

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 24 JUL 2019

DAY: Wednesday

TABLED BY: Hon. Aden Duale MP  
Chom

BY: Halima Ahmed

OF

PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND  
ISIOLO NORTH CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE 2018**





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NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND ISIOLO NORTH  
CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018

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

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

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**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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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, NG-CDF is represented by the Cabinet Secretary for Devolution, who is responsible for the general policy and strategic direction of the Fund.

**Mandate**

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

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

**Vision**

Equitable Socio-economic development countrywide

**Mission**

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

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
ISIOLO NORTH CONSTITUENCY**

**Reports and Financial Statements**

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

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**Core Values**

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

**(b) Key Management**

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

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

**(c) Fiduciary Management**

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

No	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Japhet Ngui
3.	Sub-County Accountant	Ngugi Kinuthia
4.	Chairman NGCDFC	Nicholas lolchuragi

**(d) Fiduciary Oversight Arrangements**

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

**(e) NGCDF ISIOLO NORTH Constituency Headquarters**

P.O. Box 259-60300  
NGCDF building  
Isiolo

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

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**(f) NGCDF ISIOLO NORTH Constituency Contacts**

Telephone: (254)721308760  
E-mail: [isiolonorth@ngcdf.go.ke](mailto:isiolonorth@ngcdf.go.ke)  
Website: [www.go.ke/isiolonorth.go.ke](http://www.go.ke/isiolonorth.go.ke)

**(g) NGCDF ISIOLO NORTH Constituency Bankers**

1. Equity Bank  
Isiolo Branch

**(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

**II.FORWARD BY THE CHAIRMAN NGCDF COMMITTEE**

It gives me great pleasure to provide the foreword to the Isiolo North National Government Constituencies Development Fund Annual Reports and Financial Statements for 2017-18.

During the 2017-18 Financial Year, we set out to improve on our overall operations. On Bursary for example, we increased our allocation by 25% in order to ensure as many children as possible are assisted to complete their studies

On Education, we began to map out keenly the needs of our institutions of learning, both primary and secondary schools. This was aimed at ensuring that no single needy institution is left out in terms of infrastructural development. This has resulted in a more targeted approach to resource allocation. In doing this, we were also cognisant of the need to ensure that we don't spread our resources too thin as to make any meaningful impact.

Noting the demands of the constitution with respect to devolved functions, we found it prudent not to allocate more resources to Water and Roads sectors save for what was necessary to complete ongoing projects in those sectors. Going forward, the resources released from those devolved functions will go a long way in enhancing Security and Education projects.

Our absorption capacity continues to improve, driven largely by forward planning and stakeholder involvement well in advance of receipt of resources from the NGCDF Board. This has helped us to kick in the rolling out of projects as soon as funds are made available by the Board.

In line with our performance culture, we will continue to be responsive to the needs of our constituents and seek to be an example of best practice in the public sector.

In closing, I would like to thank all our staff for their ongoing efforts and achievement. Their dedication, from top to bottom, is extraordinary. I would also like to thank my engaged and capable NGCDF Committee Members as well as the Fund Account Manager for their tireless effort during the past year. It would not have been possible to attain the performance we have had without their support.

I look forward to a challenging and exciting year ahead.

  
.....  
CHAIRMAN ISIOLO NORTH NGCDFC

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - ISIOLO NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund (NGCDF) - Isiolo North Constituency set out on pages 6 to 29, which comprise the statement of assets as at 30 June 2018, 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, in all material respects, the financial position of National Government Constituencies Development Fund - Isiolo North Constituency 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 (Cash Basis) and do not comply with the National Government Constituencies Development Fund Act No. 30 of 2015.

#### Basis for Adverse Opinion

##### 1.0 Presentation of the Financial Statements

The Fund's financial statements for the year ended 30 June 2018 did not include a separate statement of appropriation recurrent and development, budget execution by programmes and sub programmes which are requirements by the International Public Sector Accounting Standards (Cash Basis) reporting template for Ministries, Departments and Agencies (MDAs) revised in 2018 prescribed by the Public Sector Accounting Standards Board (PSASB).

Further, the template stipulates that the progress on follow up of auditor recommendations should include status of audit issues raised and the date when the issues are expected to be resolved. However, the progress on follow up of auditor recommendations at annex 5 to the financial statements indicated that the issue raised on the certificate for year 2016/2017 were all resolved, but the respective documentary evidence showing how and when the issues were resolved has not been provided for audit review.

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

Further, the summary of fixed asset register and project management committee (PMC) bank balances have both been referred to as annex 4.

In view of the foregoing, the presentation of the financial statements for the year ended 30 June 2018 does not conform to the Public Sector Accounting Standards Board requirements.

## 2.0 Accuracy of the Financial Statements

### 2.1 Variation Between the Financial Statements and the Supporting Schedules Balances

The financial statements for the year under review reflects a balance of Kshs.69,789,208 in respect to two expenditure items while the respective supporting schedules reflects a balance of Kshs.53,775,353 resulting into an unexplained or unreconciled net variance of Kshs.16,013,855 as follows;

No	Item	Financial Statements Balances (Kshs)	Supporting Schedule Balances (Kshs)	Variance (Kshs)
1	Use of Goods and Services	19,217,503	19,217,603	(100)
2	Other Grants and Other Payments	50,571,705	34,557,750	16,013,955
	<b>Total</b>	<b>69,789,208</b>	<b>53,775,353</b>	<b>16,013,855</b>

In the circumstances, the accuracy of the financial statements balances for the year under review could not be ascertained.

