

REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**

THE NATIONAL ASSEMBLY  
P  
DATE: 04 JUL 2023 DAY: TUESDAY  
TABLED BY: Hon Owen Baya, MP  
CLERK-AT THE TABLE: Deputy leader, majority party  
11207 mwaale

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND -  
FAFI CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



*FAFI Constituency*

*National Government Constituencies Development Fund (NGCDF)*

*Annual Report and Financial Statements for The Year Ended June 30, 2022*

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**FAFI CONSTITUENCY**

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>th</sup> JUNE 2022**

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



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## **I. Key Constituency Information and Management**

### **(a) Background information**

The National Government Constituencies Development Fund (NG-CDF) formerly Constituencies Development Fund (CDF), is established under the NG-CDF Act 2015 as amended in 2016. The Act is a successor to the Constituencies Development Fund (CDF) Act of 2003 which initiated the Fund and its subsequent amendments/reviews of 2007 and 2013. At cabinet level, NG-CDF is represented by the Cabinet Secretary for the Treasury, 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;



## ***FAFI Constituency***

### ***National Government Constituencies Development Fund (NGCDF)***

#### ***Annual Report and Financial Statements for The Year Ended June 30, 2022***

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- 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

#### **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.

#### **Functions of NG-CDF Committee**

The Functions of the NG-CDF Committee is as outlined in section 11 of The National Government Constituencies Development Fund Regulations, 2016.

#### **(b) Key Management**

The FAFI Constituency NGCDF 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 2022 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	A.I.E holder	OMAR HASSAN MAHA
2.	Sub-County Accountant	PAUL MAKOKHA
3.	Chairman NGCDFC	MOHAMED ADEN KETHIE

**(d) Fiduciary Oversight Arrangements**

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of FAFI Constituency NGCDF. 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) FAFI Constituency NGCDF Headquarters**

P.O. Box 1914-Garissa  
NG-CDF Office Building  
Bura-masalani road, Adjacent to Bura hospital

**(f) FAFI Constituency NGCDF Contacts**

Telephone: (254) 722911803  
E-mail: [faficdf@ngcdf.go.ke](mailto:faficdf@ngcdf.go.ke)  
Website: [www.ng-cdf.go.ke](http://www.ng-cdf.go.ke)



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**(g) FAFI Constituency NGCDF Bankers**

Equity Bank-Garissa Branch

A/C Name: Fafi National Government Constituency Development Fund

A/C no: 0580262524480

**(h) Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**(i) Principal Legal Adviser**

The Attorney General

State Law Office

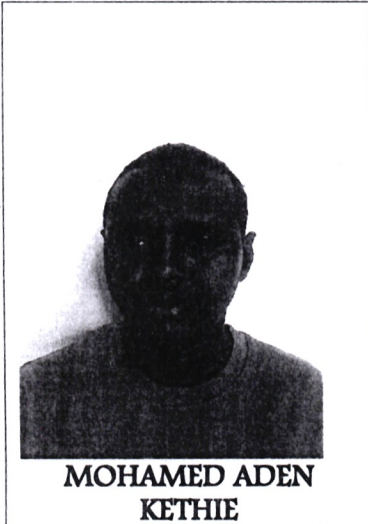
Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

## II. NG-CDFC Chairman's Report



In the Financial year 2021/2022 NG-CDF Fafi was allocated Ksh **137,088,879**, however the final budget to be utilized for the same year amounted to ksh **217,367,637**, out of this the management spent Ksh **206,584,516** bringing the utilization difference to **Ksh 10,783,121**.

To improve the education standard the NG\_CDFC supported both secondary and tertiary institutions through construction of classes, dormitories, administration blocks, beds and mattresses etc.

To promote proper teaching environment the NG-CDF Fafi constructed administration block for Bore5 secondary school

On the security sector, the committee also constructed administration block, renovation of existing houses, and construction of toilets and fencing of police posts to support security agencies and promote security in the area.

To upgrade and improve the learning environment the committee funded the supply of lockers, chairs and beds to various schools.

Emerging issues related to NG-CDF includes; insecurity, Upcoming/increasing settlement, increasing school enrolment and Global climatic change.

There has also been implantation challenges such as; lack of clear boundary among constituencies, insecurity and political interference.

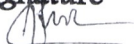


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For the fund to thrive, I recommend that there should be a minimum or no interference from the political figures and no projects should be undertaken in boundary conflict zone without the involvement of the concerned security organs of the government.

**Signature**



**MOHAMED ADEN KETHIE**

**CHAIRMAN NGCDF COMMITTEE**

**III. Statement Of Performance Against Predetermined Objectives for FY2021/22**

**Introduction**

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of FAFI Constituency 2018-2022 plan are to:

- i. To improve access to quality education
- ii. To harness youth talent and local culture by funding school tournaments
- iii. To improve access to safe drinking water in schools
- iv. To improve access to health services by providing social security benefits
- v. To improve security in the constituency by construction and fencing of police stations and chiefs' office

**Progress on attainment of Strategic development objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

<b>Constituency Sector</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Education	To improve access to quality education	Increased enrolment in primary schools and improved transition to secondary schools and tertiary institutions	-The number of usable physical infrastructure built in primary, secondary, and tertiary institutions  The number of bursary's beneficiaries at all levels	In FY 2021/22 -Fafi NGCDFC undertook additional classrooms, dormitories, laboratories etc - More than 1900 students were awarded bursaries and medical students given partial sponsorship
Security	To support government agencies in improving security	Improved security	Number of police post fenced  The no of housing provided	Two police post and stations fenced, constructed kamuthey and mansabubu police



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			to the personnel	houses and toilets
Environment	To improve hygiene and sanitation	Improved the level of hygiene and sanitation in institutions	Number of pit latrines constructed.  Number of water installation points	Constructed pit latrines in jambele primary school  Construction of two door toilet and a bathroom with shower at kamuthey police station and nanighi police station
Sports	To harness youth talent and local culture by funding school tournaments	Improved youth talent	The no of event sponsored	Sponsored various sports activities in different wards in the course of the financial year
Emergency	To respond to unforeseen occurrences	Improved response to issues emergency in nature	The no of projects or emergency issues addressed	Refurbished five schools upon destruction by huge wind

## **Environmental and Sustainability Reporting**

FAFI NG-CDF exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on social sector, namely, Education & Training, Security Sector Support, Environment, and Sports. This pillar also makes special provisions for Kenyans with various disabilities and previously marginalized communities.

### **1. Sustainability strategy and profile -**

To ensure sustainability of FAFI NG CDF, the committee funds the following key sectors with the following sustainable priorities.

