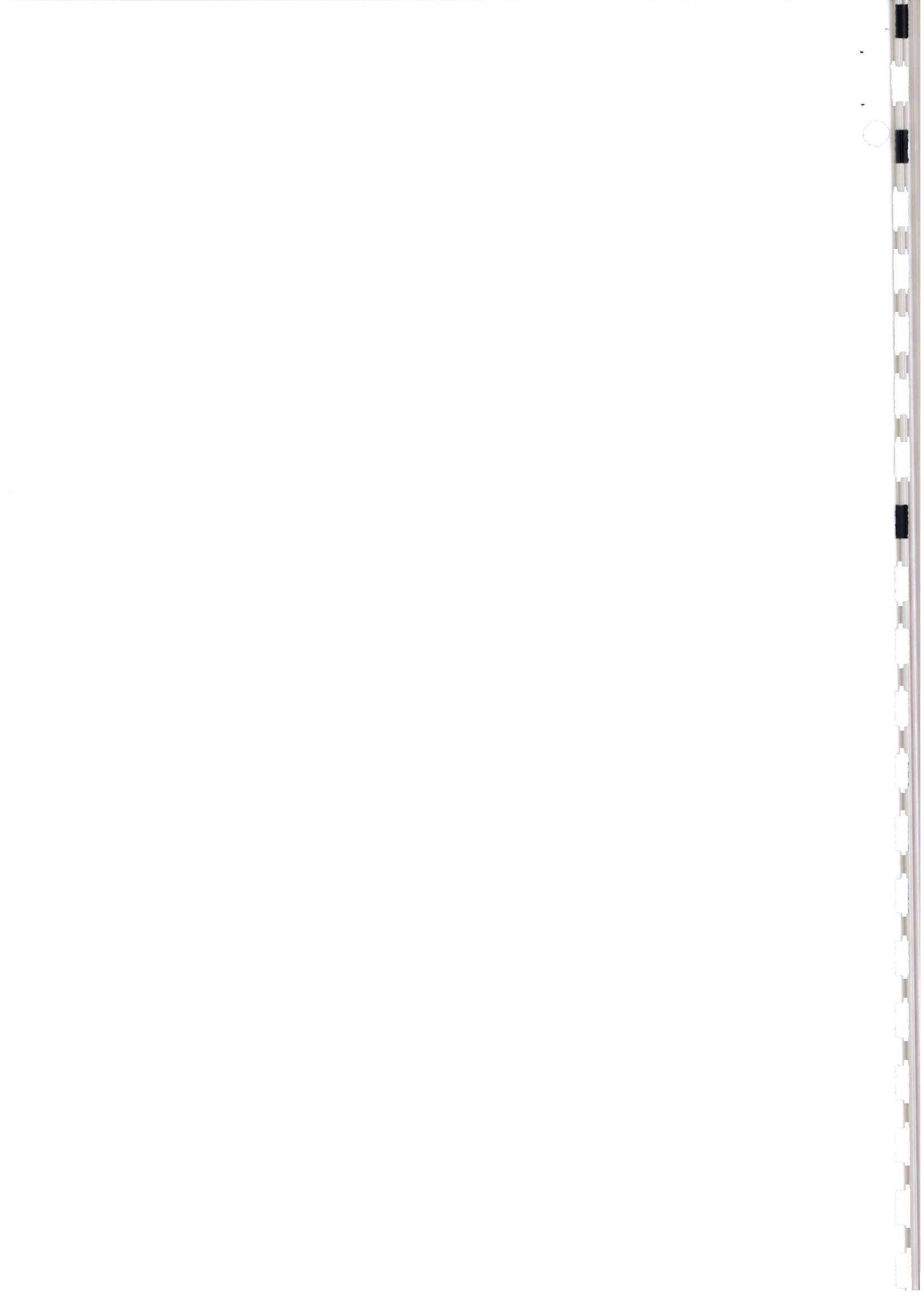
14. Errors

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

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

15. Related Party Transactions

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



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

VIII. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2017-2018	2016-2017
		Kshs	Kshs
Normal Allocation	A855917	5,500,000.00	66,421,242.00
	A892781	37,905,172.00	36,853,449.00
	A892754	40,948,275	4,094,828.00
	A896863	32,372,967	
	A997650	8,500,000	
	A896982	11,458,065	
Conditional grants			
	AIE NO...		-
Receipt from other Constituency	AIE NO...		-
TOTAL		136,684,479	107,369,519

2. PROCEEDS FROM SALE OF ASSETS

Description	2017 - 2018	2016 - 2017
	Kshs	Kshs
Receipts from the Sale of Buildings		-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment		-
Receipts from the Sale of office and general equipment		-
Total		



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

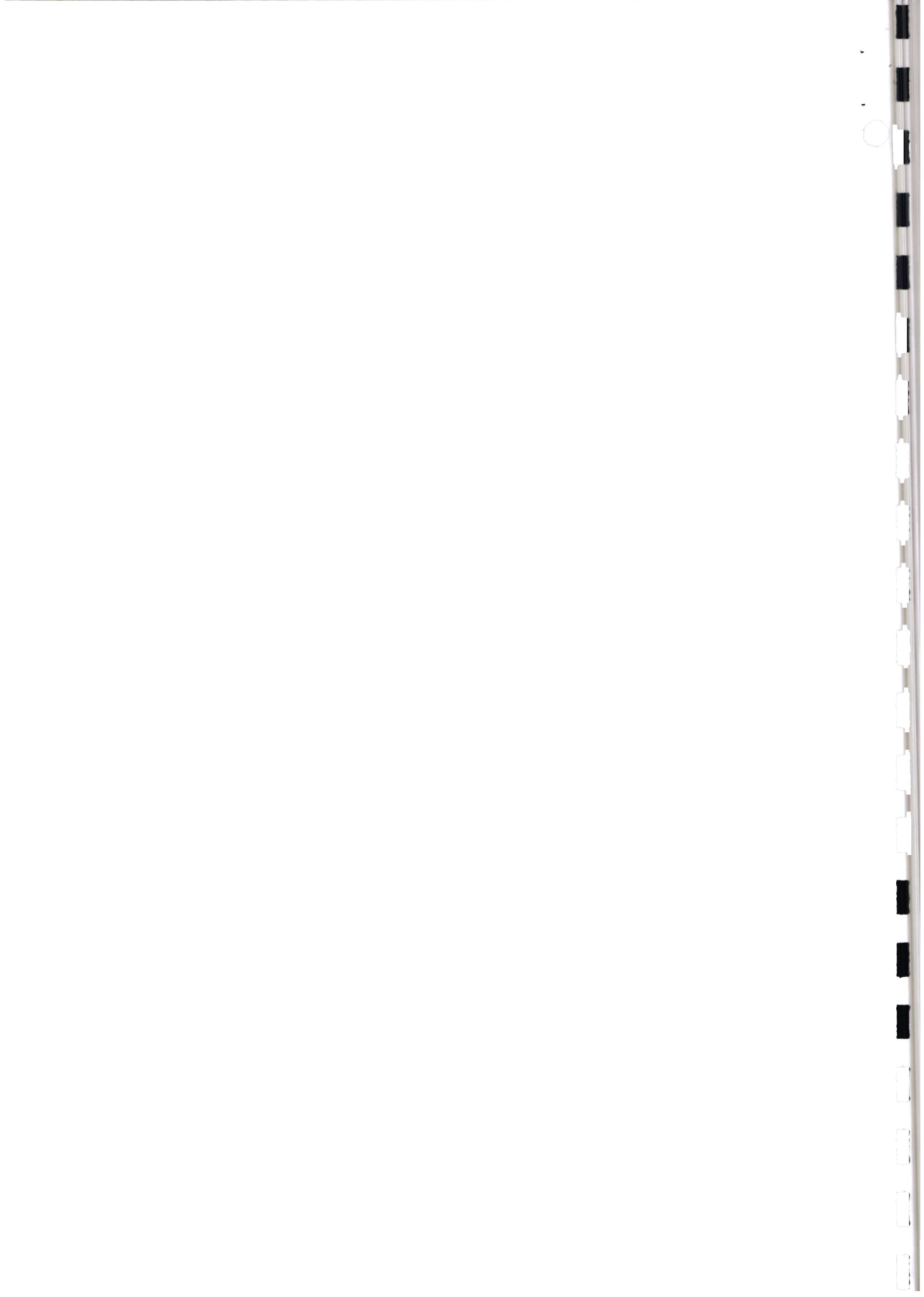
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEPTS

Description	2017 - 2018	2016 - 2017
	Kshs	Kshs
Interest Received	-	-
Rents	-	-
Interest Received	-	-
Other Receipts Not Classified Elsewhere (specify)-Stale Cheques Reversed	-	-
Total	-	-

4. COMPENSATION OF EMPLOYEES

Description	2017-2018	2016-2017
	Kshs	Kshs
Basic wages of contractual employees	3,355,635.00	2,558,936.00
Employer Contribution NSSF	250,560.00	276,480.00
Basic wages of casual labour		
Personal allowances paid as part of salary		
House allowance		
Transport allowance		
Leave allowance		
Other personnel payments	92,900.00	67,520.00
gratuity		
Total	3,699,095.00	2,902,936.00