### 2.2 Variation Between the Financial Statements Comparative Balances and the Prior Year Financial Statements

The financial statements for the year under review reflects Kshs.600,000 in respect to the comparative 2016/2017 balance of one (1) item while the audited 2016-2017 financial statements reflects the same balance in respect to two (2) items resulting to no variance as follows;

No	Item	Current Financial Statement Balances (Kshs)	Certified Financial Statement 2016/2017 (Kshs)	Variance (Kshs)
1	Annex 4 – Korbasa Day Secondary School	600,000	0	600,000
2	Annex 4 – Kambi ya Juu Primary School	0	200,000	-200,000
3	Annex 4 – Elsar Secondary School	0	400,000	-400,000
	<b>Total</b>	<b>600,000</b>	<b>600,000</b>	<b>0</b>

In the circumstances, the accuracy of the financial statements balances for the year under review could not be ascertained.

### **3.0 Project Management Committee (PMC) Bank Balances**

Note 6 and 7 to the financial statements reflects Kshs.34,200,000 and Kshs.50,571,705 in respect to transfer to other government entities and other grants and other payments respectively both totalling to Kshs.84,771,705 which includes Kshs.1,200,000 reflected at annex 4 as project Management Committee ( PMC) bank balances. However, the respective cashbooks, bank certificate and bank reconciliation statements were not availed for audit review contrary to the requirement of Sections 100 and 90 (1), (3) of the Public Finance Management (National Government) regulations 2015 which stipulates that accounting officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall ensure that bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month.

In the circumstances, the Fund is in breach of the law and it has not possible to ascertain the accuracy of Kshs,1,200,000 PMC bank balances as at 30 June 2018.

### **4.0 Other Grants and Other Transfers**

#### **4.1 Unaccounted for Bursary**

Note 7 to the financial statements reflects Kshs.50,571,705 in respect to other grants and other payments which includes Kshs.6,159,000 and Kshs.25,782,705 in respect to bursary to secondary schools and tertiary institutions respectively both totaling to Kshs.31,941,705. However, only bursaries totaling to Kshs.6,293,800 were acknowledged by the respective beneficiary schools and institutions through issuance of acknowledgement receipts while bursaries totaling to Kshs.25,647,905 were not acknowledged or accounted for by the recipient schools and institutions.

In the circumstance, it has not been possible to ascertain whether the Kshs.25,647,905 bursaries were received by the respective schools and institutions and whether the same was expended as appropriated during the year ended 30 June 2018.

#### **4.2 Sports**

Note 7 to the financial statements reflects Kshs.50,571,705 in respect to other grants and other payments which includes Kshs.1,500,000 spent in respect to sports which was spent on hire of coaches, uniform, and refreshments. Further, project management committee minutes, tenders, evaluation committee minutes showing how uniforms were procured and stores records showing how the uniforms were distributed were not provided for audit review.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.1,500,000 expenditure for the year ended 30 June 2018.

### **4.3 Use of Emergency Funds**

Note 7 to the financial statements reflects Kshs.50,571,705 in respect to other grants and other payments which includes Kshs.12,050,000 spent in respect to emergency projects. However, application for emergency funding and report on urgent unforeseen situation were not availed for audit review. Therefore, the expenditure appeared to have been spent on projects that were not emergency in nature contrary to Section 8(3) of the National Government Constituencies Development Fund Act, 2015 which stipulates that expenditure on emergency should be for an urgent, unforeseen need for expenditure which in the opinion of the constituency committee cannot be delayed until the next financial year without harming the public interest of the constituents. Further, report on utilization of emergency funds to the board as required by Section 20 (2) of the same regulation which stipulates that utilization of the emergency reserve shall be reported to the Board within thirty days of the occurrence of the emergency was not provided for audit review.

Further, review of the payment vouchers and the respective supporting documents revealed that Kshs.6,880,000, Kshs.1,790,000 and Kshs.2,400,000 all totalling to Kshs.12,050,000 was spent on tsetse fly control and vaccination of cattle, transport, construction of gabions and construction of Kipsing bridge. However, supporting documents such as muster roll, fuel registers, work tickets, tender documents, evaluation committee minutes were not provided for audit review.

In the circumstances, the Fund was in breach of the law and it has not been possible to ascertain the value for money for the Kshs.12,050,000 reflected in the financial statements for the year under review including whether the expenditure was a proper charge to public funds in the year ended 30 June 2018.

### **5.0 Transfer to Primary Schools**

#### **5.1 Samburu Complex Primary School**

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.9,100,000 in respect to transfers to primary schools which further includes Kshs.900,000 and Kshs.1,300,000 both totalling to Kshs.2,200,000 disbursed to Samburu Complex Primary School for construction of one classroom and an administration block to completion respectively. However, quotations/tender documents, evaluation committee minutes showing how the contractor was procured, bills of quantities, contract agreement and payment records showing amount paid to the contractor were not provided for audit review.

Further, a physical verification done in February 2019 revealed that windows, plastering, floor works, painting works, electrical and plumbing works were not done for the administration block while plastering, floor works, electrical works, painting works and window glazing were not done for the classroom and the contractor was not on site. Therefore, it was not possible to ascertain whether the project could be completed within the budget allocation of Kshs.2,200,000.

In the circumstances, it has not been possible to ascertain whether the Kshs.2,200,000 expenditure was a proper charge to public funds and if value for money on the expenditure has been obtained in the year ended 30 June 2018.

