

REPUBLIC OF KENYA



Paper half
By hon. Mr. Aden Duale MP
24/10/2018
Wednesday
Afternoon
Sitting



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REPORT

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OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
ISILOLO NORTH CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**



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

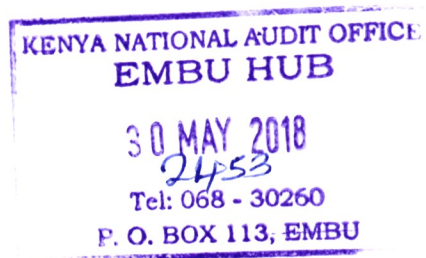


Table of Content

Page

I.	KEY CONSTITUENCY INFORMATION AND MANAGEMENT	1
II.	FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND COMMITTEE (NG-CDFC)	3
	3
	CHAIRMAN NGCDFC	3
III.	STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES.....	4
IV.	STATEMENT OF RECEIPTS AND PAYMENTS.....	5
V.	STATEMENT OF ASSETS.....	6
VI.	SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED.....	8
VII.	SIGNIFICANT ACCOUNTING POLICIES.....	9
IX.	NOTES TO THE FINANCIAL STATEMENTS.....	12

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- ISIOLO NORTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003 amended in 2007 and repealed by the CDF Act of 2013. In 2015, the CDF Act of 2013 was declared unconstitutional and a new act was enacted in 2015, being the National Government Constituencies development fund act, NG-CDF Act, 2015. The National Government Constituencies Development Fund (NG-CDF) is under the Ministry of Devolution and Planning. The objective of the fund is to provide mechanisms for supplementing implementation of the National Government development agenda at the constituency level.

(b) Key Management

The *ISIOLO NORTH Constituency's* day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NG-CDFB)
- ii. National Government Constituency Development Fund Committee (NG-CDFC)

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Stanley Ratanya
3.	Accountant	Amon Thananga
4.		

(d) Fiduciary Oversight Arrangements

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

(e) ISIOLO NORTH NG-CDF Headquarters

P.O. Box 259-60300
NGCDF Building
Isiolo

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- ISIOLO NORTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

ISIOLO NORTH NG-CDF Contacts

Telephone: (254) 721308760
E-mail: isiolonorth@ngcdf.go.ke
Website: [www.go.ke /isiolo north.go.ke](http://www.go.ke/isiolo%20north.go.ke)

(f) ISIOLO NORTH NGCDF Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Equity Bank
Isiolo Branch

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- ISIOLO NORTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

**II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY
DEVELOPMENT FUND COMMITTEE (NG-CDFC)**

It gives me great pleasure to provide the foreword to the Isiolo North National Government Constituencies Development Fund Annual Reports and Financial Statements for 2016-17.

During the 2016-17 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 NGCDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- ISIOLO NORTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

III. STATEMENT OF CDF 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 agency shall prepare financial statements in respect of that agency. 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 Isiolo North Constituency Development Fund is responsible for the preparation and presentation of the NG-CDF financial statements, which give a true and fair view of the state of affairs of the Isiolo North NG-CDF for and as at the end of the financial year (period) ended on June 30, 2016. 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 NG-CDF; (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 *NG-CDF*; (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 Isiolo North NG-CDF accepts responsibility for the *NG-CDF'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 *NG-CDF's* financial statements give a true and fair view of the state of *NG-CDF's* transactions during the financial year ended June 30, 2016, and of the *NG-CDF's* financial position as at that date. The Accounting Officer charge of the Isiolo North NG-CDF further confirms the completeness of the accounting records maintained for the *NG-CDF*, which have been relied upon in the preparation of the *NG-CDF's* financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Isiolo North NG-CDF confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NG-CDF'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 *NG-CDF'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 *NG-CDF's* financial statements were approved and signed by the Accounting Officer on 15/07/2017.