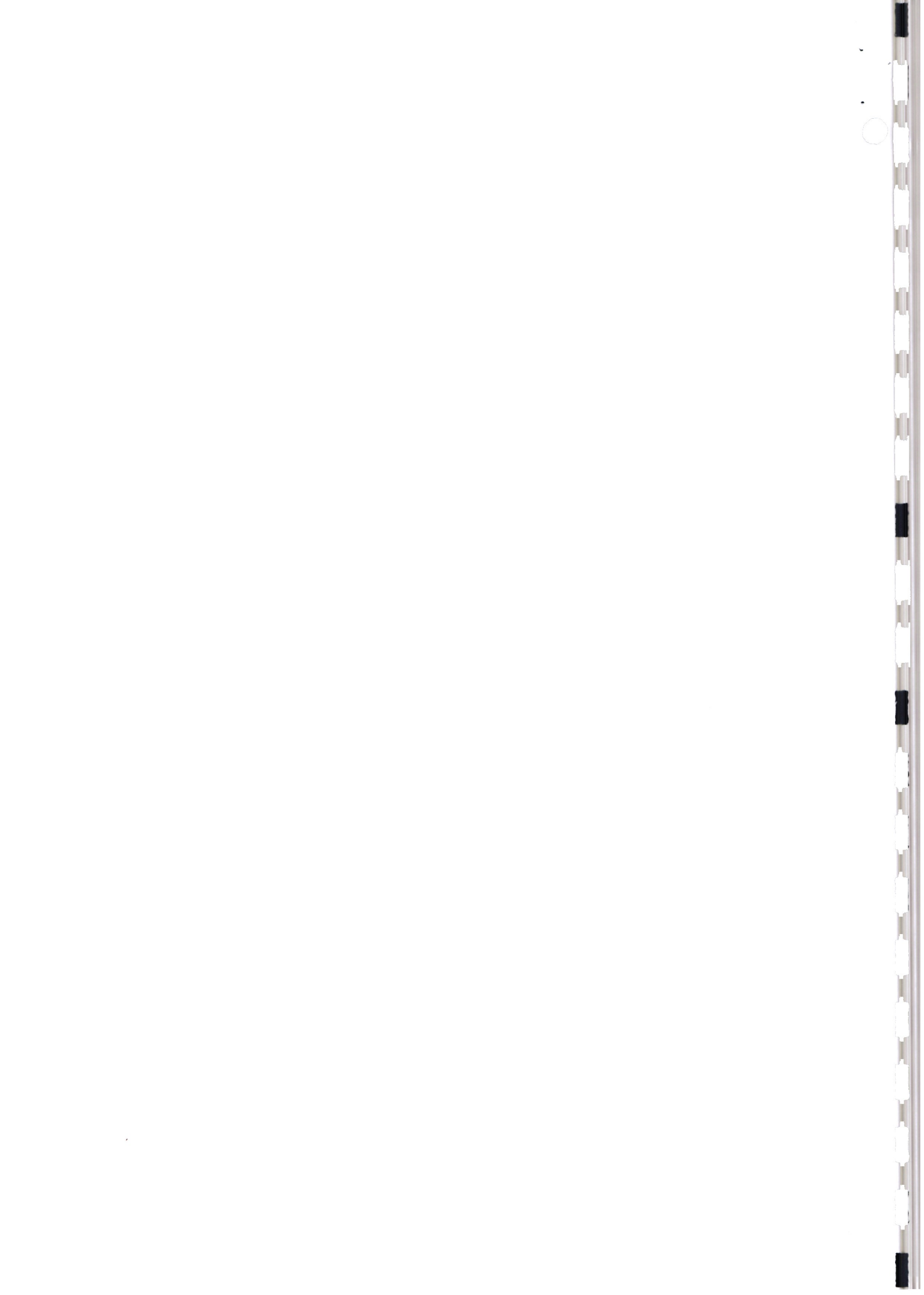
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

Description	2017-2018 Kshs	2016-2017 Kshs
Utilities, supplies and services	204,328.00	
Office rent	640,000.00	480,000.00
Communication, supplies and services	-	-
Domestic travel and subsistence	278,000.00	
Printing, advertising and information supplies & services	-	
Rentals of produced assets	-	-
Training expenses	-	1,000,000.00
Committee Allowance	1,651,000.00	702,000.00
Other Allowance Expenses	-	218,030.00
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialised materials and services	-	-
Office and general supplies and services	1,102,340	790,857
Fuel ,oil & lubricants	123,786.00	258,765
Other operating expenses		2,113,285
Routine maintenance – vehicles and other transport equipment	23,318.00	
Routine maintenance – other assets	-	-
Total	4,022,772	4,860,940



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

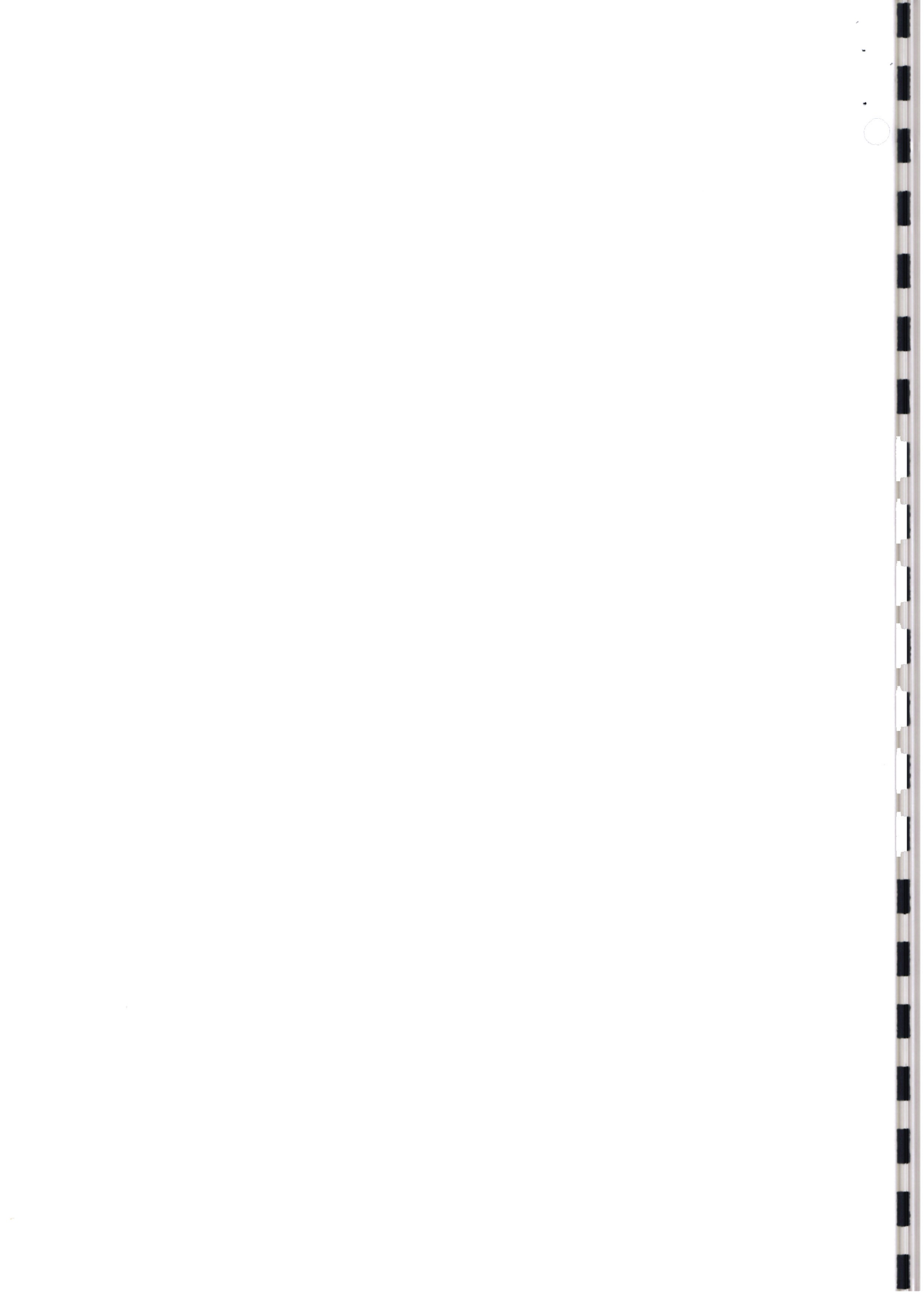
NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to primary schools	14,800,000.00	46,512,451.00
Transfers to secondary schools	20,900,000.00	7,000,000.00
		-
		-
TOTAL	35,700,000.00	53,512,451.00

7. OTHER GRANTS AND OTHER PAYMENTS

Description	2017-2018	2016-2017
	Kshs	Kshs
Bursary -Secondary	14,286,269	14,016,800.00
Bursary -Tertiary	13,910,155.00	8,694,000.00
Bursary-Special schools	-	-
Mocks & CAT	-	1,500,000.00
water	-	-
Agriculture (food security)	-	-
Electricity projects	-	-
Security	8,600,000.00	14,300,000.00
Roads	14,500,000.00	-
Sports	1,736,206.00	2,000,000.00
Environment	1,736,206.00	2,513,000.00
Emergency Projects (specify)	6,000,000.00	3,484,000.00
Total	60,768,836.00	46,507,800.00