## **5.2 Wabera Primary School**

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.9,100,000 in respect to transfers to primary schools which further includes Kshs.1,000,000 disbursed to Wabera Primary School for construction of a fence. A physical verification in January 2019 revealed that the fence had been constructed but the project file containing project management committee minutes, project proposals, architectural drawings, bill of quantities, procurement procedures followed, measurement of works done, certificates of works done, cashbook and bank statements showing how funds disbursed were received and spent were not provided for audit review. Therefore, it has not been possible to ascertain whether the fence was constructed as per the bill of quantity including whether the contract was competitively awarded as required by Section 227 of the Constitution of Kenya.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.1,000,000 expenditure for the year ended 30 June 2018.

## **5.3 Akadeli Primary School**

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.9,100,000 in respect to transfers to primary schools which further includes Kshs.3,600,000 disbursed to Akadeli Primary School for construction of two (2) classrooms to completion. However, a physical verification in the month of January 2019 revealed that doors, window grills, floor works, plastering and painting had not been done. Also the roofing of one classroom was partially complete and the contractor was not on site. Further, project management committee minutes, architectural drawings, bill of quantities, procurement procedures followed, measurement of work done and certificates of works done were not provided for audit review. In addition, quotations/tender documents, evaluation committee minutes showing how the contractor was procured, contract agreement and payment records showing amount paid to the contractor were also not provided for audit review.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.3,600,000 expenditure for the year ended 30 June 2018.

## **6.0 Transfer to Secondary Schools**

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.19,600,000 in respect to transfer to secondary schools which further includes Kshs.1,500,000 paid to three secondary schools for laboratory equipping. However, records showing how the equipment were purchased and taken-on-charge in the stores were not provided for audit review. Further, the laboratory

equipments were not provided by the three schools for physical verification during a visit to the schools in the month of January 2019.

In the circumstances, it has not been possible to ascertain the propriety, security and value for money for the Kshs.1,500,000 expenditure for the year ended 30 June 2018.

## **7.0 Strategic Plan**

Note 9 to the financial statements reflects Kshs.4,300,000 in respect to the Fund's strategic plan. However, the strategic plan, constituency committee minutes approving the strategic plan, tenders, evaluation committee minutes showing how the supplier was selected were not provided for audit review. In addition, records showing how the funds were received and spent have not been provided for audit review.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.4,300,000 expenditure for the year ended 30 June 2018.

## **8.0 Domestic Travel and Subsistence**

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.798,000 spent on domestic travel and subsistence. However, approved request showing reasons/purpose of journeys, program of activities and back to office report were not provided for audit review.

In the circumstances, it has not been possible to ascertain whether the Kshs.798,000 expenditure was a proper charge to public funds and whether it has equivalent value for money in the year ended 30 June 2018.

## **9.0 Other Operating Costs Expenses**

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.870,000 in respect to other operating costs which further includes Kshs.800,000 spent on public participation. However, the respective programme of activities, minutes of public participation deliberation and report of public participation was not provided for audit review.

In the circumstances, it has not been possible to ascertain whether the Kshs.800,000 expenditure was a proper charge to public funds and whether it has equivalent value for money in the year ended 30 June 2018.

## **10.0 Fuel, Oil and Lubricants**

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.3,635,323 in respect to fuel, oil and lubricants. However, fuel registers, work tickets and detailed orders showing how the fuel was consumed were not provided for audit review.

In the circumstances, it has not been possible to ascertain whether the Kshs.3,635,323 expenditure was a proper charge to public funds and whether it has an equivalent value for money in the year ended 30 June 2018.

### **11.0 Insurance**

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.241,120 in respect to insurance cover for the Fund's motor vehicle. However, motor vehicle insurance policy stating the terms and conditions, tenders/quotations, evaluation committee minutes showing how the insurance services has been procured has not been provided for audit review.

In the circumstances, it has not been possible to ascertain propriety and value for money for the Kshs.241,120 expenditure for the year ended 30 June 2018.

### **12.0 Committee Allowances**

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.12,693.930 in respect to committee allowance which further includes Kshs.5,590,000 spent on monitoring and evaluation which was not supported by programme of activities showing activity dates, projects visited, mode of transport and back to office reports.

In the circumstances, it has not been possible to ascertain the accuracy and value for money for the Kshs.5,590,000 expenditure including whether it is a proper charge to public funds in the year ended 30 June 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Isiolo North 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 matters described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **1.0 Budgetary Control and Performance**

##### **1.1 Receipts**

The summary statement of appropriation recurrent and development combined reflects approved budgeted receipts of Kshs.126,801,436 and actual receipts of KShs.113,485,917 (89%) resulting in net under receipts of Kshs.13,315,519 or 11%.

Further, the statement of receipts and payments and the summary statement of appropriation: recurrent and development combined reflects transfer from NGCDF board of Kshs.112,284,482 and Kshs.113,485,917 respectively resulting in unexplained and unreconciled difference of Kshs.1,201,435.

In overall, the Fund failed to actualize its budget by Kshs.13,315,519 or 11% an indication that some programmes and activities that had been planned were not implemented. There is need therefore for Constituency Development Fund management to review its budget making process with a view to formulating a realistic budget that would be actualized for service delivery to the residents of Isiolo North Constituency.

