

REPUBLIC OF KENYA



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By Hon. Mr. Alex Amole MP
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REPORT

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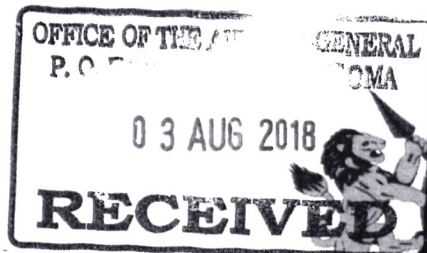
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND -
MATAYOS CONSTITUENCY

FOR THE YEAR ENDED
30 JUNE 2017



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
MATAYOS 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)**

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATAYOS
CONSTITUENCY**

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

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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATAYOS
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The *Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013. The *Constituencies Development Fund* is represented by the Cabinet Secretary for Devolution and Planning, who is responsible for the general policy and strategic direction of the *Constituencies Development Fund*. The objective of the fund to ensure that specific portion of the national annual budget is devoted to the constituencies for purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

(b) Key Management

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

- i. Constituencies Development Fund Board (CDFB)
- ii. Constituency Development Fund Committee (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	Edward Mola
3.	Accountant	Dennis Abuya
4.		

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of CDF Board provide overall fiduciary oversight on the activities of MATAYOS Constituency. The reports and recommendation of ARMC when adopted by the CDF Board are forwarded to the 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) MATAYOS CDF Headquarters

P.O. Box 1055-50400
BUSIA(K)
Busia –Kisumu Road mundika stage

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATAYOS
CONSTITUENCY**

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

(f) MATAYOS CDF Contacts

Telephone: (254) 773-864-705
E-mail: cdformatayos@cdf.go.ke
Website: wwwcdf.go.ke

(g) MATAYOS CDF Bankers

1. Equity Bank
P.o.Box 1051
Busia

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATAYOS
CONSTITUENCY**

Reports and Financial Statements


For the year ended June 30, 2017

**II. FORWARD BY THE CHAIRMAN CONSTITUENCY DEVELOPMENT FUND
COMMITTEE (CDFC)**

The NGCDFC of Matayos wishes to express gratitude to the National Government of Kenya for the NG CDF program which has in a very unique way improved the livelihood of people by bringing various infrastructural developments enhancing delivery of service to the people of Kenya. We also recognise the support of other technical staff who facilitated the implementation of NG CDF projects. Importantly the people of Matayos for embracing identification of the projects and social audit to facilitate prudent implementation of NG CDF projects.

The implementation of Matayos budget was duly executed and all the projects were implemented as per the approved budget specifications. Some projects of sch are at various levels of the implementation as at the end of the financial year. The bursary has gone along way to help the needy students in the constituency who would have otherwise dropped out of school. The security lights projects have lit the constituency at night and enhanced security in the various places in the constituency prompting the constituents to demand more security lights projects.

Schools have been built others renovated through out the constituency and more need to be done as schools are too many and allocation not enough to go round.

Sign.....

CHAIRMAN CDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATAYOS
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 Matayos Constituency Development Fund is responsible for the preparation and presentation of the Matayos CDF financial statements, which give a true and fair view of the state of affairs of the Matayos CDF for and as at the end of the financial year (period) ended on June 30, 2017. 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 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 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 Matayos CDF accepts responsibility for the 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 CDF's financial statements give a true and fair view of the state of CDF's transactions during the financial year ended June 30, 2017, and of the CDF's financial position as at that date. The Accounting Officer charge of the MATAYOS CDF further confirms the completeness of the accounting records maintained for the CDF, which have been relied upon in the preparation of the CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Matayos CDF confirms that the CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the 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 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 CDF's financial statements were approved and signed by the Accounting Officer on _____
2017.



Fund Account Manager



Chairman CDFC

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MATAYOS 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 - Matayos Constituency set out on pages 1 to 15, which comprise the statement of financial assets as at 30 June 2017, 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 National Government Constituencies Development Fund - Matayos 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 the National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Basis for Qualified Opinion and Other Matter sections 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 have been applied lawfully and in an effective manner.

Basis for Qualified Opinion

Unverifiable Expenditure on Projects

The Fund spent a total of Kshs.71,022,692 under transfers to other government entities during the year under review. However, the management did not avail for review the returns and progress reports submitted by the relevant project management committees for eleven (11) sampled projects costing Kshs.27,923,924 as indicated below:

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund - Matayos Constituency for the year ended 30 June 2017

	Voucher No.	Amount Kshs.	Payee	Description
1	188	1,788,000	Matayos Cdf	
2	121	6,000,000	Mundika Boys	Completion of dining hall
3	116	700,000	Nanguma Primary School	Construction of classroom
4	68	10,000,000	Bumbe Technical	Construction of admin block
5	98	700,000	Luliba Primary School	Construction of admin block
6	117	700,000	Esirisia Primary School	Construction of admin block
7	118	700,000	Mundika Girls	Construction of admin block
8	20	1,500,000	Mabunge Secondary School	Purchase of bus
9	7	3,500,000	Nawa ventures	Installation of streetlight in in musor mkt
10	79	667,962	Qontor tour Group	Rehabilitation of ward projects
11	80	1,667,962	Qontor tour Group	Rehabilitation of community borehole
		27,923,924		Total

In the circumstances, it was not possible to ascertain propriety of the transfer to other Government entities figure of Kshs.71,022,692 incurred during the year.