- a. **Education and Training:** FAFI NG-CDF focus on human capital for constituency development is entrenched in its strategy to support needy and bright students from each ward of the constituency. The intention is to empower the constituents such that in years to come, the beneficiaries at secondary school levels would have transitioned to Tertiary institutions while those at tertiary level would have transitioned to the job market as employees or employers thereby contributing positively to the economic growth of the constituency. This strategy takes care of both marginalised groups including girls and people living with disabilities.
- b. **Security Sector Support:** Among its key pillars; NGCDF has security as a priority area with intention to provide better working environment for the security providers within the constituency as well a secure constituency. The strategy is to have a long-term collaborative working approach that enhances community engagement in security activities. This is aimed at eliminating crime and vices in the long run by providing a better working environment for the law enforcement agencies while collaborating with community in trust on matters of security.
- c. **Environment:** The Constituency acknowledges that all its operation has an impact on environment. Cognizant of the Sustainable development goals, the NG-CDF has allocated part of its budget on environment conservation through activities such as tree planting, water conservation, sensitization forums for agro-forestry as well as best practices to reduce soil erosion.



- d. **Sports:** Fafi NG-CDF has taken sports as a key pillar of cohesion and integration. To sustain this pillar, the strategy taken is that of developing skills through sports with intention of identifying, nurturing talent and encouraging physical fitness among the constituents.

To attain this level of sustainability, we acknowledge challenges currently arising from the effects of Covid- 19 that have adversely affected the sporting activities and thereby limiting the potential benefits envisaged in using sports as development strategy within the constituency. On macro levels FY 21/22 has been a challenging year with limited funding towards these activities which may hamper the success of priority strategies undertaken.

## **2. Environmental performance**

**Environment:** The Constituency acknowledges that all its operation has an impact on environment. Cognizant of the Sustainable development goals, the NG-CDF has allocated part of its budget on environment conservation through activities such as tree planting, water conservation, sensitization forums for agro-forestry as well as best practices to reduce soil erosion.

## **3. Employee welfare**

We invest in providing the best working environment for our employees. FAFI constituency recruitment is guided by Employment Act, NGCDF Act and other regulations as issued from time to time. In line with the law and regulations, the Constituency offers equal opportunity to all while adhering to the one third gender rule and special groups. We also Recognize and appreciate of our employees for exemplary performance. The reward and sanctions system is based on performance appraisal.

The constituency promotes a healthy lifestyle and provides all employees with health insurance cover through a reliable insurance Scheme. Employees are encouraged and supported to continually build on their skills and knowledge. FAFI constituency invests in capacity building programs for employees. These include courses on technical competencies relevant to each employee and continuous sensitization on cross cutting issues.

The committee has a policy on safety in compliance with Occupational Safety and Health Act of 2007, (OSHA) and has ensured the work environment is conducive for everybody in terms of movement and accessibility within the office. The Constituency has also put in place disaster mitigating measures including fire extinguishers and accessible escape routes in case of emergency.

#### **4. Market place practices-**

FAFI NGCDF Constituency is committed to fair and ethical market practises.

The Procurement of goods and services is done through a transparent and competitive bidding process that allows equal opportunities to all participants. We support local vendors drawn from the constituency for purposes of uplifting them economically. Our ethical market practises ensure the fund get value for money on all goods and services procured.

We are also committed to healthy relations with our suppliers which is enhanced through organized sensitization forums that relate to the procurement legal framework and ethical subject matters. We are dedicated to honouring all contracts and settling payments promptly.

NGCDF has put in efforts to ensure:

- a) Responsible competition practice by encouraging fair competition and zero tolerance to corruption
- b) Good business practice including cordial Supply chain and supplier relations by honouring contracts and respecting payment practices.
- c) Responsible marketing and advertisement
- d) Product stewardship by safeguarding consumer rights and interest

#### **5. Community Engagements-**

FAFI NGCDF has endeavoured to sustain community engagement through CSR as well as appreciating our existence through engaging local contractors and suppliers when necessary. We have also engaged the community through sports and community projects.

#### **Public Participation in Project Identification and Implementation and Monitoring**

The NG-CDFC deliberated on project proposals from all the wards in the constituency and considered the most beneficial to the constituency, considering the national development plans and policies and the constituency strategic development plan. The identified list of priority projects, both immediate and long term, was submitted to the NG CDF Board in accordance with the Act.

**Public participation** is the process that directly engages the concerned stakeholders in decision-making and gives full consideration to public input in making that decision.



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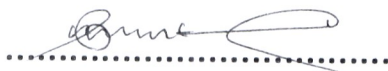
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The NG CDFC during bursary programme, engaged the community through the community leaders to identify the needy students to be awarded with the bursary.

**Public Awareness**

This includes mechanisms for participation and cooperation with local, regional and national agencies, and for conducting community-based needs assessments and public awareness campaigns and holding community meetings.

FAFI NG-CDF have continually practiced public participation and public awareness during project identification and proposal collections in all the wards in the constituency.



**OMAR HASSAN MAHA**

**FAM**

## **Statement of Management Responsibilities**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government 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-FAFI 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, 2022. 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-FAFI 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 *constituency's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2022, and of the entity's financial position as at that date. The Accounting Officer charge of the NGCDF- FAFI Constituency further confirms the completeness of the accounting records maintained for the *constituency*, 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 FAFI Constituency confirms that the *constituency* 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



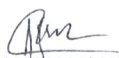
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used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the *constituency* 's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The NGCDF- FAFI Constituency financial statements were approved and signed by the Accounting Officer on 1/22/2023.



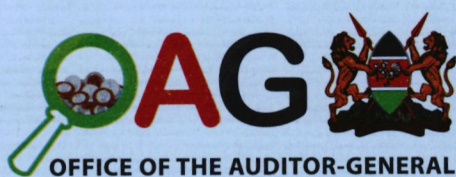
.....  
**Name: Mohamed Aden Kethie**  
**Chairman – NGCDF Committee**



.....  
**Name: Omar Hassan Maha**  
**Fund Account Manager**



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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - FAFI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Fafi Constituency set out on pages 1 to 33, which



comprise of the statement of assets and liabilities as at 30 June, 2022 and the statement of receipts and payments, statement of cash flows and summary statement of appropriation for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Government Constituencies Development Fund - Fafi Constituency as at 30 June, 2022 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2015 and the National Government Constituencies Development Fund Act, 2015.