## 1.2 Expenditure

The summary statement of appropriation recurrent and development combined reflected approved budgeted payments of Kshs.126,801,436 and actual payments of KShs.112,501,270 resulting in net under expenditure of Kshs.14,300,166 as follows;

Items	Current year Final Budget Figures (Kshs)	Actual Expenditure Figures (Kshs.)	(Under)/Over Expenditure (Kshs.)	Budget Absorption %
<b>Expenditure</b>				
Compensation of Employee	4,040,000	3,749,562	290,438	93%
Use of goods and services	14,143,379	19,217,503	-5,074,124	136%
Transfer to other Government	60,301,636	34,200,000	26,101,636	57%
Other Grant and Transfers	48,161,421	50,571,705	-2,410,284	105%
acquisition of Assets	155,000	462,500	-307,500	298%
Other Payments		4,300,000	-4,300,000	-100%
<b>Total</b>	<b>126,801,436</b>	<b>112,501,270</b>	<b>14,300,166</b>	<b>89%</b>

In overall, the National Government Constituency Development Fund – Isiolo North Constituency under spent its budget by Kshs.14,300,166 or 11% of the total budgeted allocation. The funds could have been allocated to other deserving areas that would improve delivery of goods and services to the residents of Isiolo North Constituency. This may also be an indication of improper planning and defective budgetary preparation process. The residents of the constituency did not get expected services equivalent to the Kshs.14,300,166 under expenditure for the year ended 30 June 2018.

## 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 Conclusion on Lawfulness and Effectiveness in Use of Public

Resources 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**

### **1.0 Project Implementation**

#### **1.1 Irregular Implementation of Projects**

Note 6 and 7 to the financial statements reflects Kshs.34,200,000 and Kshs.50,571,705 in respect to transfer to other government entities and other grants and other payments respectively both totalling to Kshs.84,771,70. However, project file containing, bank statements, project management committee minutes, Bills of Quantities (BQs) quotations/tenders, evaluation committee minutes and inspection and acceptance committee minutes, partial and final completion certificate from the department of public works were not provided for audit contrary to Section 15(1) of the National Government Constituency Fund regulations 2016 which stipulates that project management committee should implement projects in consultation with the relevant departments of government, maintain proper records of all minutes, accounting documents and other records in relation to projects being implemented, account for funds, undertake project closure, labelling and handover upon completion.

In the circumstances, the Fund was in breach of the law and it has not been possible to ascertain whether the Kshs.84,771,705 expenditure was a proper charge to public funds and whether it has an equivalent value for money in the year ended 30 June 2018.

#### **1.2 Project Implementation Status**

Note 6 and 7 to the financial statements reflects Kshs.34,200,000 and Kshs.50,571,705 in respect to transfer to other government entities and other grants and other payments respectively both totalling to Kshs.84,771,705 which was disbursed during the year under review to undertake various projects in the constituency. However, the Fund management did not avail project implementation status report to show projects completed, ongoing and not started. In the absence of an updated project implementation status report, the progress of work on the projects funded during the year under review and their status as at 30 June 2018 cannot be confirmed.

In the circumstance, it has not been possible to ascertain whether, the Constituency Development Fund management's prioritized and implemented projects worth Kshs.84,771,705 which resulted to a higher impact into improving service delivery to the citizen of Isiolo North Constituency.

### **2.0 Reallocation of Funds**

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.19,600,000 spent in respect to transfer to secondary schools which further includes Kshs.4,000,000 disbursed to Kipsing day

secondary school for construction of a dining hall to completion. However, during physical verification in the month of January 2019 it was observed that the funds were used for construction of three (3) units staff houses. Further, the expenditure was not included in the approved budget and supplementary approval from the board for the same was not provided for audit review contrary to the requirement of Section 6 (2) of the National Government Constituencies Development Fund Act, 2015 which requires that 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 with the approval of the Board. No explanation was provided why funds were reallocated to other uses without the Board's approval.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.2,060,000 expenditure for the year ended 30 June 2018.

### **3.0 Fixed Assets**

Annex 4 to the financial statements reflects Kshs.9,612,000 balance in respect to summary for fixed assets. However, office equipment, furniture and fittings, ICT equipment, software and other ICT assets and other machinery and equipments valued at Kshs.1,812,500 were not tagged for ease of tracking and identification contrary to Section 132 (b) of the Public Finance Management (County Government) regulation which require accounting officer to ensure that movement and conditions of assets can be tracked.

In the circumstances, the Fund was in breach of the law and the valuation, ownership, existence, completeness, location and security of the non-current assets balance of Kshs.1,812,500 as at 30 June 2018 could not be ascertained.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

### **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 Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require 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, and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund 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 Fund's 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 Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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 with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 Fund's policies and procedures may deteriorate.

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

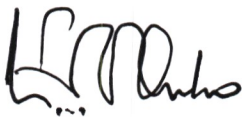
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue 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 Fund to cease to continue to sustain its services.