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

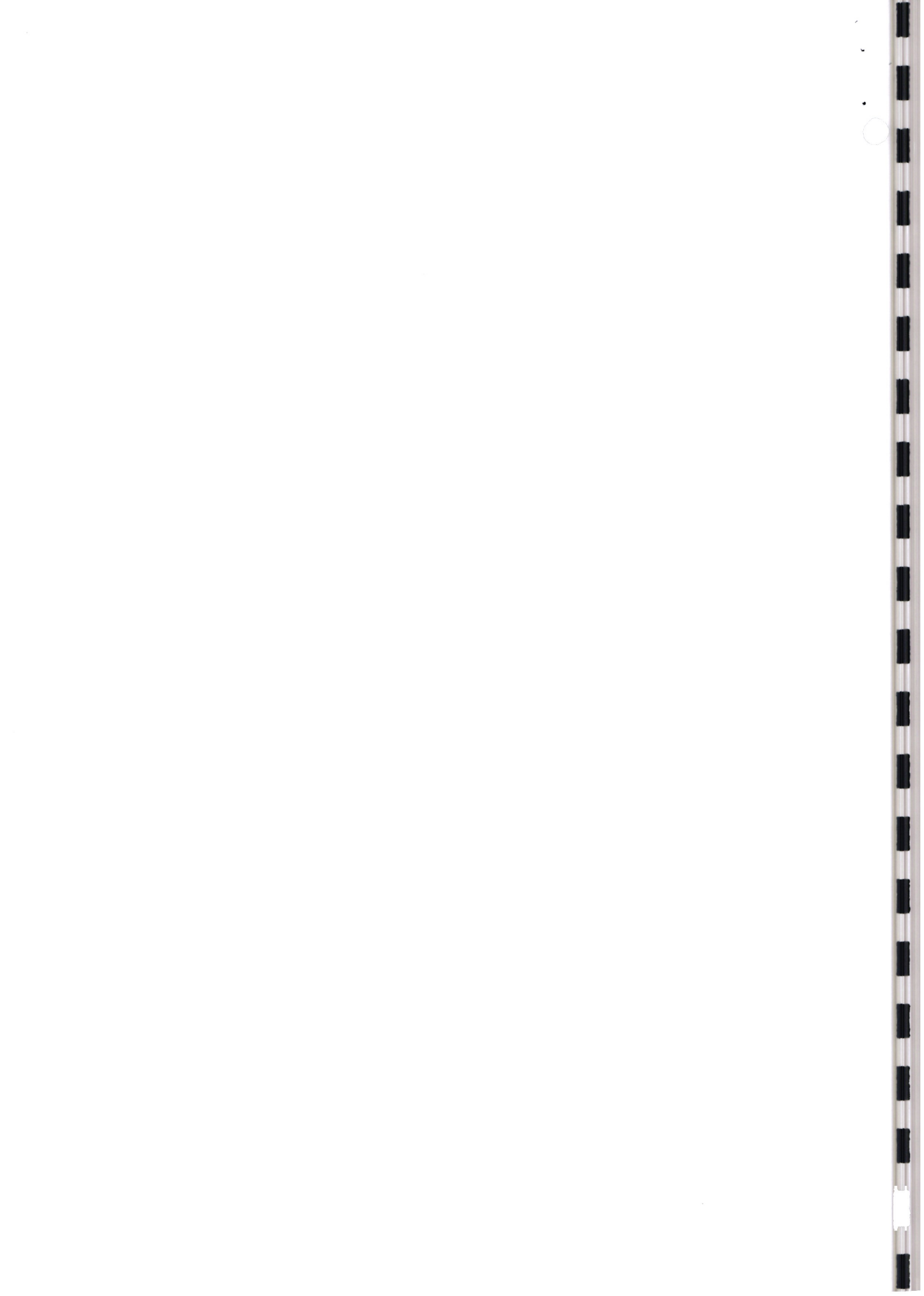
NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

Non Financial Assets	2017-2018	2016-2017
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	-	1,000,000.00
Purchase of Vehicles	-	6,630,429.00
Purchase of Bicycles & Motorcycles	-	
Overhaul of Vehicles	-	-
Purchase of office furniture and fittings	-	1,000,000.00
Purchase of computers ,printers and other IT equipments	-	-
Purchase of photocopier	-	-
Purchase of other office equipments	-	-
Purchase of soft ware	-	-
Acquisition of Land	-	-
Total	-	8,630,429

9. OTHER PAYMENTS

Strategic plan	3,500,000.00	-
specify		-
specify	-	-
TOTAL	3,500,000.00	-



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency		2017-2018	2016-2017
	Account Number	Kshs (30/6/2018)	Kshs (30/6/2017)
Equity Bank Mandera Branch A/C	1000296543528	41,206,858.00	8,568,437
Total		41,206,858.00	8,568,437
10B: CASH IN HAND)			
		2017-2018	2016-2017
		Kshs (30/6/2018)	Kshs (30/6/2017)
Location 1		-	-
Location 2		-	-
Location 3		-	-
Other receipts (specify)		-	-
Total		-	-



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

<i>Name of Officer</i>		Amount Surrendered	Amount Taken
	Date imprest taken	Kshs	Kshs
MOHAMMED JATTAN	6/18/2018	-	1,118,000.00
	2/7/2018	-	230,000.00
		-	1,348,000.00

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

12RETENTION

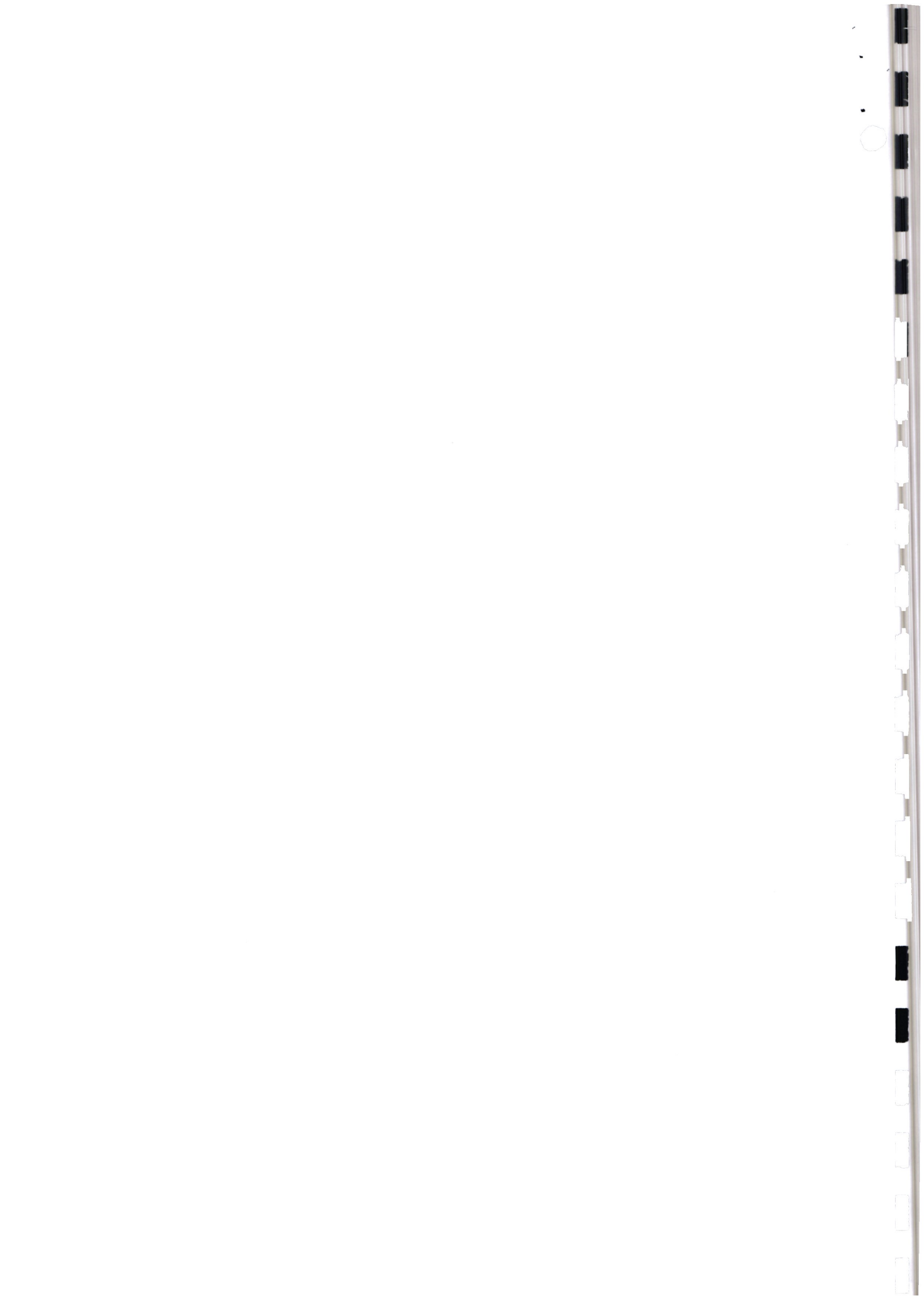
	2017 - 2018 Kshs	2016-2017 Kshs
Supplier 1	XX	XX
Supplier 2	XX	XX
Supplier 3	XX	XX
Total	XX	XX

[Provide short appropriate explanations as necessary]

13. BALANCES BROUGHT FORWARD

	2017-2018 Kshs (1/7/2017)	2016-2017 Kshs (1/7/2016)
Bank accounts	8,568,437	19,722,475
Cash in hand		-
Imprest	1,109,000.00	
Total	9,677,437	19,722,475

[Provide short appropriate explanations as necessary]



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PRIOR YEAR ADJUSTMENTS

	2017-2018	2016-2017
	Kshs	Kshs
Bank accounts		
Cash in hand		3
Imprest	3,595,200	3,595,200
	-	-
Total	-	