### **Basis for Qualified Opinion**

#### **Unsupported Bursary Payments**

The statement of receipts and payments reflects other grants and other payments of Kshs.87,634,311 which includes bursary payments to secondary and tertiary institutions of Kshs.24,191,000 and Kshs.21,599,000 respectively, as disclosed in Note 5 to the financial statements. However, the supporting schedules provided for audit review did not indicate the learning institutions to which bursary amounting to Kshs.40,869,000 was paid. Further, bursary payments amounting to Kshs.2,600,000 were not acknowledged through official receipts or acknowledgement letters from the beneficiary institutions.

In the circumstances, the accuracy and validity of bursary payments amounting to Kshs.43,469,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Fafi Constituency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matters**

Key audit matters are those matters which, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.



## **Other Matter**

### **1. Budgetary Control and Performance**

The summary statement of appropriation reflects final receipts budget and actual on comparable basis of Kshs.217,367,637, resulting to 100% funding of the budget. Similarly, the Fund spent Kshs.206,584,516 of the approved budget of Kshs.217,367,637, resulting to an under-expenditure of Kshs.10,783,120 (or 5%) of the budget.

The under absorption affected the planned activities and may have impacted negatively on service delivery to the residents of Fafi Constituency.

### **2. Project Implementation Status**

Analysis of the Project Implementation Status for the year under review indicated that Management had planned to implement fifty-seven (57) projects with total allocation of Kshs.137,088,877. However, only thirty-nine (39) projects were completed while nineteen (19) projects with a budget of Kshs.69,087,998 were still on-going.

Failure to complete projects in time may have denied the residents of Fafi Constituency the intended services.

### **3. Unresolved Prior Year Matters**

Various prior year audit issues remained unresolved as at 30 June, 2022. Management did not provide reasons for the delay in resolving the prior year audit issues.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Emergency Projects**

The statement of receipts and payments reflects other grants and transfers of Kshs.87,634,311 as disclosed in Note 5 to the financial statements which include expenditure of Kshs.9,426,040 in respect of emergency projects. However, two (2) projects costing Kshs.700,000 did not meet the criteria for emergency as envisaged in Section 8(3) of the National Government Constituencies Development Fund Act, 2015, which defines emergency as an 'urgent' unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents. In addition, the utilization of the



emergency reserve was not reported to the Board within thirty (30) days of the occurrence as required by Regulation 20(2) of the National Government Constituencies Development Fund Regulations, 2016 which provides that the utilization of the emergency reserve shall be reported to the Board within thirty days of the occurrence of the emergency, in the format prescribed by the Board.

In the circumstances, Management was in breach of the law.

## **2. Project Management Committee Bank Balances**

Annex 3 of the financial statements reflects Projects Management Committee bank balances of Kshs.1,147,415 as at 30 June, 2022. However, the balance was not supported by respective balance certificates and bank statements. Further, Management did not provide an explanation for the failure to return the unutilized funds to the constituency account as required by Section 12(8) of National Government Constituencies Development Fund Act, 2015 that states that all unutilized funds of the Project Management Committee shall be returned to the constituency account.

In the circumstances, Management was in breach of the law.

## **3. Unpresented Cheques for Bursary**

The statement of assets and liabilities as at 30 June, 2022 reflects cash and cash equivalents balance of Kshs.10,783,121. However, the bank reconciliation statement for June, 2022 included a reconciling balance of Kshs.3,670,015 in respect of unpresented cheques. Included in the list of unpresented cheques were bursary cheques amounting to Kshs.353,578 which had remained unpresented for more than three months. This may have been an indication that the bursary was issued to undeserving students at the expense of other needy students resulting to ineffective utilization of public resources.

In the circumstances, it was not possible to confirm whether bursary amounting to Kshs.353,578 was issued to needy students.

## **4. Lack of Constituency Oversight Committee**

The Management did not establish the Constituency Oversight Fund Committee provided for under Section 53(1) of the National Government Constituencies Development Fund Act, 2015 which provides that there is established a Constituency Oversight Committee for projects undertaken under this Act.

In the circumstances, the Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.



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

## Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## Basis for Conclusion

### 1. Summary of Fixed Assets Register

#### 1.1 Inadequate Fixed Assets Register

Annex 5 of the financial statements reflects a summary of fixed assets register with a balance of Kshs.21,170,673 as at 30 June, 2022. Although a fixed asset register was maintained, the register did not contain all key assets details including identification or serial numbers, acquisition date, description of asset, location, class, cost of acquisition, accumulated depreciation, net book value. The assets were also not tagged with identification codes.

In the circumstances, the existence of effective internal controls on fixed assets could not be confirmed.

#### 1.2 Ownership and Valuation of Assets

Management did not provide evidence to confirm that assets whose value may have significantly changed over time were revalued. The land belonging to the Fund was neither valued nor disclosed in the financial statements. In addition, Management did not provide ownership documents for the land.

In the circumstances, the valuation and ownership status of the Fund's fixed assets could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall 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 controls 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 which would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which 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 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**05 May, 2023**

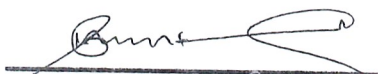
*FAFI Constituency  
National Government Constituencies Development Fund (NGCDF)  
Annual Report and Financial Statements for The Year Ended June 30, 2022*

**VII. Statement Of Receipts and Payments for the Year Ended 30th June 2022**

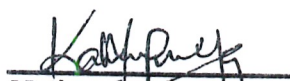
	Note	2021-2022	2020-2021
			Kshs
<b>RECEIPTS</b>			
Transfers from NGCDF Board	1	182,177,758	162,455,724
<b>TOTAL RECEIPTS</b>		<b>182,177,758</b>	<b>162,455,724</b>
<b>PAYMENTS</b>			
Compensation of employees	2	3,567,195	3,043,705
Use of goods and services	3	9,924,693	5,834,271
Transfers to Other Government Units	4	100,555,117	66,633,200
Other grants and transfers	5	87,634,311	65,029,251
Acquisition of Assets	6	4,103,200	708,799
Other Payments	7	800,000	-
<b>TOTAL PAYMENTS</b>		<b>206,584,516</b>	<b>141,249,226</b>
<b>SURPLUS/DEFICIT</b>		<b>(24,406,758)</b>	<b>21,206,498</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Constituency financial statements were approved on 22 /3/ 2023 and signed by:

  
Fund Account Manager

Name: Omar Hassan Maha

  
National Sub-County  
Accountant

Name: Paul Makotho  
ICPAK M/No:

  
Chairman NG-CDF Committee

Name: Mohamed Aden Kethie

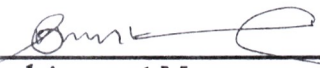


VIII. Statement of Assets and Liabilities As At 30<sup>th</sup> June, 2022

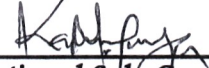
	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	8	10,783,121	35,189,879
Cash Balances (cash at hand)	-	-	-
<b>Total Cash and Cash Equivalents</b>		<b>10,783,121</b>	<b>35,189,879</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>10,783,121</b>	<b>35,189,879</b>
<b>FINANCIAL LIABILITIES</b>		-	-
<b>NET FINANCIAL ASSETS</b>		<b>10,783,121</b>	<b>35,189,879</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July...	10	35,189,879	13,983,380
Surplus/Deficit for the year		(24,406,758)	21,206,498
<b>NET FINANCIAL POSITION</b>		<b>10,783,121</b>	<b>35,189,878</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Constituency financial statements were approved on 22 /3 2023 and signed by:

  
Fund Account Manager

Name: Omar Hassan Maha

  
National Sub-County  
Accountant

Name: Paul Makochi  
ICPAK M/No:

  
Chairman NG-CDF Committee

Name: Mohamed Aden Kethie

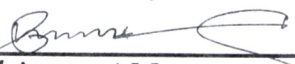
**FAFI Constituency**  
**National Government Constituencies Development Fund (NGCDF)**  
**Annual Report and Financial Statements for The Year Ended June 30, 2022**

**IX. Statement of Cash Flows for the Year Ended 30th June 2022**

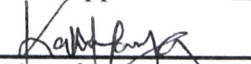
		2021-2022	2020-2021
		Kshs	Kshs
<b>Receipts from operating activities</b>			
Transfers from NGCDF Board	1	182,177,758	162,455,724
		<b>182,177,758</b>	<b>162,455,724</b>
<b>Payments for operating activities</b>			
Compensation of Employees	2	3,567,195	3,043,705
Use of goods and services	3	9,924,693	5,834,271
Transfers to Other Government Units	4	100,555,117	66,633,200
Other grants and transfers	5	87,634,311	65,029,251
Other Payments	6	800,000	-
		<b>202,481,316</b>	<b>140,540,427</b>
<b>Net cash flow from operating activities</b>		<b>(20,303,558)</b>	<b>21,915,297</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	6	(4,103,200)	(708799)
<b>Net cash flows from Investing Activities</b>		<b>(4,103,200)</b>	<b>(708799)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(24,406,758)</b>	<b>21,206,498</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	<b>10</b>	<b>35,189,878</b>	<b>13,983,380</b>
<b>Cash and cash equivalent at END of the year</b>		<b>10,783,121</b>	<b>35,189,878</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

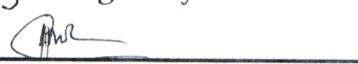
The Constituency financial statements were approved on 22 /3/ 2022 and signed by:

  
**Fund Account Manager**

Name: Omar Hassan Maha

  
**National Sub-County Accountant**

Name: Kan Makotha  
 ICPAK M/No:

  
**Chairman NG-CDF Committee**

Name: Mohamed Aden Kethie



**FAFI Constituency**  
**National Government Constituencies Development Fund (NGCDF)**  
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**X. Summary Statement of Appropriation for the Year Ended 30<sup>th</sup> June 2022**

Receipt/Expense Item	Original Budget	Opening Balance (C/Bk) and AIA	Adjustments Previous years Outstanding Disbursements	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS	a		b	c=a+b	d	e=c-d	f=d/c %
Transfers from NG-CDF Board	137,088,879	35,189,879	45,088,879	217,367,637	217,367,637	0	0.0%
Proceeds from Sale of Assets				0	-	-	
Other Receipts					-	-	
<b>TOTAL RECEIPTS</b>	<b>137,088,879</b>	<b>35,189,879</b>	<b>45,088,879</b>	<b>217,367,637</b>	<b>217,367,637</b>	<b>0</b>	<b>100.0%</b>
PAYMENTS							
Compensation of Employees	2,984,400	882,795	543,954	4,411,149	3,567,195	843,954	80.9%
Use of goods and services	9,248,599	130,692	1,339,092	10,718,383	9,924,693	793,690	92.6%
Transfers to Other Government Units	58,515,117	12,200,000	34,410,333	105,125,450	100,555,117	4,570,333	95.7%
Other grants and transfers	62,340,762	20,905,970	8,795,500	92,042,233	87,634,311	4,407,921	95.2%
Acquisition of Assets	3,200,000	1,070,422	0	4,270,422	4,103,200	167,222	
Other Payments	800000	0	0	800,000	800,000	-	100.0%
<b>TOTAL</b>	<b>137,088,878</b>	<b>35,189,879</b>	<b>45,088,879</b>	<b>217,367,637</b>	<b>206,584,516</b>	<b>10,783,121</b>	<b>95.0%</b>

A) The utilization rate of goods and services which is slightly below the 90% is as a result of delayed committees' preference in prioritization of the projects.

**Reconciliation of Summary Statement of Appropriation to Statement of Assets and Liabilities**

Description	Amount
Budget utilisation difference totals	10,783,121
Less undisbursed funds receivable from the Board as at 30th June 2022	0
Add Accounts payable	10,783,121
Less Accounts Receivable	0
Add/Less Prior Year Adjustments	0
Cash and Cash Equivalents at the end of the FY 2021 /2022	10,783,121

The Constituency financial statements were approved on 22 / 3 / 2023 and signed by:

  
Fund Account Manager

Name: Omar Hassan Maha

  
National Sub-County Accountant

Name: Paul Mckercher  
ICPAK M/No:

  
Chairman NG-CDF Committee

Name: Mohamed Aden Kethie



**FAFI Constituency**  
**National Government Constituencies Development Fund (NGCDF)**  
**Annual Report and Financial Statements for The Year Ended June 30, 2022**

**X. Budget Execution by Sectors and Projects for the Year Ended 30<sup>th</sup> June 2022**

Programme/Sub-programme	Original Budget(a)	Adjustments(b)		Final Budget c = (a+b)	Actual on comparable basis(d)	Budget utilization difference(e = c-d)	% of Utilisation(f = d/c %)
		Opening Balance (C/BK) and AIA	Previous years Outstanding Disbursements				
	Kshs	Kshs		Kshs	Kshs	Kshs	
<b>1.0 Administration and Recurrent</b>							
1.1 Compensation of employees	2,984,400	882,795	543,954	4,411,149	3,567,195	843,954	81
1.2 Committee allowances	1,500,000	50,000	1,339,092	2,889,092	2,521,400	367,692	87
1.3 Use of goods and services	3,635,933			3,635,933	3,474,974	160,959	96
<b>Total</b>	<b>8,120,333</b>	<b>932,795</b>	<b>1,883,046</b>	<b>10,936,174</b>	<b>9,563,569</b>	<b>1,372,605</b>	
<b>2.0 Monitoring and evaluation</b>							
2.1 Capacity building	1,500,000			1,500,000	1,400,000	100,000	93
2.2 Committee allowances	2,612,666	80,692		2,693,359	2,528,319	165,040	94
2.3 Use of goods and services				-		-	
<b>Total</b>	<b>4,112,666</b>	<b>80,692</b>		<b>4,193,359</b>	<b>3,928,319</b>	<b>265,040</b>	
<b>3.0 Emergency</b>							
3.1 Primary Schools	3,500,000	1,000,000		4,500,000	4,326,040	173,960	96
3.2 Secondary schools	1,200,000	900,000		2,100,000	1,950,000	150,000	93
3.3 Tertiary institutions				-		-	
3.4 Security projects	2,492,207	914,207		3,406,414	3,150,000	256,414	92