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

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

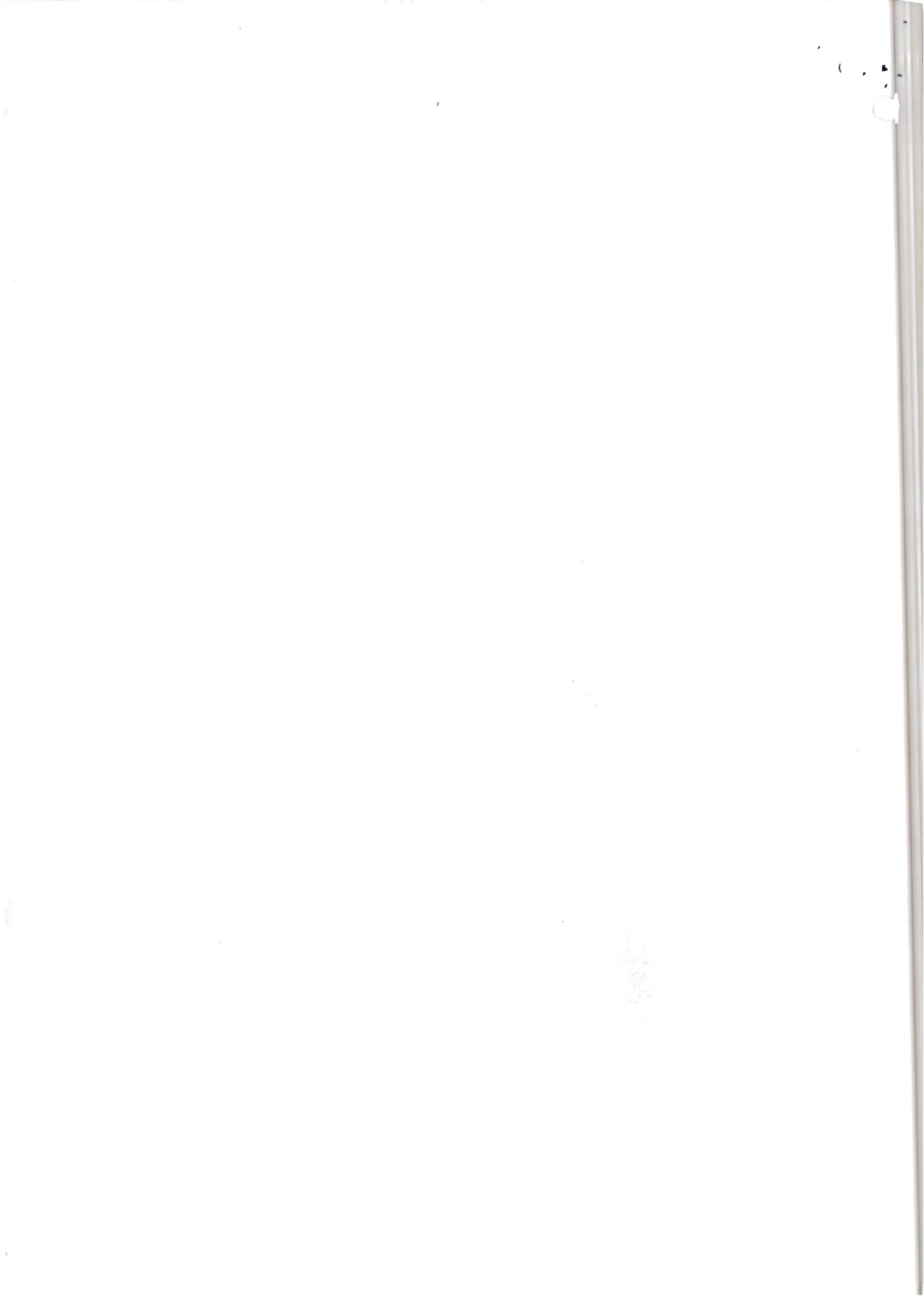
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**16 April 2019**



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
ISIOLO NORTH 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-ISIOLO NORTH 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, 20XX. 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-ISIOLO NORTH 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, 20XX, and of the entity's financial position as at that date. The Accounting Officer charge of the NGCDF-ISIOLO NORTH 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.

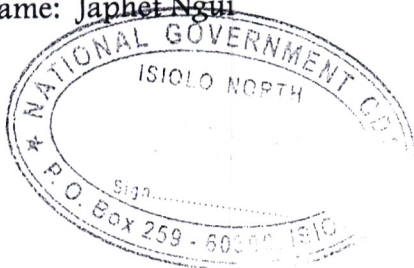
The Accounting Officer in charge of the NGCDF-ISIOLO NORTH Constituency confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the 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**

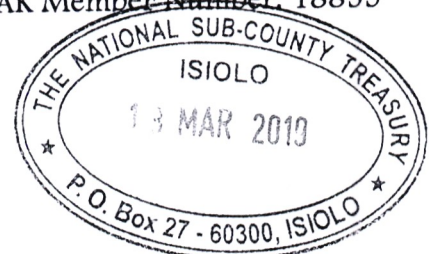
The NGCDF-ISIOLO NORTH Constituency financial statements were approved and signed by the Accounting Officer on ..... 2019.



Ag. Fund Account Manager  
Name: Japhet Ngui



Sub-County Accountant  
Name: Ngugi Kinuthia  
ICPAK Member Number: 18855



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
 ISIOLO NORTH CONSTITUENCY**

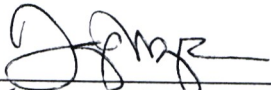
**Reports and Financial Statements**

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


**IV. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2017 – 2018	2016 - 2017
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from NGCDF board	1	112,284,482	111,086,001
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
<b>TOTAL RECEIPTS</b>		<b>112,284,482</b>	<b>111,086,001</b>
<b>PAYMENTS</b>			
Compensation of employees	4	3,749,562	1,366,617
Use of goods and services	5	19,217,503	11,294,746
Transfers to Other Government Units	6	34,200,000	45,726,863
Other grants and transfers	7	50,571,705	53,029,102
Acquisition of Assets	8	462,500	1,000,000
Other Payments	9	4,300,000	-
<b>TOTAL PAYMENTS</b>		<b>112,501,270</b>	<b>112,417,328</b>
<b>SURPLUS/(DEFICIT)</b>		<b>(216,788)</b>	<b>(1,331,327)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-ISIOLO NORTH Constituency financial statements were approved on ..... 2019 and signed by:-

  
 Fund Account Manager  
 Name: Japhet Nguni



  
 Sub-County Accountant  
 Name: Ngugi Kinuthia  
 ICPAK Member Number: 18855

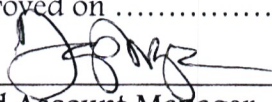


**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)**  
**ISIOLO NORTH CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