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

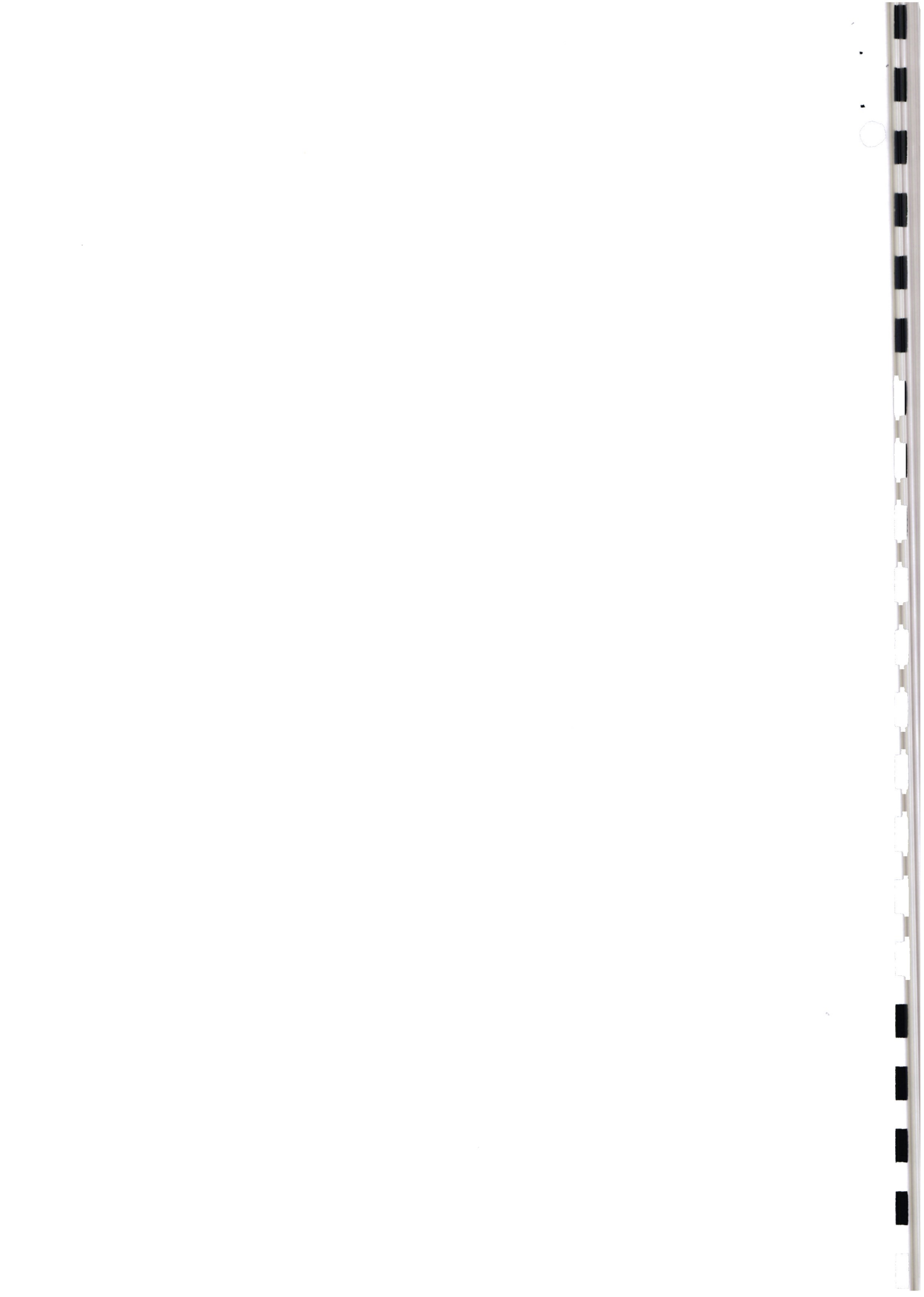
	2017- 2018	2016-2017
	Kshs	Kshs
Construction of buildings	xx	xx
Construction of civil works	xx	xx
Supply of goods	xx	xx
Supply of services	xx	xx
	<u>xx</u>	<u>xx</u>

15.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
Staff Gratuity	221,279	-
Staff salaries	-	-
	<u>221,279</u>	<u>-</u>

15.3: UNUTILIZED FUNDS (See Annex 3)

	Kshs	Kshs
Compensation of employees	811,658	-
Use of goods and services	399,157	-
Amounts due to other Government entities (see attached list)	22,810,344	7,000,000
Amounts due to other grants and other transfers (see attached list)	9,310,391	42,516,712
Acquisition of assets	10,279,310	-
Others (<i>specify</i>)	-	-
	<u>43,610,862</u>	<u>49,516,712.</u>



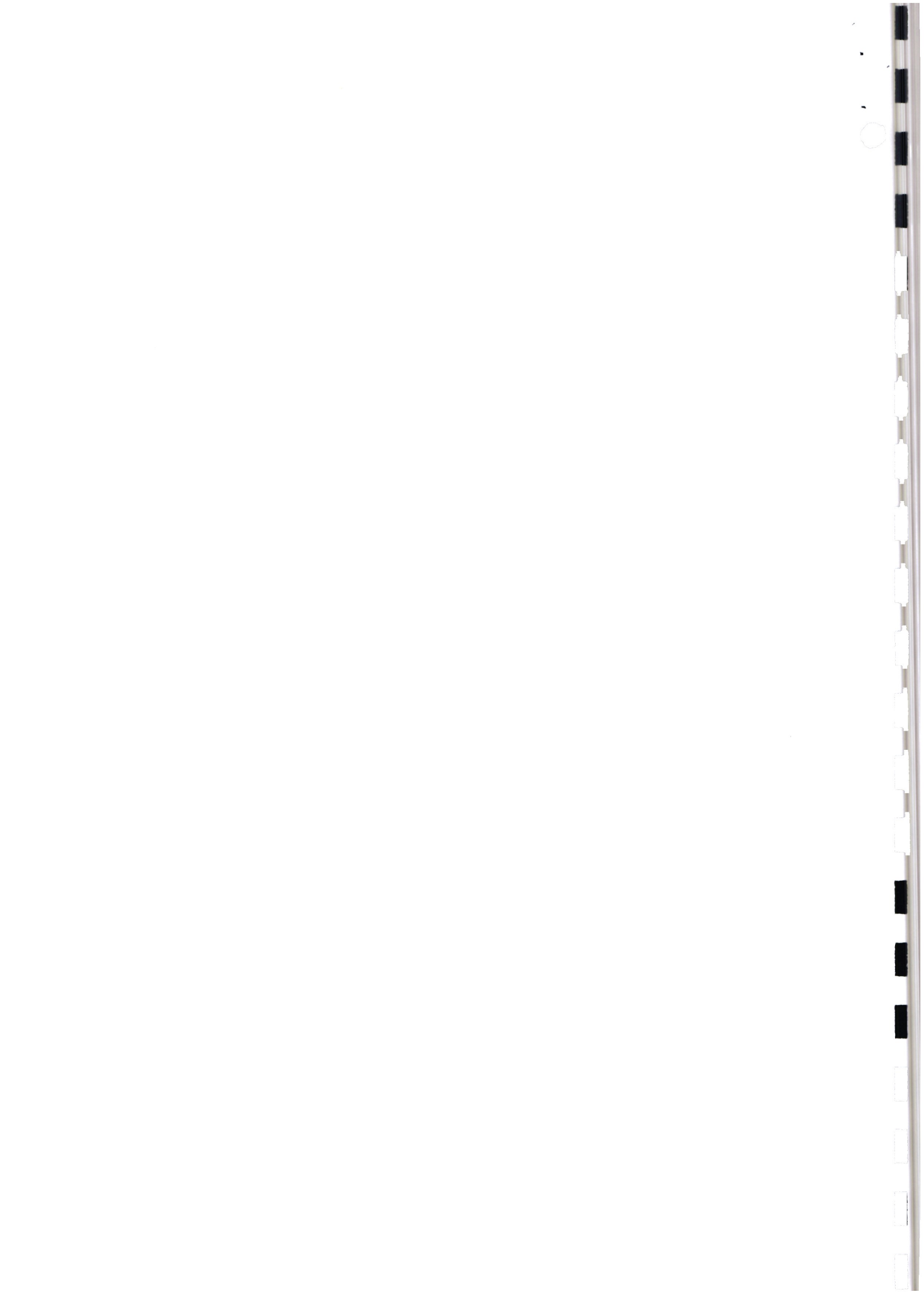
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MANDERA EAST CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15.4: PMC account balances (See Annex 5)

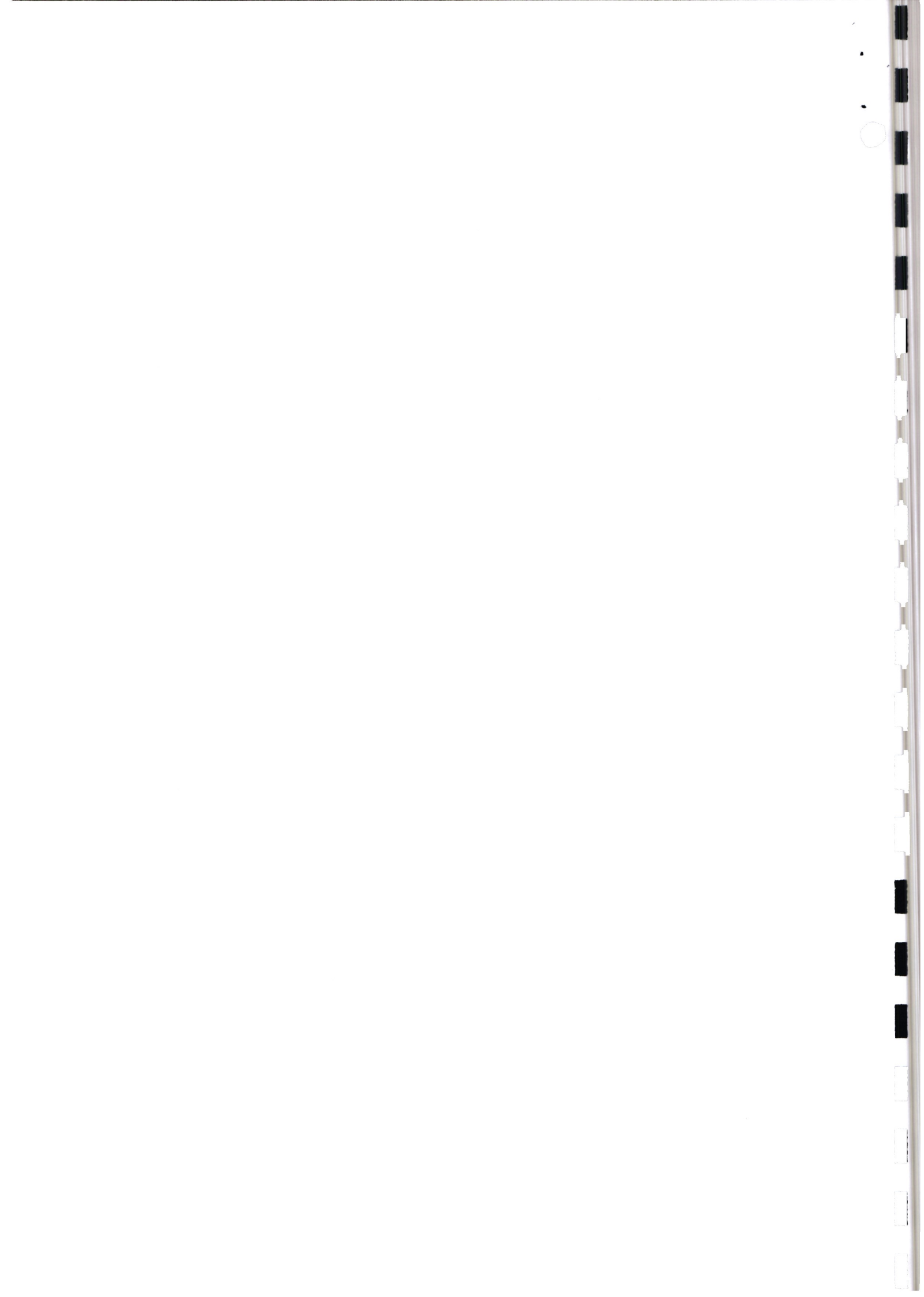
	2017- 2018	2016-2017
	Kshs	Kshs
PMC account Balances (see attached list)	15,947	1,093,855
	15,947	1,093,855



NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

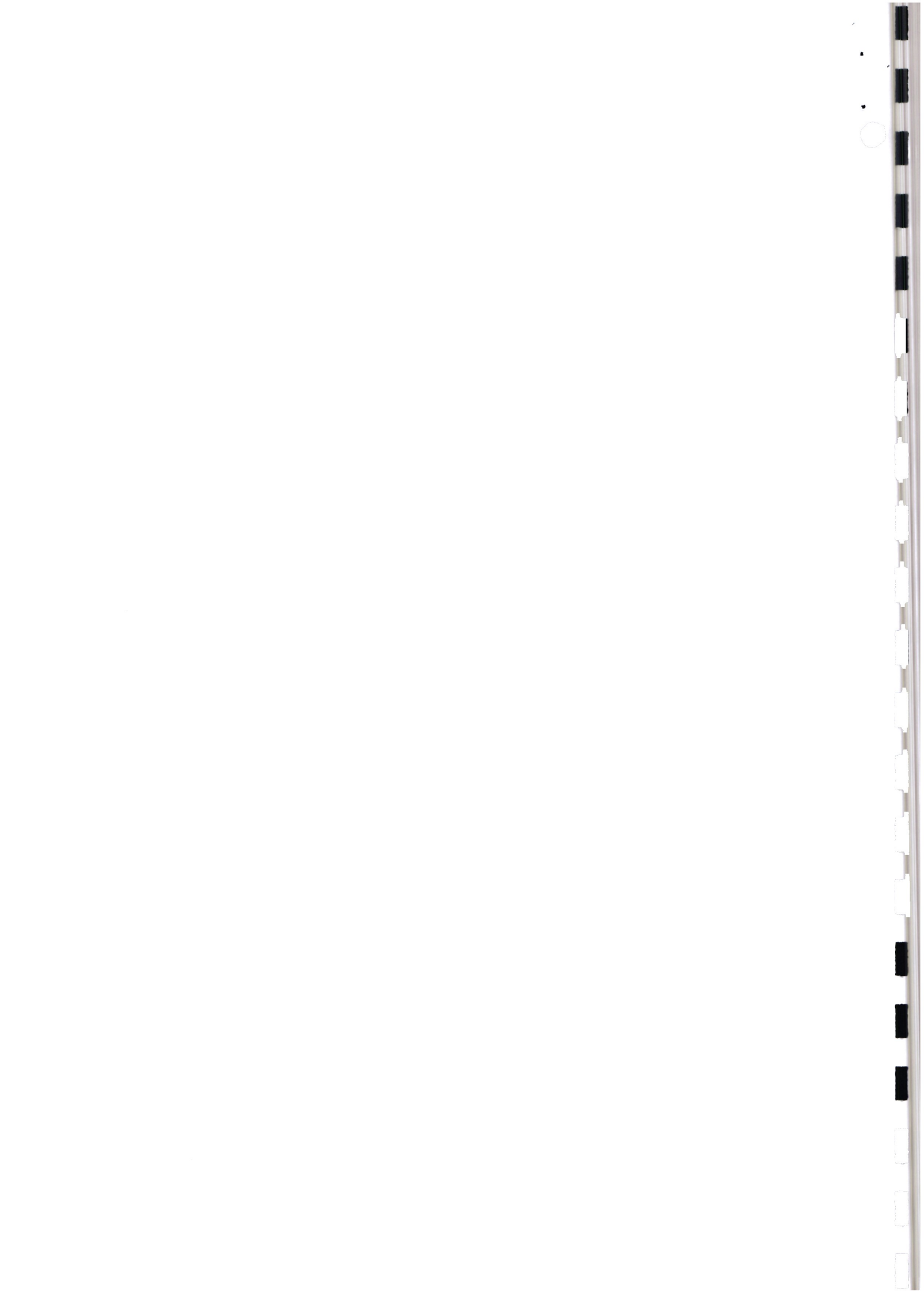
Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2014	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						



NATIONAL GOVERNMENT ENTITY - (Indicate actual name of the entity)
Reports and Financial Statements
For the year ended June 30, 17/18Kshs'000)

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

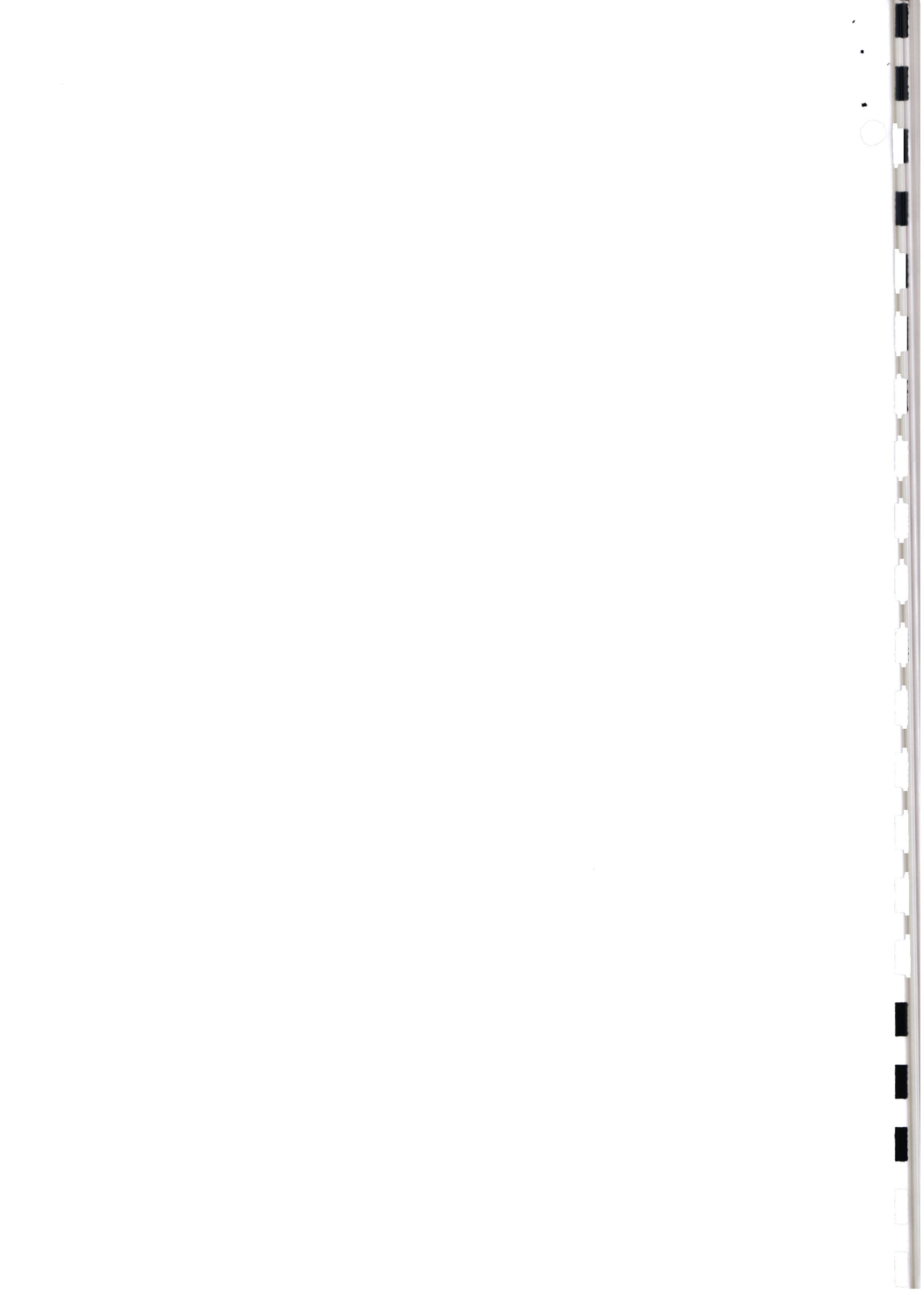
Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
		a	b	c	d=a-c		
Senior Management							
1.						2,014	
2.							
3.							
Sub-Total							
GRATUITY							
Timira Sheikh Noor					32,954		
Ubah Siyad Ahmed					28,918		
Mohamed Ahmed Omar					24,913		
Abdi Adawa Hussein					21,913		
Khadija Ibrahim Ali					21,913		
Abdinasir abdikadir Ali					18,914		
Hakima Daud Yunis					23,918		
Abdikeir Bare Abdinoor					23,918		
Suleiman Abey Adan					23,918		
Sub-Total						221,279	



NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

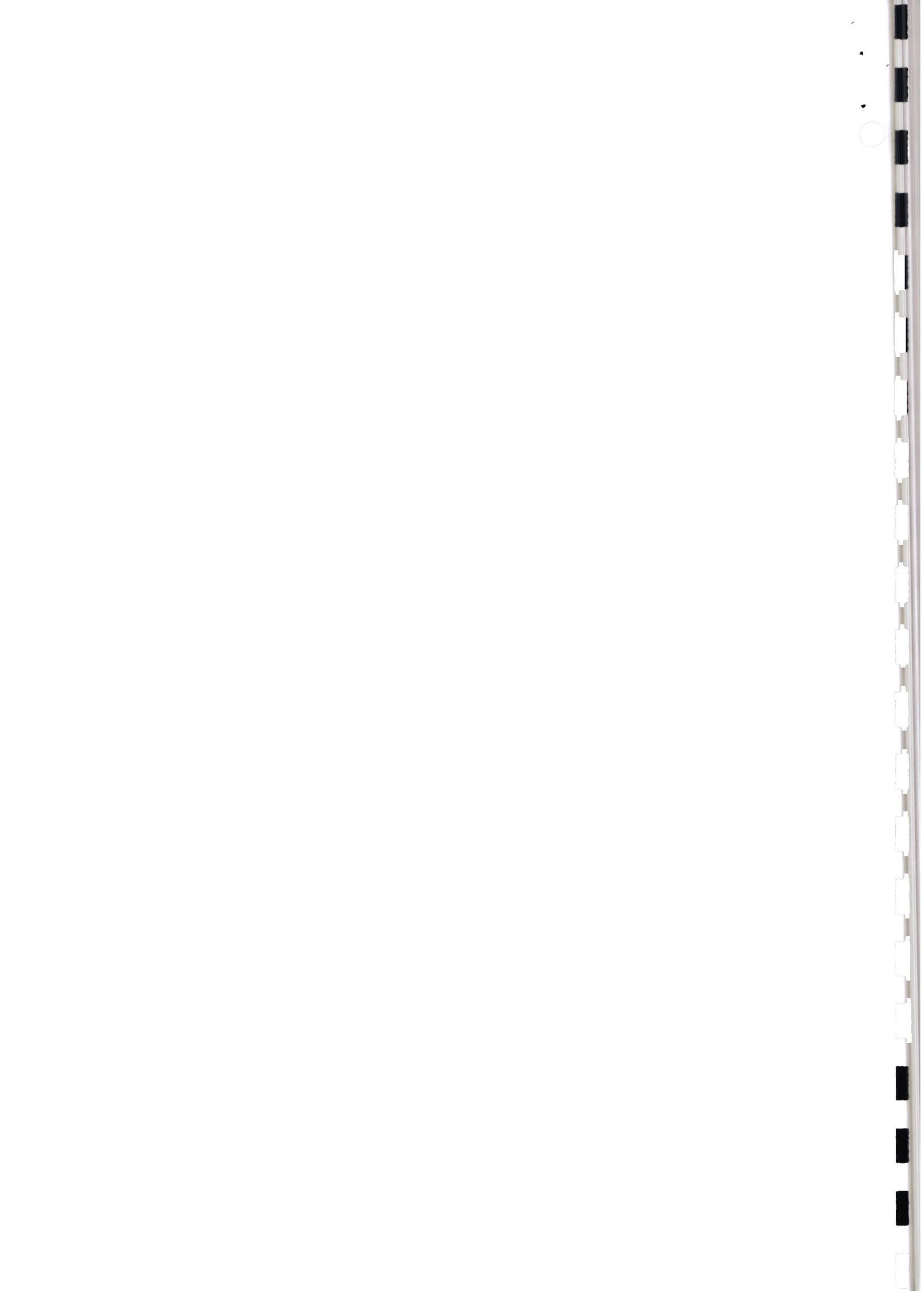
ANNEX 3 – UNUTILIZED FUNDS

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Compensation of employees		811,658		
Use of goods & services		399,158		
Amounts due to other Government entities				
Omar jillow Primary	Construction of admin block	1,300,000		
Arabia Primary Renovation	Renovation of 5 classrooms	3,603,448		
H/Hosle Primary renovation	Renovation of 5 classrooms	3,603,448		
Omar jillow Primary	Renovation of 5 classrooms	3,603,448		
Mandera Township primary	Construction of 1 classroom	1,000,000		
Arabia DC office	Khalalio Dining hall construction	1,000,000		
Khalalio Secondary	Khalalio Dining hall construction	4,000,000		
Aresa Secondary	Dormitory construction	2,200,000		
Aresa Secondary	Supply of beds	500,000		
Mandera Dimitu	Construction of 2 classes	2,000,000		
	Sub-Total	22,810,344		
Amounts due to other grants and other transfers				
Bursary		5,288,426.86		
Grinding		800,000		
Coolants		653,000		
Public toilets		1,000,000		
NG CDFC Training		1,000,000		
Emergency		568,965.51		
	Sub-Total	9,310,391		



NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017/18 (Kshs'000)

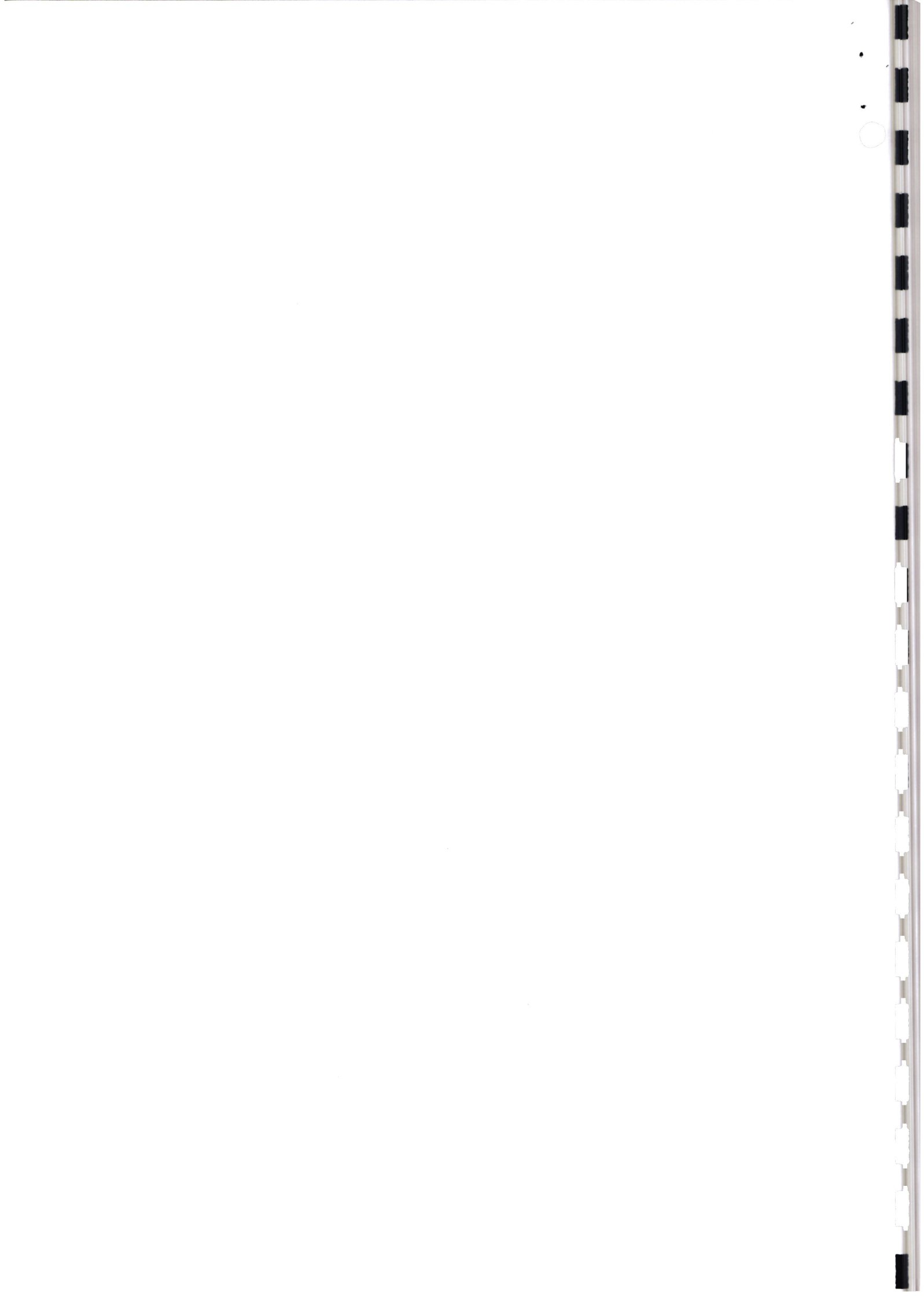
Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Sub-Total				
<i>Others (specify)</i>				
Sub-Total				
Grand Total		43,610,863		



NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017/18 (Kshs'000)