3.5 Unutilised									
<b>Total</b>	<b>7,192,207</b>	<b>2,814,207</b>		<b>10,006,414</b>	<b>9,426,040</b>		<b>580,374</b>		
<b>4.0 Bursary and Social Security</b>									
4.1 Secondary Schools	22,000,000	2,361,009		24,361,009	24,191,000		170,009		99
4.2 Tertiary Institutions	18,000,000	4,089,475		22,089,475	21,599,000		490,475		98
4.3 Social Security	105,000	11,500		116,500	110,950		5,550		95
4.4 Special Needs									
<b>Total</b>	<b>40,105,000</b>	<b>6,461,983</b>	<b>-</b>	<b>46,566,983</b>	<b>45,900,950</b>		<b>666,033</b>		<b>99</b>
<b>5.0 Sports</b>	<b>2,741,778</b>	<b>1,441,778</b>		<b>4,183,556</b>	<b>3,692,777</b>		<b>490,779</b>		<b>88</b>
<b>Total</b>	<b>2,741,778</b>	<b>1,441,778</b>		<b>4,183,556</b>	<b>3,692,777</b>		<b>490,779</b>		
<b>6.0 Environment</b>									
Jambebe primary school	941,778			941,778	941,777		1		100
Kamuthe police station	900,000			900,000	900,000		-		100
Nanighi police station	900,000			900,000	<b>855,000</b>		45,000		95
<b>Total</b>	<b>2,741,778</b>	<b>-</b>	<b>-</b>	<b>2,741,778</b>	<b>2,696,777</b>		<b>45,001</b>		
<b>7.0 Primary Schools Projects</b>									
Bullagolol primary school	1,600,000			1,600,000	1,600,000		-		100
Bullanadhir primary school	800,000			800,000	800,000		-		100



**FaFI Constituency**  
**National Government Constituencies Development Fund (NGCDF)**  
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Fafi girls primary school	1,500,000			1,500,000	1,500,000	-		100
Fafi primary school	1,800,000			1,800,000	1,800,000			100
Galmagala primary school	2,800,000			2,800,000	2,630,000	170,000		94
Garasweino primary school	3,000,000			3,000,000	3,000,000	-		100
Annuna primary school	1,340,000			1,340,000	1,340,000	-		100
Tagal primary school	3,500,000			3,500,000	3,500,000	-		100
Warable primary school	1,800,000			1,800,000	399,667	1,400,333		22
Annuna primary school	2,879,317			2,879,317	2,879,317	-		100
Hajijimay primary school	480,000			480,000	480,000	-		100
Bullagolol primary school	1,340,000			1,340,000	1,340,000	-		100
Tagal primary school	4,475,800			4,475,800	4,475,800	-		100
Fafi primary school		1,200,000		1,200,000.00	1,200,000	-		100
Kamuthie primary school		800,000		800,000	800,000	-		100
Alinjigur intergrated pry school		400,000		400,000	400,000	-		100
Ruka primary school		400,000		400,000	400,000	-		100
Annuna primary school		600,000		600,000	600,000	-		100
Harbole primary school		800,000		800,000	800,000	-		100
Borehole 5 primary school		1,200,000		1,200,000	1,200,000	-		100
Garasweino primary school		3,000,000		3,000,000	3,000,000	-		100

National Government Constituencies Development Fund (NGCDF)  
Annual Report and Financial Statements for The Year Ended June 30, 2022

Alinjgur primary school		2,000,000		2,000,000	2,000,000	2,000,000	-		100
Alinjgur primary school			300,000	300,000	300,000	300,000	-		100
Kamuthe primary school	1,200,000			1,200,000	1,200,000	1,200,000	-		100
Hajjimat primary school			2,000,000	2,000,000	2,000,000	2,000,000	-		100
Dekaharja primary school			3,000,000	3,000,000	3,000,000	3,000,000	-		100
Abagdera primary school			3,000,000	3,000,000	3,000,000	3,000,000	-		100
Welmarrer primary school			3,500,000	3,500,000	3,500,000	3,500,000	-		100
Sadahgose primary school			100,333	100,333	100,333	100,333	-		100
Hawajod primary school			550,000	550,000	550,000	550,000	-		100
Garasweino primary school			3,000,000	3,000,000	3,000,000	3,000,000	-		100
Jambele primary school			1,600,000	1,600,000	1,600,000	1,600,000	-		100
Annuna primary school			6,000,000	6,000,000	6,000,000	6,000,000	-		100
Mansabubu primary school			450,000	450,000	450,000	450,000	-		100
Tagal primary school	3,500,000			3,500,000	3,500,000	3,500,000	-		100
Tagal water pinc	3,000,000			3,000,000	3,000,000	3,000,000	-		100
Ruka primary school			800,000	800,000	800,000	800,000	-		100
Gora primary school			450,000	450,000	450,000	450,000	-		100
<b>Total</b>	<b>35,015,117</b>	<b>10,400,000</b>	<b>24,750,333</b>	<b>70,165,450</b>	<b>68,595,117</b>	<b>1,570,333</b>			
<b>8.0 Secondary Schools Projects</b>									
Galmagala secondary school	6,300,000			6,300,000	6,300,000	6,300,000	-		100



**FAFI Constituency  
National Government Constituencies Development Fund (NGCDF)  
Annual Report and Financial Statements for The Year Ended June 30, 2022**