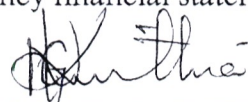
**V. STATEMENT OF ASSETS**

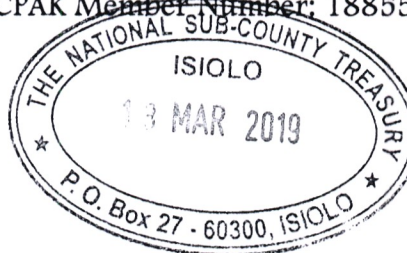
	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	10A	984,647	1,201,435
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	11	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b><u>984,647</u></b>	<b><u>1,201,435</u></b>
<b>REPRESENTED BY</b>			
Retention	12	-	-
Fund balance b/fwd 1st July...	13	1,201,435	2,532,762
Surplus/Deficit for the year		(216,788)	(1,331,327)
Prior year adjustments	14	-	-
<b>NET LIABILITIES</b>		<b>984,647</b>	<b>1,201,435</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-ISIOLO NORTH Constituency financial statements were approved on .....2019 and signed by:

  
 Fund Account Manager  
 Name: Japhet Ngui



  
 Sub-County Accountant  
 Name: Ngugi Kinuthia  
 ICPAK Member Number: 18855



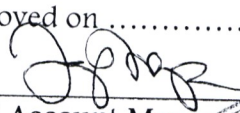
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
 ISIOLO NORTH CONSTITUENCY**

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

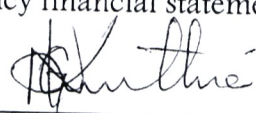
**VI. STATEMENT OF CASHFLOW**

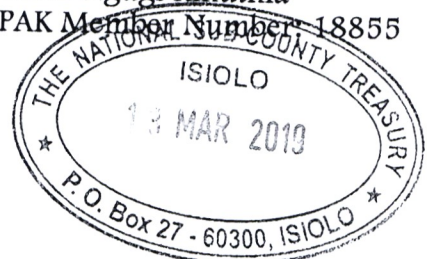
Receipts for operating income		2017 – 2018	2016 - 2017
		Ksh	Ksh
Transfers from CDF Board	1	112,284,482	111,086,001
Other Receipts	3	-	-
		<b>112,284,482</b>	<b>111,086,001</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	4	3,749,562	1,366,617
Use of goods and services	5	19,217,503	11,294,746
Transfers to Other Government Units	6	34,200,000	45,726,863
Other grants and transfers	7	50,571,705	53,029,102
Acquisition of assets			1,000,000
Other Payments	9	4,300,000	-
		<b>112,038,770</b>	<b>112,417,328</b>
<b>Adjusted for:</b>			
Adjustments during the year	14	-	-
<b>Net cash flow from operating activities</b>		<b>245,712</b>	<b>(331,327)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	9	(462,500)	(1,000,000)
<b>Net cash flows from Investing Activities</b>		<b>(462,500)</b>	<b>(1,000,000)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(216,788)</b>	<b>(1,331,327)</b>
Cash and cash equivalent at <b>BEGINNING</b> of the year	13	1,201,435	2,532,762
Cash and cash equivalent at <b>END</b> of the year		984,647	1,201,435

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-ISIOLO NORTH Constituency financial statements were approved on ..... 2019 and signed by:

  
 Fund Account Manager  
 Name: Japhet Ngui



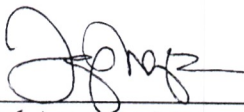
  
 Sub-County Accountant  
 Name: Ngugi Kinuthia  
 ICPAK Member Number 18855



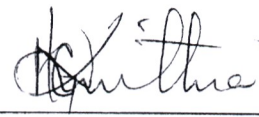
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –  
 ISIOLO NORTH CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2018**

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	D	e=c-d	f=d/c
<b>RECEIPTS</b>						
Transfers from NGCDF Board	86,810,346	39,991,090	126,801,436	113,485,917	13,315,519	
Proceeds from Sale of Assets				-	-	
Other Receipts	-			-	-	
<b>Total</b>	<b>86,810,346</b>	<b>39,991,090</b>	<b>126,801,436</b>	<b>113,485,917</b>	<b>13,315,519</b>	
<b>PAYMENTS</b>						
Compensation of Employees	1,440,000	2,600,000	4,040,000	3,749,562	290,438	
Use of goods and services	8,643,379	5,500,000	14,143,379	19,217,503	(5,074,124)	1
Transfers to Other Government Units	36,018,326	24,283,310	60,301,636	34,200,000	26,101,636	
Other grants and transfers	40,553,641	7,607,780	48,161,421	50,571,705	(2,410,284)	1
Acquisition of Assets	155,000		155,000	462,500	(307,500)	2
Other Payments				4,300,000	-	
<b>TOTALS</b>	<b>86,810,346</b>	<b>39,991,090</b>	<b>126,801,436</b>	<b>112,501,270</b>	<b>18,600,166</b>	



Fund Account Manager  
 Name: Japhet Ngui

Sub-County Accountant  
 Name: Ngugi Kinuthia  
 ICPAK Member Number: 18855



**VIII. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The financial statements have been prepared in accordance with 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-ISIOLO NORTH Constituency. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012

**3. Reporting Currency**

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

**4. Significant Accounting Policies**

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

**a) Recognition of Receipts**

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

**Tax Receipts**

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

**Transfers from the Exchequer**

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

## **SIGNIFICANT ACCOUNTING POLICIES**

### **External Assistance**

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

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

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

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

### **Other receipts**

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

## **b) Recognition of payments**

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

### **Compensation of Employees**

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

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

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

### **Acquisition of Fixed Assets**

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

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

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –  
ISIOLO NORTH CONSTITUENCY**