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

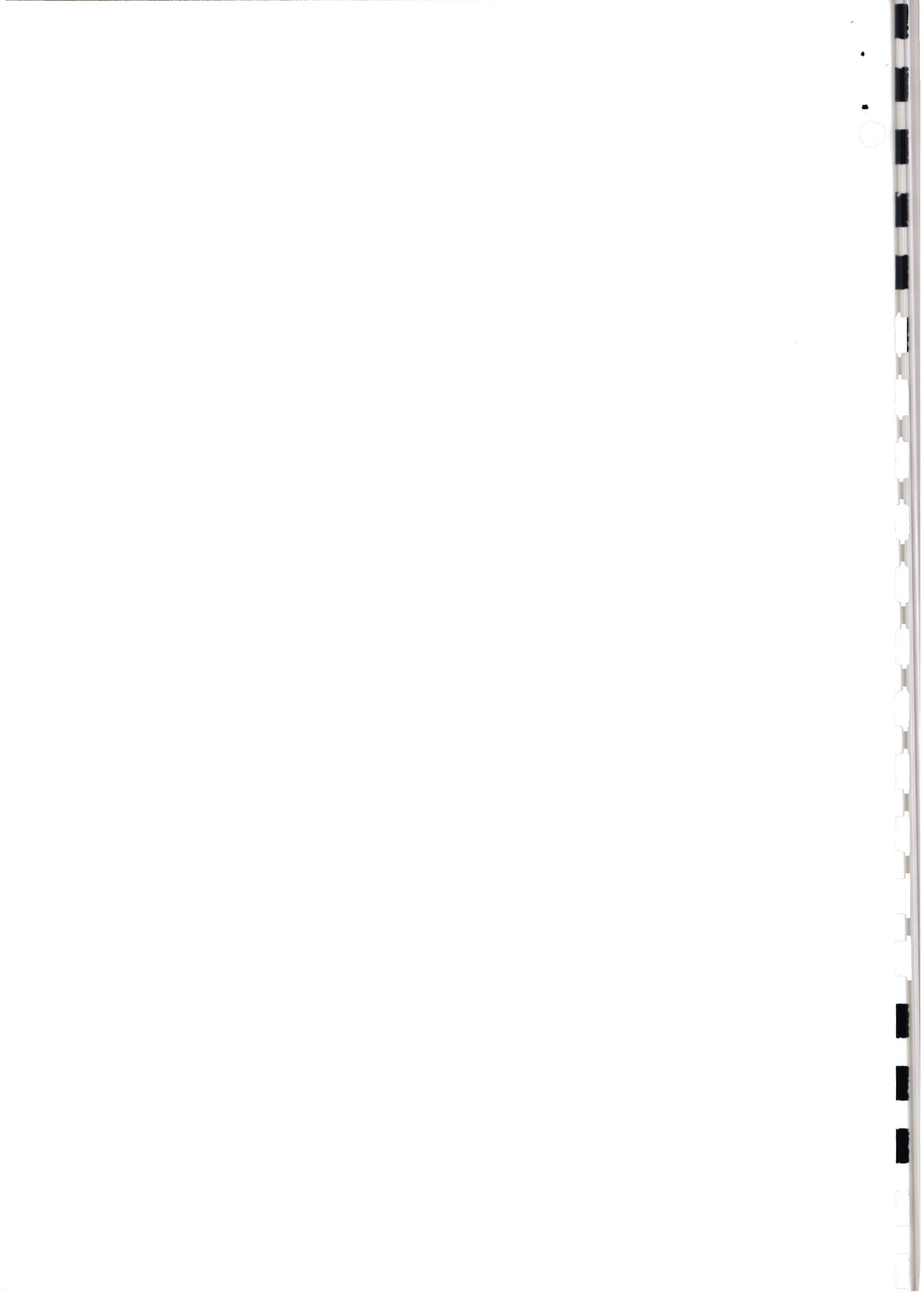
Asset class	Historical Cost b/f (Kshs) 2016/17	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2017/18
Land				
Buildings and structures	4,000,000			4,000,000
Transport equipment	6,809,959			6,809,959
Office equipment, furniture and fittings	1,115,000			1,115,000
ICT Equipment, Software and Other ICT Assets	173,000			173,000
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
Total	12,097,959			12,097,959



NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

ANNEX 4 –PMC BANK BALANCES AS AT 30TH JUNE 2018

PMC	Bank	Account number	Bank Balance
			2017/18
Omar Jillow PMC			
Aresa girls sec PMC	EQUITY	265528400	4,484.00
Mandera Police station PMC	EQUITY	176849607	203.00
Khalalio Boys sec PMC	EQUITY	1773466994	-
mandera township primary school PMC	EQUITY	264471709	1,700.00
Neboi Adult PMC	EQUITY	265702838	1,060.00
Mandera dimtu sec PMC	EQUITY	265495788	390.00
Mandera Ap camp PMC	EQUITY	177438187	500.00
Arabia Ap project PMC	EQUITY	1773499144	390.00
Kamor sec PMC	EQUITY	277445257	6,940.00
Neboi secondary PMC	EQUITY	176849607	280.00
Harerei seco PMCcs	EQUITY	265879633	-
	EQUITY	265988620	-
TOTAL			15,947.00

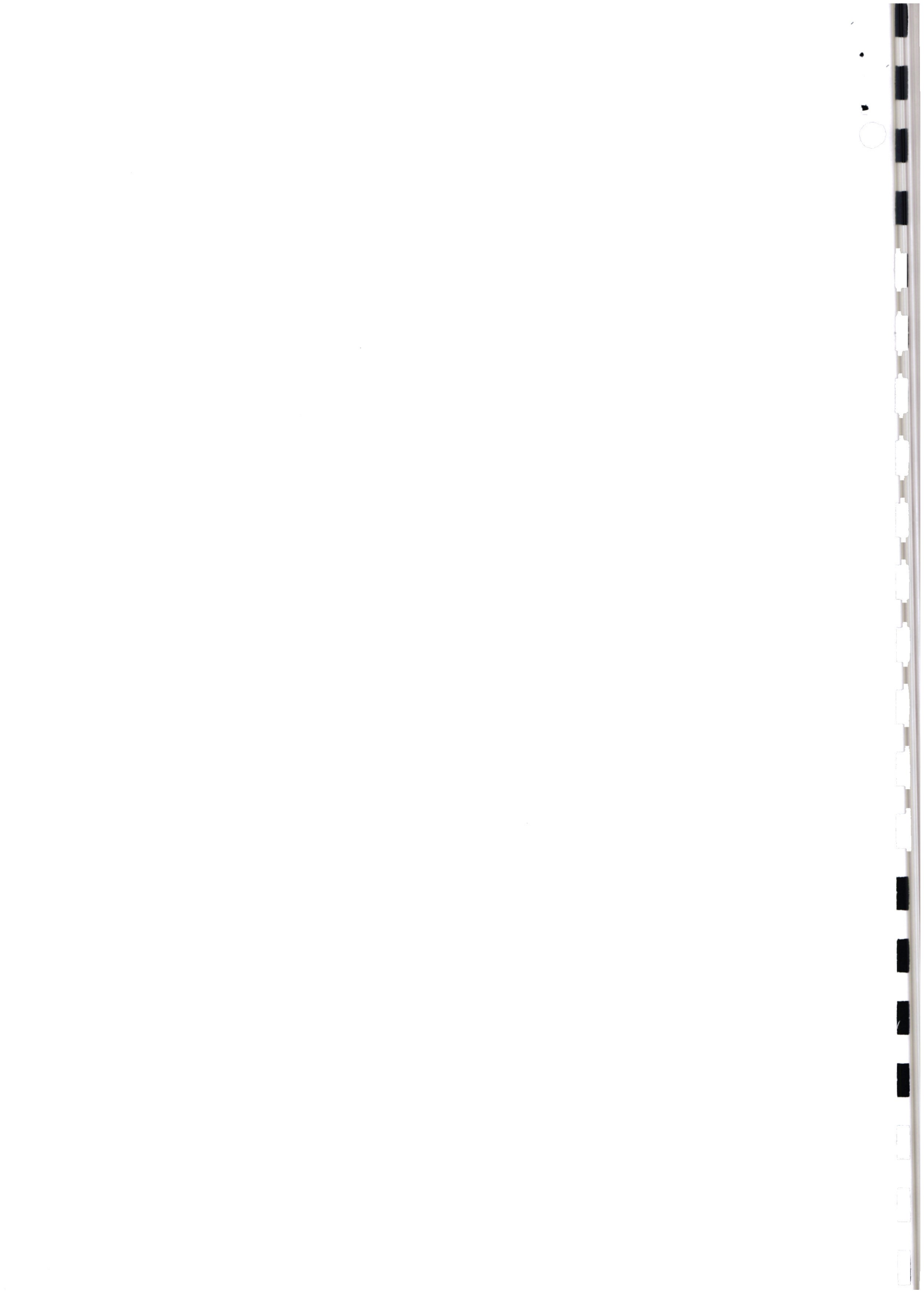


NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017/18 (Kshs'000)

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>During the year under review the Constituency was allocated Kshs 207,753,973.50 for use on various projects which were earmarked for financing. However, NG CDF Board released only Kshs 141,332,736.50 resulting in a shortfall of Kshs 66,421,242</p>	<p>Under funding by Kshs 66,421,242 was failure by the NG CDF Board to disburse funds to the Constituency account and issue AIE for the sum disbursed. Therefore, all projects could not be funded.</p> <p>Section 6 (2) of NG CDF Act 2015 states, once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board.</p> <p>Section 7 (2) of the same Act, states all funds allocated to a</p>	FAM	RESOLVED	