Alinjugur secondary school	1,800,000			1,800,000	1,800,000	1,800,000	-
Alinjugur secondary school	2,400,000			2,400,000	2,400,000	-	100
Borehole five secondary	2,000,000			2,000,000	2,000,000	-	100
Borehole five secondary	500,000			500,000	500,000	-	100
Borehole five secondary	950,000			950,000	300,000	650,000	32
Borehole five secondary	4,000,000			4,000,000	4,000,000	-	
Bura secondary school	550,000			550,000		550,000	-
Bura secondary school	1,500,000			1,500,000	1,500,000	-	100
Fafi girls secondary school	2,000,000			2,000,000	2,000,000	-	100
Shill secondary school	1,500,000			1,500,000	1,500,000	-	100
Alinjugur secondary school		1,800,000		1,800,000	1,800,000	-	100
Galmagala secondary school			1,360,000	1,360,000	1,360,000	-	100
Galmagala secondary school			750,000	750,000	750,000	-	100
Shill secondary school			5,300,000	5,300,000	5,300,000	-	100
Bura secondary school			750,000	750,000	750,000	-	100
Nanighi secondary school			1,500,000	1,500,000	1,500,000	-	100
<b>Total</b>	<b>23,500,000</b>	<b>1,800,000</b>	<b>9,660,000</b>	<b>34,960,000</b>	<b>31,960,000</b>	<b>3,000,000</b>	
<b>9.0 Tertiary institutions Projects</b>							

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Total	-	-	-	-	-	-	-	-
<b>10.0 Security Projects</b>								
Alinjgur Asistant sub county commissioner office	560,000		560,000					100
Nanighi chiefs' office	800,000		800,000	799,800	200			100
Hargardera police station	3,000,000		3,000,000	2,650,000	350,000			88
Jalajila deputy county commissioner office	1,800,000		1,800,000	1,800,000				100
Kamuthe police station	3,400,000		3,400,000	3,250,000	150,000			96
Welmarer police		2,600,000	2,600,000					100
Amuma police station		1,088,001	1,088,001		1,088,001			-
Bura chiefs office			2,000,000	2,000,000				100
Bura police station			2,000,000	1,100,000	900,000			55
Kamuthe police station		2,500,000	2,500,000	2,362,467	137,533			94
Nanighi police post		4,000,000	4,000,000	4,000,000				100
Amuma police station			4,200,000	4,200,000				100
Mansabubu police post			27,500	27,500				100
Jambele chiefs office			168,000	168,000				100
Jambele chiefs office			232,000	232,000				100
Nanighi chiefs office			168,000	168,000				100
<b>Total</b>	<b>9,560,000</b>	<b>10,188,001</b>	<b>28,543,501</b>	<b>25,917,767</b>	<b>2,625,734</b>	<b>8,795,500</b>	<b>25,917,767</b>	<b>2,625,734</b>



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<b>11.0 Acquisition of assets</b>										
Ng cdf office	3,200,000				3,200,000	3,040,000	160,000		95	
Ng cdf office	-	1,070,422			1,070,422	1,063,200	7,222		99	
	-	-			-	-	-			
<b>Total</b>	<b>3,200,000</b>	<b>1,070,422</b>			<b>4,270,422</b>	<b>4,103,200</b>	<b>167,222</b>			
<b>12.0 Other payments</b>										
Fafi sub county education office	400,000				400,000	400,000	-		100	
Fafi sub county children office	400,000				400,000	400,000	-		100	
	-				-	-	-			
<b>Total</b>	<b>800,000</b>	<b>-</b>			<b>800,000</b>	<b>800,000</b>	<b>-</b>			
<b>13.0 unallocated fund</b>										
Unapproved projects										
AIA										
PMC savings										
<b>Total</b>	<b>197,088,878</b>	<b>35,189,879</b>			<b>217,967,637</b>	<b>206,584,516</b>	<b>10,783,121</b>			

(NB: This statement is a disclosure statement indicating the utilisation in the same format as the entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury.

## **XI. 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 imprest and salary advances and b) payables that include deposits (gratuity 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-FAFI 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.



*Significant Accounting Policies continued*

**Transfers from the National Government Constituency Development Fund (NG-CDF)**

Transfers from the NG-CDF to the constituency are recognized when cash is received in the Constituency account.

**Proceeds from Sale of Assets**

Proceeds from disposal of assets are recognized as and when cash is received in the constituency account.

**Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from sale of tender documents, rent receipts, interest earned on bank balances, hire of Plant/Equipment/Facilities, Unutilized funds from PMCs among others.

*Unutilized Funds from PMCs.*

All unutilized funds of the Project Management Committee (PMC) are returned to the constituency account. Unutilized funds from PMCs are recognised as other receipts upon return to the constituency account.

**External Assistance**

External assistance refers to grants and loans received from local, multilateral and bilateral development partners. In the year under review there was no external assistance 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 constituency and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

**5. In-kind contributions**

In-kind contributions are donations that are made to the constituency 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 constituency 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.



*Significant Accounting Policies continued*

**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 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 (gratuity 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. Gratuity earned on monthly is held on behalf of the employee and later paid at the end of the contract period. This is an enhancement to the cash accounting policy adopted by National Government Constituencies Development Fund as prescribed by PSASB. 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 are 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 financial 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 Fund**

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

#### **11. Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest which is 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 xx June 20xx for the period 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2022 as required by law. Included in the adjustments are Cash book opening balance, AIA generated during the year and constituency allocations not yet disbursed at the beginning of the financial year.

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 2022.



*Significant Accounting Policies continued*

**14. Errors**

Material prior period errors are 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**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa.

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**XII. Notes to the Financial Statements**

GFS CODES				
	<b>1 TRANSFERS FROM NGCDF BOARD</b>			
	<b>Description</b>		<b>2021-2022</b>	<b>2020 - 2021</b>
			<b>Kshs</b>	<b>Kshs</b>
<b>1330407</b>	Normal Allocation			
		B104715		20,000,000
		B140877		33,000,000
		B104540		16,367,724
		B124512		9,000,000
		B124807		1,088,000
		B124930		8,500,000
		B119785		12,000,000
		B128075		6,900,000
		B128385		7,000,000
		B132130		6,000,000
		B138798		12,000,000
		B126093		7,000,000
		B126383		11,600,000
		B140529		12,000,000
		B140877	33,000,000	
		B105382	34,000,000	
		B105597	10,000,000	
		B105757	22,000,000	
		B132489	5,000,000	
		B128801	12,000,000	
		B154399	12,000,000	
		B154292	19,000,000	
		B155808	23,088,879	



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		B155939	12,088,879	
<b>1330408</b>	Conditional Grants	AIE NO...		
<b>1330409</b>	Receipt from other Constituency			
	<b>TOTAL</b>		<b>182,177,758</b>	<b>162,455,724</b>

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**Notes To the Financial Statements (Continued)**