Fund Account Manager



Chairman NG-CDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- ISIOLO NORTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
Receipts			
Transfers from NG-CDF board-AIEs' Received	1	111,086,001	85,511,514.50
TOTAL RECEIPTS		111,086,001	85,511,514.50
PAYMENTS			
Compensation of employees	2	1,366,617	1,206,108
Use of goods and services	3	11,294,746	15,661,985.50
Transfers to Other Government Units	4	45,726,863	43,504,415
Other grants and transfers	5	53,029,102	43,504,669
Acquisition of Assets	6	1,000,000	4,537,369.44
Other Payments	7	0	5,935,204
TOTAL PAYMENTS		112,417,328	113,997,751
SURPLUS/DEFICIT		(1,331,327)	(28,486,236.44)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. Isiolo North NG-CDF financial statements were approved on 15/07/2017 and signed by:



Chairman - NG-CDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- ISIOLO NORTH
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2017**

V. STATEMENT OF ASSETS

	Note	2016 - 2017 Kshs	2015- 2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	8A	1,201,435	2,532,762
Cash Balances (cash at hand)	8B		
TOTAL FINANCIAL ASSETS		1,201,435	2,532,762
REPRESENTED BY			
Fund balance b/fwd 1st July...	9	2,532,762	29,833,172
Surplus/Deficit for the year		(1,331,327)	(28,486,236)
NET LIABILITIES		1,201,435	2,532,762

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Isiolo North NG-CDF financial statements were approved on 15/07/2017 and signed by:



Chairman - NG-CDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- ISIOLO NORTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

STATEMENT OF CASHFLOW

		2016 - 2017	2015 - 2016
		KShs.	KShs.
Receipts for operating income			
Transfers from NG-CDF Board	1	111,086,001	85,511,515
Total		111,086,001	85,511,515
Payments for operating expenses			
Compensation of employees	2	1,366,617	1,296,108
Use of goods and services	3	11,294,746	15,661,986
Transfers to Other Government Units	4	45,726,863	43,152,415
Other grants and transfers	5	53,029,102	43,504,669
Other Payments	6	0	5,935,204
Total		111,417,328	101,950,209
Net cash flow from operating activities		(331,327)	(23,950,867)
Cashflow From Investing Activities			
Acquisition of Assets	7	(1,000,000)	(4,537,369)
Net cash flows from Investing Activities		(1,000,000)	(4,537,369)
Net Increase In Cash And Cash Equivalent		(1,331,327)	(28,486,236)
Cash and cash equivalent at Beginning of the year	8	2,532,762	29,833,172
Cash and cash equivalent at End of the year		1,201,435	2,532,762

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Isiolo North NG-CDF financial statements were approved on 15/07/2017 and signed by:



Chairman NG-CDFC



Fund Account Manager

CONSTITUENCIES DEVELOPMENT FUND – ISIOLO NORTH CONSTITUENCY

**Reports and Financial Statements
For the year ended June 30, 2017**

VI. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget (Kshs)	Adjustments (KShs)	Final Budget (Kshs)	Actual on Comparable Basis (Kshs)	Budget Utilisation Difference (Kshs)	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	81,896,552	62,179,857	144,076,409	111,086,001	32,990,408	77.10%
TOTAL	81,896,552	62,179,857	144,076,409	111,086,001	32,990,408	77.10%
PAYMENTS						
Compensation of Employees	1,207,308	182,084	1,389,392	1,366,617	22,775	98.36%
Use of goods and services	10,200,000	1,117,223	11,317,223	11,294,746	22,477	99.80%
Transfers to Other Government Units	29,397,636	32,179,857	60,323,728	45,726,863	14,596,865	75.80%
Other grants and transfers	40,070,677	28,950,248	69,020,925	53,029,102	15,991,823	76.83%
Acquisition of Assets	-	1,004,500	1,004,500	1,000,000	4,500	99.55%
Other Payments	1,020,931		1,020,931		1,020,931	0.00%
TOTAL	81,896,552	63,433,912	144,076,699	112,417,328	31,659,371	78.03%

The Isiolo North NG-CDF financial statements were approved on 15/07/ 2017 and signed by:



Chairman NG-CDF



Fund Account Manager

VII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *NG-CDF* and all values are rounded to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *NG-CDF*.

2. Recognition of revenue and expenses

The *NG-CDF* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *NG-CDF*. In addition, the *NG-CDF* recognises all expenses when the event occurs and the related cash has actually been paid out by the *NG-CDF*.