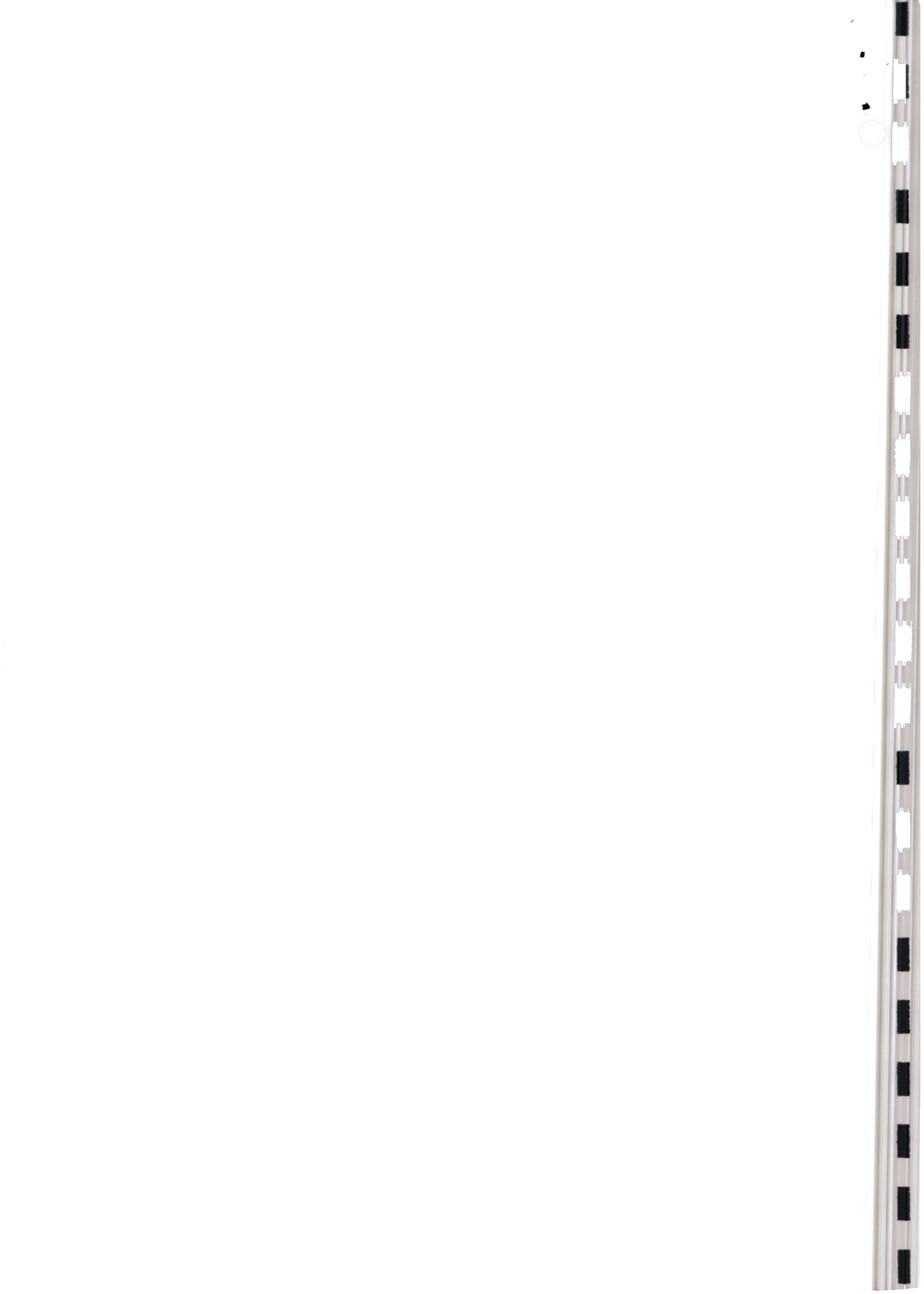
NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017/18 (Kshs'000)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>constituency shall be cumulative and shall be carried forward from one financial year to the next, including funds returned into the accounts in accordance with section 6 (3) or funds which are not utilized for whatever reasons.</p> <p>However, once funds are released to the Constituency all project respective projects will be implemented and disclosed the subsequent financial statements.</p>			
	<p>Examination of NG CDF cash book and review of the statement of assets of NG CDF Mandera East for the year ended 30t June, 2016 disclosed that temporary imprest amounting to</p>	<p>Outstanding temporary imprest of Kshs 3,595,200 disclosed in the statement of assets is supported by cash book as 30th June, 2016.</p>			



NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017/18 (Kshs'000)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs 3,595,200 which ought to have been surrendered on or before 30th June 2016 was still outstanding. This is contrary to chapter 5.6.5 of the Government Financial Regulations and Procedure which requires a holder of temporary imprest to account for or surrender the imprest within 48 hours after returning to duty station. The NG CDF management has not provided reasons as to why the imprest has not been accounted for.</p>	<p>Furthermore, section 93 (5) of Public Finance Management (National Government) Regulations 2015 states a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station and not 48 hours.</p> <p>Section 94 (b) of the same regulations states the imprest moneys and any payment vouchers awaiting replenishment are adequately safeguarded at all times.</p> <p>Section 152 (4) of Public Finance Management Act 2012, states a public officer shall return the balance of the cash advance together with signed supporting documents</p>			



NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017/18 (Kshs'000)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time taken: (Put a date when you expect the issue to be resolved)
		for the cash expended in accordance with any requirement set out in.			
	<p>Records of bank accounts held by the various Project Management Committees were not maintained by NG CDF Mandera East office. No PMC's bank statements and cash books were maintained subsequently no reconciliations were carried out for PMC's accounts.</p> <p>It was therefore, not possible to ascertain whether the funds or grants disbursed to PMC's were properly managed.</p>	<p>Section 36 of NG-CDF ACT 2015, which states that projects under this Act shall be implemented by the Project Management Committee appointed in accordance with the regulations made under section 57, with the assistance of the relevant department of Government and all payments through cheques or otherwise shall be processed and effected in accordance with government regulations for the time being in force.</p> <p>Section 15 (1c) of National Government Constituencies</p>			

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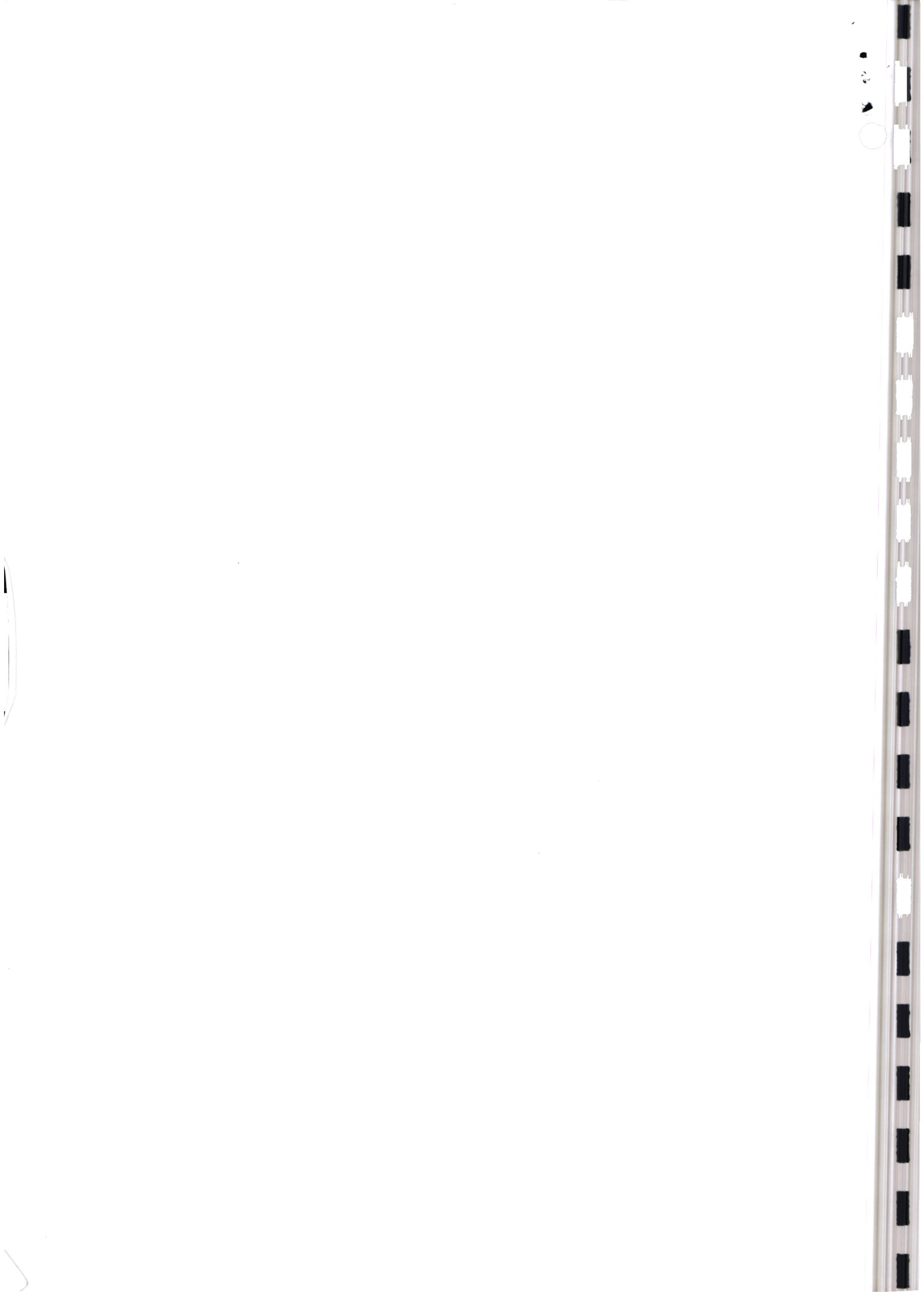
NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017/18 (Kshs'000)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<p>Development Regulations 2016 states Project Management Committee shall open and maintain an independent bank account for each project and maintain proper records of all minutes, accounting documents and other records in relation to projects being implemented as per section 15 (1b) of the same regulation.</p> <p>Therefore, it not possible to implement a project without opening a project account where grants are transferred to.</p>			
	<p>National Government Constituency Development Fund for Mandera East did not appoint Constituency Oversight Committee. The fund is therefore, in breach of the</p>	<p>The NG CDF Act, 2015 section 53 (1) requires that a Constituency Oversight Committee to be appointed for every NG CDF. However, the same Act section 15 (2)</p>			



NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017/18 (Kshs'000)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	National Constituency Fund Act, 2015.	Government Development	<p>states that The Constituency Oversight Committee shall be comprised of the constituency member of the National Assembly and not more than four other members, appointed by the Member of National Assembly for the constituency in consultation with other stakeholders.</p> <p>Section 34 (4) of National Government Constituencies Development Regulations 2016 states the Constituency Oversight Committee shall be facilitated in performance of its activities by the funds allocated for Monitoring and Evaluation, provided that not more than one percent of the allocated funds shall be used for that purpose.</p> <p>Furthermore, the Constituency</p>		



NATIONAL GOVERNMENT ENTITY – MANDERA EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017/18 (Kshs'000)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Oversight Committee was not budgeted for in the approved code lists.			

1000