<b>2110000 2.COMPENSATIONS OF EMPLOYEES</b>			
	<b>Description</b>	<b>2021-2022</b>	<b>2020 - 2021</b>
		<b>Kshs</b>	<b>Kshs</b>
2110201	NG-CDFC Basic staff salaries	2,816,492	2,715,565
	<b>Personal allowances paid as part of salary</b>		
2110301	House allowance	-	-
2110314	Transport allowance	-	-
2110320	Leave allowance	-	-
2710120	Gratuity-contractual employees	453,759	-
2120101	Employer Contributions Compulsory national social security schemes	296,945	328,140
	<b>TOTAL</b>	<b>3,567,195</b>	<b>3,043,705</b>

<b>2200000 3.USE OF GOODS AND SERVICES</b>			
	<b>Description</b>	<b>2021-2022</b>	<b>2020 - 2021</b>
		<b>Kshs</b>	<b>Kshs</b>
2210100	Utilities, supplies and services	96,000	0
2210101	Electricity	-	0
2210102	Water & sewerage charges	-	-
2210104	Office rent	-	-
2210200	Communication, supplies and services	28,350	0
2210300	Domestic travel and subsistence	-	0
2210500	Printing, advertising and information supplies & services	-	0
2210600	Rentals of produced assets	-	-
2210700	Training expenses	1,400,000	0
2210800	Hospitality supplies and services	-	0
2210802	Other committee expenses	2,521,400	1,470,000
2210809	Committee allowance	2,528,319	1,540,794
2210900	Insurance costs	-	-
2211000	Specialised materials and services	-	-
2211100	Office and general supplies and services	180,200	0
2211200	Fuel , oil & lubricants	700,000	0
2211300	Other operating expenses	2,095,800	2,823,477
2211301	Bank service commission and charges	223,824	0
2211313	Security operations	-	-
2220100	Routine maintenance - vehicles and	150,800	0



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	other transport equipment			
2220200	Routine maintenance- other assets			0
	<b>TOTAL</b>		<b>9,924,693</b>	<b>5,834,271</b>

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*Notes To the Financial Statements (Continued)*

<b>263020 0</b>	<b>4. TRANSFERS TO OTHER GOVERNMENT ENTITIES</b>		
	<b>Description</b>	<b>2021-2022</b>	<b>2020 - 2021</b>
		<b>Kshs</b>	<b>Kshs</b>
263020 4	Transfers to Primary Schools	68,595,117	35,319,110
263020 5	Transfers to Secondary Schools	31,960,000	31,314,090
263020 6	Transfers to Tertiary Institutions	-	
	<b>TOTAL</b>	<b>100,555,117</b>	<b>66,633,200</b>

<b>2640000</b>	<b>5. OTHER GRANTS AND OTHER PAYMENTS</b>		
	<b>Description</b>	<b>2021-2022</b>	<b>2020 - 2021</b>
		<b>Kshs</b>	<b>Kshs</b>
2640101	Bursary - Secondary	24,191,000	22,725,000
2640102	Bursary -Tertiary	21,599,000	20,515,349
2640104	Bursary- Special Schools	-	-
2640105	Mocks & CAT	-	-
	Social Security programmes (NHIF)	110,950	97,650
2640507	Security Projects	25,917,767	17,511,252
2640509	Sports Projects	3,692,777	1,300,000
2640510	Environment Projects	2,696,777	
2640200	Emergency Projects	9,426,040	2,880,000
	<b>TOTAL</b>	<b>87,634,311</b>	<b>65,029,251</b>



*Notes To the Financial Statements (Continued)*

3100000	6.ACQUISITION OF ASSETS		
	<b>Non-Financial Assets</b>		
		<b>2021-2022</b>	<b>2020 - 2021</b>
		<b>Kshs</b>	<b>Kshs</b>
3110102	Purchase of Buildings	-	-
3110202	Construction of Buildings	4,103,200	708,799
3110302	Refurbishment of Buildings	-	-
	<b>TOTAL</b>	<b>4,103,200</b>	<b>708,799</b>

		<b>2021-2022</b>	<b>2020 - 2021</b>
	<b>7 Other Payments</b>	<b>Kshs</b>	<b>Kshs</b>
2640507	Subcounty Education office	400,000	-
2640511	Subcounty Children office	400,000	-
			-
	<b>TOTAL</b>	<b>800,000</b>	<b>-</b>

**8: Cash Book Bank Balance**

<b>8A: Bank Balances (cash book bank balance)</b>				
<b>Name of Bank, Account No. &amp; currency</b>		<b>Account Number</b>	<b>2021-2022</b>	<b>2020 - 2021</b>
			<b>Kshs</b>	<b>Kshs</b>
			<b>(30/6/2022)</b>	<b>(30/6/2021)</b>
<i>Equity Bank</i>		<i>0580262524480</i>	<b>10,783,121</b>	<b>35,189,879</b>
Equity Bank, Garissa Branch			-	-
			-	-
<b>TOTAL</b>			<b>10,783,121</b>	<b>35,189,879</b>

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**9A. Gratuity**

	<b>2021- 2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Gratuity as at 1 <sup>st</sup> July (A)		-
Gratuity held during the year (B)	453,759	-
Gratuity paid during the Year (C)	453,759	-
Closing Gratuity as at 30 <sup>th</sup> June D= A+B-C	<b>0</b>	-

**10. Balances Brought Forward**

<b>10 BALANCES BROUGHT FORWARD</b>		
	<b>2021-2022</b>	<b>2020- 2021</b>
	<b>Kshs (1/7/2021)</b>	<b>Kshs (1/7/2020)</b>
Bank accounts	35,189,879	13,983,380
Cash in hand		
<b>TOTAL</b>	<b>35,189,879</b>	<b>13,983,380</b>

<b>11: UNUTILISED FUNDS (See Annex 1)</b>		
	<b>2021-2022</b>	<b>2020- 2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Compensation of employees	843,954	1,426,749
Use of goods and services	793,691	3,396,979
Amounts due to other Government entities (see attached list)	4,570,333	43,623,113
Amounts due to other grants and other transfers (see attached list)	4,407,921	30,761,494
Acquisition of assets	167,222	1,070,422
Total	<b>10,783,121</b>	<b>80,278,757</b>



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**12: PMC account balances (See Annex 3)**

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
PMC account balances (see attached list)	1,147,415	3,192,604
Total	<b>1,147,415</b>	<b>3,192,604</b>

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**ANNEX 1 - UNUTILIZED FUND**