3. In-kind contributions

In-kind contributions are donations that are made to the *NG-CDF* 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 *NG-CDF* includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- ISIOLO NORTH
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2017**

III. STATEMENT OF CDF 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 agency shall prepare financial statements in respect of that agency. 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 Isiolo North Constituency Development Fund is responsible for the preparation and presentation of the NG-CDF financial statements, which give a true and fair view of the state of affairs of the Isiolo North NG-CDF for and as at the end of the financial year (period) ended on June 30, 2016. 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 NG-CDF; (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 *NG-CDF*; (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 Isiolo North NG-CDF accepts responsibility for the *NG-CDF'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 *NG-CDF's* financial statements give a true and fair view of the state of *NG-CDF's* transactions during the financial year ended June 30, 2016, and of the *NG-CDF's* financial position as at that date. The Accounting Officer charge of the Isiolo North NG-CDF further confirms the completeness of the accounting records maintained for the *NG-CDF*, which have been relied upon in the preparation of the *NG-CDF's* financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Isiolo North NG-CDF confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NG-CDF'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 *NG-CDF'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 *NG-CDF's* financial statements were approved and signed by the Accounting Officer on 15/07/2017.



Fund Account Manager



Chairman NG-CDFC

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-ISIOLLO NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Isiolo North Constituency set out on pages 5 to 19, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund – Isiolo North Constituency as at 30 June 2017, 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 comply with National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Other Matter section of my report, based on the procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Presentation of the Financial Statements

The International Public Sector Accounting Standards (Cash Basis) reporting prescribed by the Public Sector Accounting Standards Board and Section 101(1),(2),(3),(4) of Public Finance Management (National Government) Regulations, 2015 requires that list of projects implemented by the entity be included in the financial statement. However, a review of the financial statements revealed that the same were omitted from in the financial statements.

Report of the Auditor-General on the financial statements of National Government Constituencies Development Fund – Isiolo North Constituency for the year ended 30 June 2017

As a result, the presentation of the financial statements for the year under review did not conform to the International Public Sector Accounting Standards (Cash Basis) format prescribed by the National Treasury and Public Sector Accounting Standards Board.

2.0 Cash and Cash Equivalents

The statement of assets reflects a cash and cash equivalents balance of Kshs.1,201,435 as at 30 June 2017. However, a review of the bank reconciliation statement as at 30 June 2017 revealed un-presented cheques totaling to Kshs.1,634,608 which included stale cheques of Kshs.1,309,675 which were not reversed in the cash book or replaced.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,201,435 as at 30 June 2017 could not be ascertained.

3.0 Acquisition of Assets

The statement of receipts and payments reflects a balance of Kshs.1,000,000 in respect to acquisition of assets. However, invoices, inspection and acceptance minutes, delivery notes and issue notes were not provided for audit review. Further, the assets worth Kshs.1,000,000 were not made available for physical verification.

Consequently, the accuracy, existence, valuation and security of the Kshs.1,000,000 worth of assets as at 30 June 2017 could not be ascertained.

4.0 Transfer to Security Projects

Note 5 to the financial statements reflects and expenditure of Kshs.10,647,999 in respect to security projects. However, the respective project files including project management committee (PMC) minutes, bank statements, tenders/quotations, bill of quantities and completion certificates were not provided for audit review.

Under the circumstances, it has not been possible to ascertain the propriety and value for money of the Kshs.10,647,999 expenditure on security projects as at 30 June 2017.

5.0 Mock and CAT Exams

Note 5 to the financial statements reflects a Kshs.52,328,102 expenditure in respect to other grants and transfers which included Kshs.9,190,000 spent on mocks and cats. However, requisition for the mock papers, list of schools where the mock and cat were distributed, procurement method used and project management committee files were not provided for audit review.

Consequently, the propriety and value for money, of the Kshs.9,190,000 expenditure on mock and cats as at 30 June 2017 could not be ascertained.

6.0 Emergency Projects

Note 5 to the financial statements reflects an expenditure of Kshs.4,407,000 on emergency projects. However, user request to the Constituency committee showing the nature of the emergency and whether it meets the requirement for an emergency was not provided for audit review.