**Reports and Financial Statements**

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

**SIGNIFICANT ACCOUNTING POLICIES**

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**5. In-kind contributions**

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

**6. Cash and Cash Equivalents**

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

**7. Accounts Receivable**

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

**8. Accounts Payable**

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

**9. Pending Bills**

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

**10. Unutilized Funds**

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

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

**ISIOLO NORTH CONSTITUENCY**

**Reports and Financial Statements**

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

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**SIGNIFICANT ACCOUNTING POLICIES**

**11. Budget**

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

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

**12. Comparative Figures**

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

**13. Subsequent Events**

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

**14. Errors**

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

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

**15. Related Party Transactions**

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

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**IX. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description		2017-2018	2016-2017
		Kshs	Kshs
NGCDF Board			
AIE NO	A855823	5,500,000	
AIE NO	A802708	27,410,345	
AIE NO	A892883	37,905,172	
AIE NO	A855020	41,468,965	
AIE NO	A82700		2,000,000
AIE NO	A825851		58,137,724
AIE NO	A829565		4,094,828
AIE NO	A855020		36,853,449
AIE NO	A839670		10,000,000
<b>TOTAL</b>		<b>112,284,482</b>	<b>111,086,001</b>

**2. PROCEEDS FROM SALE OF ASSETS**

	2017-2018	2016-2017
	Kshs	Kshs
Receipts from sale of Buildings	xxx	xxx
Receipts from the Sale of Vehicles and Transport Equipment	xxx	xxx
Receipts from sale of office and general equipment	xxx	xxx
Receipts from the Sale Plant Machinery and Equipment	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

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**3. OTHER RECEPTS**

	2017- 2018	2016-2017
	Kshs	Kshs
Interest Received	xxx	xx
Rents	xxx	xx
Receipts from Sale of tender documents	xxx	xx
Other Receipts Not Classified Elsewhere	xxx	xx
<b>Total</b>	<b>xxx</b>	<b>xx</b>

**4. COMPENSATION OF EMPLOYEES**

	2017-2018	2016-2017
	Kshs	Kshs
Basic wages of contractual employees	889,123	1,366,617
Basic wages of casual labour	-	-
<b>Personal allowances paid as part of salary</b>	<b>468,219</b>	<b>-</b>
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Gratuity	2,392,220	-
Other personnel payments	-	-
<b>Total</b>	<b>3,749,562</b>	<b>1,366,617</b>

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**5. USE OF GOODS AND SERVICES**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	40,000	47,811
Office rent	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	798,000	50,000
Printing, advertising and information supplies & services	-	-
Rentals of produced assets	-	-
Training expenses	-	428,640
Hospitality supplies and services	309,660	
Other committee expenses	-	1,850,567
Committee allowance	12,693,930	4,689,977
Insurance costs	241,120	-
Specialised materials and services	-	-
Office and general supplies and services	147,150	1,985,290
Fuel ,oil & lubricants	3,635,323	1,625,871
Other operating expenses	870,000	-
Routine maintenance – vehicles and other transport equipment	393,000	616,590
Routine maintenance – other assets	89,420	-
<b>Total</b>	<b>19,217,603</b>	<b>11,294,746</b>

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**6. TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to primary schools (see attached list)	9,100,000	21,195,504
Transfers to secondary schools (see attached list)	19,600,000	17,531,359
Transfers to tertiary institutions (see attached list)	5,500,000	7,000,000
Transfers to health institutions (see attached list)	0	0
<b>TOTAL</b>	<b>34,200,000</b>	<b>45,726,863</b>

**7. OTHER GRANTS AND OTHER PAYMENTS**

	2017-2018	2016- 2017
	Kshs	Kshs
Bursary Secondary schools	6,159,000	12,207,500
Bursary -Tertiary	25,782,705	8,525,000
Bursary-Special schools		
Mocks & CAT		9,190,000
Electricity Projects		509,017
Security	5,080,000	10,647,999
Roads		3,900,000
Sports	1,500,000	2,070,655
Environment		870,931
Emergency Projects	12,050,000	4,407,000
<b>Total</b>	<b>50,571,705</b>	<b>52,328,102</b>

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**8. ACQUISITION OF ASSETS**

<u>Non Financial Assets</u>	2017-2018	2016-2017
	Kshs	Kshs
Purchase of Buildings	0	0
Construction of Buildings	0	0
Refurbishment of Buildings	0	0
Purchase of Vehicles and Other Transport Equipment	0	0
Overhaul of Vehicles and Other Transport Equipment	0	0
Purchase of Household Furniture and Institutional Equipment	0	0
Purchase of Office Furniture and General Equipment	0	1,000,000
Purchase of ICT Equipment, Software and Other ICT Assets	462,500	0
Purchase of Specialized Plant, Equipment and Machinery	0	0
Rehabilitation and Renovation of Plant, Machinery and Equip.	0	0
Acquisition of Land	0	0
Acquisition of Intangible Assets	0	0
<b>Total</b>	<b>462,500</b>	<b>1,000,000</b>

**9. OTHER PAYMENTS**

	2017-2018	2016-2017
	Kshs	Kshs
Strategic plan	4,300,000	0
	<b>4,300,000</b>	<b>0</b>

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10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2017-2018	2016-2017
	Kshs	Kshs
<i>Equity Bank, Account No. 0410261949254</i>	984,647.00	1,201,434.60
<b>Total</b>	<b>984,647.00</b>	<b>1,201,434.60</b>
<b>10B: CASH IN HAND</b>		
Location 1	N/A	N/A
Location 2		
Location 3		
Other Locations ( <i>specify</i> )		
<b>Total</b>	<b>N/A</b>	<b>N/A</b>
<i>[Provide cash count certificates for each]</i>		