<b>Name</b>	<b>Brief Transaction Description</b>	<b>Outstanding Balance 2021/2022</b>	<b>Outstanding Balance 2020/2021</b>	<b>Comments</b>
<b>1.0 Administration and Recurrent</b>				
1.1.Compensation of employees		843,954	1,224,609	
1.2.Use of goods & services		793,691	3,599,119	
<b>Amounts due to other Government entities</b>				
<b>2.0 Primary Schools Projects</b>			26,689,904	
2.1.Galmagala primary school		170,000		
2.2.Warable primary school		1,400,333		
<b>3.0 .Secondary Schools Projects</b>			16,933,209	
3.1.Alinjugur secondary school		1,800,000		
3.2.Borehole five secondary		650,000		
3,3.Bura secondary school		550,000		
<b>Sub-Total</b>		<b>4,570,333</b>		
<b>4.0 Amounts due to other grants and other transfers</b>				
4.1 Emergency		580,374	4,314,207	
4.2. Bursary and Social Security		666,033	6,602,634	



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4.3. Sports		490,779	1,441,778	
4.4. Environment		45,001		
4.5. Security Projects			18,402,875	
4.5.1.Nanighi chiefs office		200		
4.5.2.Hargardera police station		350,000		
4.5.3.Kamuthe police station		150,000		
4.5.4.Amuma police station		1,088,001		
4.5.5.Bura police station		900,000		
4.5.6.Kamuthe police station		137,533		
<b>Sub-Total</b>		<b>4,407,921</b>		
<b>5.0.Acquisition of assets</b>				
<b>5.1.Ng cdf office</b>		167,222	1,070,422	
<b>Sub-Total</b>		<b>167,222</b>		
Funds pending approval				
<b>Grand Total</b>		<b>10,783,121</b>	<b>80,278,757</b>	

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**ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER**

<b>Asset class</b>	<b>Historical Cost b/f (Kshs) 2020/21</b>	<b>Additions during the year (Kshs)</b>	<b>Disposals during the year (Kshs)</b>	<b>Historical Cost (Kshs) 2021/22</b>
Transport and equipment	5,184,140			5,184,140
Buildings and structures	10,705,983	4,103,200		14,809,183
Office equipment, furniture and fittings	868,500			868,500
ICT Equipment, Software and Other ICT Assets	308,850			308,850
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
<b>Total</b>	<b>17,067,473</b>	<b>4,103,200</b>		<b>21,170,673</b>



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<b>PMC</b>	<b>Account number</b>	<b>Bank</b>	<b>Bank Balance 2021/22</b>	<b>Bank Balance 2020/21</b>
Alfaraj self help group	0580177505255	EQUITY	2897	160.00
Shill secondary school p.m.c	0580278998131	EQUITY	248,040	1000.00
Galmagala infrastructure	0580279291402	EQUITY	315,537	44,880.00
Alinjgur secondary school	0580279624353	EQUITY	90,520	67.50
Borehole 5 girls secondary school	0580180989654	EQUITY	479	3,560.00
Nanighi secondary school	0580279321950	EQUITY	2467	2,400.00
Abaqdera mixed group	0580179371342	EQUITY	37	1,400.00
Amuma peace building	1360179952536	EQUITY	120	2,760.00
Awal self help group	0580180123021	EQUITY	40	1,040,060.00
Bura youth supplies	0580182512777	Equity	900	700.00
Hogaan youth group	01553241405600	National	2100	849,760.00
Gubis primary school pmc	0580168553133	EQUITY	1110	337.50
Taqal water pmc	0580182101306	EQUITY	4540	380.00
Mustaqbal self help group	0580179908124	EQUITY	1261	1460.00
Lafageni women group	0580182350421	EQUITY	1380	1,880.00
Bura East youth group	0580182445571	EQUITY	1380	140.00
Salbath self help group	0580179682873	EQUITY	90	1,200.00
Al hamdu farm group	0580161617283	EQUITY	81	784.78
Mathaxgesi water pmc	0580182398412	EQUITY	2140	1,200,520.00

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**ANNEX 3 –PMC BANK BALANCES AS AT 30<sup>TH</sup> JUNE 2022**

<b>PMC</b>	<b>Account number</b>	<b>Bank</b>	<b>Bank Balance 2021/22</b>	<b>Bank Balance 2020/21</b>
Amuma primary school	0580280155082	EQUITY	1020	1780.00
Garasweino primary school	0580279334341	EQUITY	480	867.50
Halgan youth group	0580181300467	EQUITY	880	177.05
Harbole primary school	0580181158475	EQUITY	29220	239.85
Hajjimay primary school	0580181253267	EQUITY	1280	29.900.00
Alinjugur boarding primary school	0580279289465	EQUITY	295	3500.00
Abaqdera infrastructure	0580279321402	EQUITY	1379	275.35
Kamuthe primary pmc	0580280168245	EQUITY	25200	1700.00
Hawajod primary school	0580281300745	EQUITY	1000	1979.35
Welmarer primary school	0580179379102	EQUITY	176,119	1,524.00
Jambele primary school	0580279311216	EQUITY	455	1,220.00
Mofam self help group	0580181300386	EQUITY	2320	1,260.00
Bullagolol primary school	0580279295923	EQUITY	924	100.00
Mansabubu infrastructure	0580279371241	EQUITY	347	1,899.95
Nadhir primary school	0580279301449	EQUITY	477	2,587.50
Taqal primary school pmc	0580280043156	EQUITY	219,680	10,515.00
Galmagala primary management committee	0580282482353	EQUITY	3800	580.00
Marash community based organisation	0580179579690	EQUITY	4360	208.40



**FAFI Constituency**

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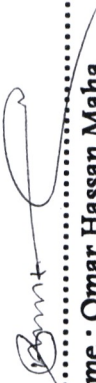
<b>PMC</b>	<b>Account number</b>	<b>Bank</b>	<b>Bank Balance 2021/22</b>	<b>Bank Balance 2020/21</b>
Borehole 5 secondary school	0580279922234	EQUITY	1260	79.00
Billan self help group	0580182525638	EQUITY	1800	1500.00
Hawajot primary	01521231495200	National Bank		560.00
Doi women Group	1280369612	KCB		6600.00
				-
				-
				-
<b>TOTAL</b>			<b>1,147,415.00</b>	<b>3,192,603.63</b>

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**Annex 4: 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 and subsequent progress made on the resolution of the issues.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status. (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1	Unsupported bursary disbursement	Management promised to trace and follow up with respective institutions to provide the missing acknowledgement letters	Resolved	
4.2	Unutilized security projects	Management informed the auditors that the personnel (users of the project) were relocated.	Resolved	
4.3	Lack of fixed asset register	The management commits to avail copy of the fixed asset register	Resolved	
4.4	Budget control and performance	The management promised to avail evidence of engaging the public during budget preparation	Resolved	

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**Name : Omar Hassan Maha**  
**Fund Account Manager.**