In the circumstances, the propriety and validity of the Kshs.4,407,000 expenditure on emergency projects as at 30 June 2017 could not be ascertained.

7.0 Sports

Note 5 to the financial statements reflects an expenditure of Kshs.52,328,102 in respect to other grants and transfers which included Kshs.2,070,655 spent on sports. However, project files, bank statements, invitation letters, list of participants, winners and prizes were not availed for audit verification.

In the circumstances, the propriety of the Kshs.2,070,655 expenditure as at 30 June 2017 could not be ascertained.

8.0 Roads

Note 5 to the financial statements reflects an expenditure of Kshs.52,328,102 in respect to other grants and transfers which include Kshs.3,900,000 spent on roads. However, approval from Kenya Rural Roads Authority (KERRA), bank statements, the project files, the BQ outlining the number of Kilometers for road works, minutes of the inspection and acceptance committee and minutes of the project management committee were not provided for audit review.

As a result, the propriety of the Kshs.3,900,000 expenditure on roads as at 30 June 2017 could not be ascertained.

9.0 Fuel, Oil and Lubricants

Note 3 to the financial statements reflects an expenditure of Kshs.1,625,871 on fuel, oil and lubricants. However, the respective fuel register, detail orders, vehicle work tickets and quotations/tender documents were not provided for audit review.

In the circumstances, the propriety and value for money of the Kshs.1,625,871 expenditure on fuel oil and lubricants as at 30 June 2017 could not be ascertained.

10.0 Transfer to Tertiary Institutions

Note 4 to the financial statements reflects an expenditure of Kshs.7,000,000 on transfer to tertiary institutions paid to Kiirua Technical Training Institute for construction of Merti Technical Training Institute. However, documents showing how the money was spent were not provided for audit review. In addition, project files including project management committee (PMC) minutes, bank statements, tenders/quotations, bill of quantities and completion certificates were not provided for audit review.

In addition, visit to the project on 9 May 2018 revealed that works such as plastering and painting of two rooms, fixing of glasses on four (4) windows, finishing of the stairs and veranda were not yet completed and the contractor was not on sight and the project appeared to have stalled.

In the circumstances, the propriety and value for money of the Kshs.7,000,000 expenditure on tertiary institutions as at 30 June 2017 could not be ascertained.

11.0 Transfer to Secondary Schools

Note 4 to the financial statements reflects transfer to secondary schools of Kshs.17,531,359 which included Kshs.1,400,000 paid to Oldonyiro Secondary School Project management committee for the construction of an administration block. However, bank statements, project management committee minutes, BQ's, inspection and acceptance committee minutes, partial and final completion certificate from the department of public works were not provided for audit. Further, a physical verification done on 9 May 2018 revealed that the project had not started.

Under the circumstances, the propriety of the of Kshs.1,400,000 expenditure as at 30 June 2017 could not be ascertained .

12.0 Transfers to Primary Schools

Note 4 to the financial statements reflects transfer to primary schools Kshs.21,195,504 as at 30 June 2017. However, a physical verification done on 9 May 2018 revealed anomalies in respect to Kshs.5,700,000 spent on four (4) schools as follows;

- i. Samburu complex primary school was paid Kshs.2,200,000 for construction of a classroom and administration block. However, the classroom was constructed up to lintel level while the administration block had not started
- ii. Parkuruk primary school was allocated Kshs.2,500,000 for construction of modern 2 teachers houses and fencing of the compound. However, five (5) iron sheets houses were constructed while fencing had not been done.
- iii. Oldonyiro primary school was allocated Kshs.500,000 for completion of administration block However, no structure was found on site.
- iv. Isiolo North NGCDF procured 125 desks to be issued to schools at a cost of Kshs.500,000 However, included in the 125 desks were 25 desks issued to Kiwanjani primary school and 5 desks issued to Manyatta Zebra primary school all valued at Kshs.120,000 which were not received by the schools.

In the circumstances, the propriety of the Kshs.5,700,000 expenditure as at 30 June 2017 could not be ascertained.