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**11: OUTSTANDING IMPRESTS**

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>Name of Officer or Institution</i>				
<i>Name of Officer or Institution</i>		N/A		
<i>Name of Officer or Institution</i>				
<i>Name of Officer or Institution</i>				
<i>Name of Officer or Institution</i>				N/A
<i>Name of Officer or Institution</i>				
<b>Total</b>				

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

**12 RETENTION**

	<b>2017 - 2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Supplier 1	xx	X:
Supplier 2	xx	X:
Supplier 3	xx	X:
<b>Total</b>	<b>XX</b>	<b>X:</b>

*[Provide short appropriate explanations as necessary]*

**13. BALANCES BROUGHT FORWARD**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	1,201,434.60	2,532,762
<b>Total</b>	<b>1,201,434.60</b>	<b>2,532,762</b>

*[Provide short appropriate explanations as necessary]*

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**14. PRIOR YEAR ADJUSTMENTS**

	2017- 2018	2016-2017
	Kshs	Kshs
Bank accounts	XX	XX
Cash in hand	XX	XX
Imprest	XX	XX
<b>Total</b>	<b>XX</b>	<b>XX</b>

**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
	XX	XX

**15.2: PENDING STAFF PAYABLES (See Annex 2)**

	Kshs	Kshs
Senior management	XX	XXX
Middle management	XX	XXX
Unionisable employees	XX	XXX
Others ( <i>specify</i> )	XX	XXX
	XX	XXX

**15.3: UNUTILIZED FUNDS (See Annex 3)**

	Kshs	Kshs
	2017-2018	2016-2017
Compensation of employees	XX	XX
Use of goods and services	300,167	XX
Amounts due to other Government entities (see attached list)	1,100,167	Xx
Amounts due to other grants and other transfers (see attached list)	13,200,000	Xx
Acquisition of assets	XX	Xx
Others ( <i>specify</i> )	XX	Xx
	14,300,167	Xxx

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**15.4: PMC account balances (See Annex 5)**

	2017- 2018	2016-201
	Kshs	Ksh
PMC account Balances (see attached list)	1,200,000	600,00
	1,200,000	600,00

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**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		
<b>Construction of buildings</b>						
1.						
2.		N/A				
3.						
<b>Sub-Total</b>						
<b>Construction of civil works</b>						
4.						
5.						
6.						
<b>Sub-Total</b>						
<b>Supply of goods</b>						
7.						
8.						
9.				N/A		
<b>Sub-Total</b>						
<b>Supply of services</b>						
10.						
11.						
12.						
<b>Sub-Total</b>						
<b>Grand Total</b>						

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**ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2014	Comments
		a	b	c	d=a-c		
<b>Senior Management</b>							
1.							
2.			N/A				
3.							
<b>Sub-Total</b>							
<b>Middle Management</b>							
4.							
5.							
6.							
<b>Sub-Total</b>							
<b>Unionisable Employees</b>							
7.							
8.							
9.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
10.							
11.						N/A	
12.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

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**ANNEX 3 – UNUTILIZED FUNDS**

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Compensation of employees				
Use of goods & services				
Capacity Building	Training of PMCs	300,167		
Amounts due to other Government entities				
Kiwanjani Primary School	Fencing	800,000		
Sub-Total		1,100,167		
Amounts due to other grants and other transfers				
Bursary Tertiary	Bursary payments	5,200,000		
Bursary secondary schools	Bursary payments	8,000,000		
Sub-Total		13,200,000		
-Total				
Acquisition of assets				
Others ( <i>specify</i> )				
Sub-Total				
Grand Total		14,300,167		

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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				
Transport equipment	7,799,500			7,799,500
Office equipment, furniture and fittings	1,100,000	462,500		1,562,500
ICT Equipment, Software and Other ICT Assets	51,000			51,000
Other Machinery and Equipment	199,000			199,000
Heritage and cultural assets				
Intangible assets				
<b>Total</b>	<b>9,149,500</b>	<b>462,500</b>		<b>9,612,000</b>

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**ANNEX 4 –PMC BANK BALANCES AS AT 30<sup>TH</sup> JUNE 2018**

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
Korbesa Day Secondary school	Consolidated	10111301000259	1,200,000	600,000
Total			1,200,000	600,000

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**ANNEX 5 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.

Referen ce No. on the externa l audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status: ( <i>Resolved / Not Resolved</i> )	Timef rame: ( <i>Put a date when you expec t the issue to be resol ved</i> )
EH/AU D/NGN G- CDF/IS IOLO NORT H/2015 /2016/4	Accuracy, completeness and presentation of the financial statement could not be confirmed	Corrections were made to comply with the query	FUND ACCOUNT MANAGER	RESOLVED	N/A
	The presentation of the financial statement does not comply with the IPSAS cash-basis presentation format by the National Treasury.	The statements were amended to comply to the IPSAS format	FUND ACCOUNT MANAGER	RESOLVED	
	Accuracy, completeness and presentation of the fixed asset could not be confirmed	Corrections were made to comply with the query	FUND ACCOUNT MANAGER	RESOLVED	
	The residents of the Constituency did not receive expected services due un-utilized Budget amounting to Ksh, 51,819,688.	This was due to some amount of money not disbursed from the board in time.,	FUND ACCOUNT MANAGER	RESOLVED	
	Impossible to ascertain that the	The projects were initiated	FUND	RESOLVED	

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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)
	fifty five Budgeted Projects worth ksh 94,317,033 not initiated or complete would be implemented as planned	and are underway.	ACCOUNT MANAGER		