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

Development Fund - 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 qualified audit opinion.

Key Audit Matters

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

Other Matter

1. Budget Control and Performance

During the financial year under review, the Fund had an approved total budget of Kshs.144,076,409 comprising of Kshs.81,896,552 budget for the year under review and Kshs.62,179,857 brought forward from the previous year. However, only Kshs.112,417,328 (77.7%) was spent resulting to an under expenditure of kshs.31,659,371.

Sub head	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Budget Variance (Kshs.)	% Budget absorption %
Recurrent				
Compensation of employees	1,230,083	1,366,617	22,775	98%
Use of goods and services	11,317,223	11,294,746	22,477	100%
Transfer to other government units	60,323,728	45,726,863	14,596,865	76%
Other grants and transfers	69,020,925	53,029,102	15,991,823	77%
Acquisition of Assets	1,004,500	1,000,000	4,500	100%
Other Payments	1,020,931		1,020,931	10%
	144,076,409	112,417,328	31,659,371	78%

The residents of Isiolo North Constituency therefore did not receive services equivalent to the under expenditure of Kshs.31,659,371 during the year under review.

2. Project Management Implementation

During the year under review, the Constituency Development Fund management did not update the project implementation status report. In the absence of an updated

Report of the Auditor-General on the financial statements of National Government Constituencies Development Fund – Isiolo North Constituency for the year ended 30 June 2017

status report, the progress of work on projects funded during the year under review and their status as at 30 June 2017 could not be confirmed.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the NGCDF- Isiolo North Constituency'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 either the management intends 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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

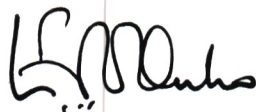
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue 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

08 October 2018

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- ISIOLO NORTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

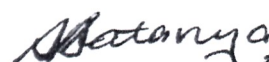
IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
Receipts			
Transfers from NG-CDF board-AIEs' Received	1	111,086,001	85,511,514.50
TOTAL RECEIPTS		111,086,001	85,511,514.50
PAYMENTS			
Compensation of employees	2	1,366,617	1,206,108
Use of goods and services	3	11,294,746	15,661,985.50
Transfers to Other Government Units	4	45,726,863	43,504,415
Other grants and transfers	5	53,029,102	43,504,669
Acquisition of Assets	6	1,000,000	4,537,369.44
Other Payments	7	0	5,935,204
TOTAL PAYMENTS		112,417,328	113,997,751
SURPLUS/DEFICIT		(1,331,327)	(28,486,236.44)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. Isiolo North NG-CDF financial statements were approved on 15/07/2017 and signed by:



Chairman - NG-CDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – ISIOLO
NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017 Kshs	2015 - 2016 Kshs
Transfers to primary schools (see attached list)	21,195,504	24,448,415
Transfers to secondary schools (see attached list)	17,531,359	18,704,000
Transfers to tertiary institutions (see attached list)	7,000,000	-
TOTAL	45,726,863	43,152,415

5. OTHER GRANTS AND OTHER PAYMENTS

	2016 - 2017 Kshs	2015- 2016 Kshs
Bursary -Secondary	12,207,500	12,854,638
Bursary -Tertiary	8,525,000	11,517,213
Mocks & CAT	9,190,000	378,656
water		500,000
Electricity Projects	509,017	-
Security	10,647,999	6,000,000
Roads	3,900,000	1,200,000
Sports	2,070,655	4,084,162
Environment	870,931	
Other capital grants and transfer		1,300,000
Emergency Projects(Daaba Shallow Well Water, Kilimani Primary, Kiwanjani Primary and Kakili Road,waso Primary, Kisima Pry, St. Kizito Pry, Munandanur Pry, Tuale Pry)	4,407,000	5,670,000
Total	52,328,102	43,504,669

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – ISIOLO
NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2016 - 2017 Kshs	2015 - 2016 Kshs
Construction of Buildings	0	3,879,369.44
Purchase of Office Furniture and General Equipment	1,000,000	0
Purchase of ICT Equipment, Software and Other ICT Assets	0	658,000
Total	1,000,000	4,537,369.44

7. OTHER PAYMENTS

	2016 - 2017 Kshs	2015 - 2016 Kshs
specify		
PAYE, NHIF		131,840
Environment		3,195,916
Replaced Cheques		2,607,448
		5,935,204

8A: Bank Accounts (cash book bank balance)

Equity Bank Isiolo Branch	2016 - 2017 Kshs	2015 - 2016 Kshs
A/C No. 0410261949254	1,201,435	2,532,762
Total	1,201,435	2,532,762

9: BALANCES BROUGHT FORWARD

	2016 - 2017 Kshs	2015 - 2016 Kshs
Bank accounts	2,532,762	29,833,172
Cash in hand	-	-
Total	2,532,762	29,833,172

SILOLO

10: PMC account balances (See Annex 5)

	Kshs	Kshs
PMC account Balances (see attached list)	600,000	0
	600,000	0

11: RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

- Key management personnel that the CDFC
- The NGCDF Board

Related party transactions:

	2016/2017	2015/2016
	Kshs	Kshs
Receipts from the Board	111,086,001	85,511,514.50
Committee Allowance	6,540,544	8,028,155

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – ISIOLO NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017

ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost	Historical Cost
	(Kshs)2014/15	(Kshs)
Land		134
Buildings and structures		
Transport equipment	7,799,500.00	7,799,500.00
Office equipment, furniture and fittings	1,100,000.00	100,000.00
ICT Equipment, Software and Other ICT Assets	51,000.00	51,000.00
Other Machinery and Equipment	199,000.00	199,000.00
Heritage and cultural assets		
Intangible assets		
Total	9,149,500.00	8,149,500.00

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – ISIOLO NORTH
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2017**

ANNEX 2–PMC BANK BALANCES AS AT 30TH JUNE 2017

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Kambi ya juu primary school	Equity	024019349155	200,000	1000
Elser secondary school	Equity	024019953177	400,000	-
Total			600,000	1000

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – ISIOLO NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
EH/AUD/NGNG-CDF/ISIOLO NORTH/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-	This was due to some amount of money not disbursed from the board in time..	FUND ACCOUNT MANAGER	RESOLVED	

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – ISIOLO NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	utilized Budget amounting to Ksh, 51,819,688.				
	Impossible to ascertain that the fifty five Budgeted Projects worth ksh 94,317,033 not initiated or complete would be implemented as planned	The projects were initiated and are underway.	FUND ACCOUNT MANAGER	RESOLVED	

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – ISIOLO NORTH
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2017**

**Furniture &
Fittings**

Type of Furniture	Asset Number	Serial Number	Acquisition Date	Cost @ Kshs	Historical cost 2014-2015	Historical cost 2013-2014
19 office chairs		049/NG-CDF/F/05/01 to 19	14/07/2005	2,000.00		38,000.00
2 office tables		049/NG-CDF/F/05/20 to 21	14/07/2005	15,000.00		30,000.00
1 hard wood cabinet		049/NG-CDF/F/05/22	14/07/2005	12,000.00		12,000.00
1 large counter table		049/NG-CDF/F/05/23	14/07/2005	20,000.00		20,000.00

Property plant & machinery

Kyocera photo copier	km 2030	049/NG-CDF/EQ/09/01	17/08/2009	110,000.00		110,000.00
HP compaq computer	OX 1000 DVD	049/NG-CDF/EQ/09/02	17/08/2009	89,000.00		89,000.00
HP compaq computer	DX 1000 MICRO POWER	049/NG-CDF/EQ/09/06				NG-CDF BOARD
DEL Monitor	MX-OG454H	049/NG-CDF/EQ/09/05				
Monitor		049/NG-CDF/EQ/09/04				
Samsung lesser jet printer	4521F	049/NG-CDF/EQ/09/03	17/08/2009	51,000.00		51,000.00
Motor vehicle	GK B278 F		28/5/2014			7,799,500.00
HP Scanner	HP SCAN JET 5590	049/NG-CDF/EQ/09/03	2013			NG-CDF BOARD
HP LESSER JET PRINTER	P2055D	049/NG-CDF/EQ/09/07	2013			NG-CDF BOARD