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

Key Audit Matter

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

Other Matter

1. Comparison of Actual and Budgeted Expenditure

The comparison of the actual expenditure to budget for the year 2016/2017 is as follows;

Overall Budgetary Performance (Recurrent and Development Expenditure)				
Receipt/Expense Item	Budgeted	Actual	Variance	
	Kshs	Kshs	Kshs	%
Receipts				
Transfers from CDF Board	193,850,140	192,350,140	1,500,000	0.8%
Sub-total	193,850,140	192,350,140	1,500,000	0.8%
Payments				
Compensation of Employees	3,002,354	2,174,078	828,276	27.6%
Use of goods and services	20,701,924	19,900,758	801,166	3.9%
Transfers to Other Government Units	77,342,512	77,594,082	(251,570)	-0.3%
Other grants and transfers	80,503,350	80,401,729	101,621	0.1%
Acquisition of assets	12,300,000	12,201,628	98,372	0.8%
Sub-total	193,850,140	192,272,275	1,577,865	0.8%

From the above, it was noted that there was unsupported over expenditure in compensation of employees by Kshs.828,276 (28%).

2. Project Performance

The CDF was to implement a total of 45 projects/programmes by different sectors during the financial year as shown above. Further analysis indicated that 2 representing 4% of the projects had not started, 27 representing 60% were still on going and 16 representing 36% had been completed as at the time of audit in April 2018.

Sector	Matayos NG-CDF		Implementation Status								
	Budgeted projects		Not Started			Ongoing			Completed		
	No.	Kshs	No.	Kshs	%	No.	Kshs	%	No.	Kshs	%
Primary Schools	21	9,979,350	-	-	-	20	9,854,350	95	1	125,000	5
Secondary schools	5	4,700,000	1	700,000	20	4	4,000,000	80	-	-	-
Security Projects	4	2,200,000	1	700,000	25	3	1,500,000	75	-	-	-
Environmental Projects	12	1,200,000							12	1,200,000	100
Emergency	1	4,094,828							1	4,094,828	
Sports	1	1,637,931							1	1,637,931	100
Bursary & Mocks	1	22,141,433							1	22,141,433	100
Total	45	45,953,542	2	1,400,000	4	27	15,354,350	60	16	29,199,192	36

In the circumstances, the public did not receive services from the planned and budgeted projects.

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 Fund's ability to sustain services and applying the going concern accounting assumption, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The 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 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.

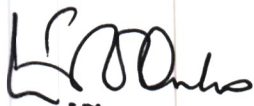
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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

28 August 2018

CONSTITUENCY DEVELOPMENT FUND- MATAYOS CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2017

I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016 - 2017 Kshs	2015 - 2016 Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	157,928,467	95,441,646
TOTAL RECEIPTS		157,928,467	95,441,646
PAYMENTS			
Compensation of employees	2	2,174,079	2,292,958
Use of goods and services	3	19,900,759	10,722,631
Transfers to Other Government Units	4	71,022,692	30,193,000
Other grants and transfers	5	84,049,758	20,071,668
Acquisition of Assets	6	12,202,628	-
Other Payments	7	2,922,415	-
TOTAL PAYMENTS		192,272,331	63,280,257
DEFICIT/ SURPLUS		- 34,343,864	32,161,389

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MATAYOS CDF financial statements were approved on _____ 2017 and signed by:



Chairman - CDFC



Fund Account Manager

II. STATEMENT OF ASSETS

	Note	2016 - 2017 Kshs	2015 - 2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	8	77,810	34,421,674
TOTAL FINANCIAL ASSETS		77,810	34,421,674
REPRESENTED BY			
Fund balance b/fwd 1st July...	9	34,421,674	2,260,285
Surplus/Deficit for the year		-34,343,864	32,161,389
NET LIABILITIES		77,810	34,421,674

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MATAYOS CDF financial statements were approved on _____ 2017 and signed by:



Chairman - CDFC



Fund Account Manager

CONSTITUENCY DEVELOPMENT FUND- MATAYOS CONSTITUENCY


Reports and Financial Statements

For the year ended June 30, 2017

III. STATEMENT OF CASHFLOW

Receipts for operating income		2016 – 2017	2015 - 2016
Transfers from CDF Board	1	157,928,467	95,441,646
			95,441,646
Payments for operating expenses			
Compensation of Employees	2	2,174,079	2,292,958
Use of goods and services	3	19,900,759	10,722,631
Transfers to Other Government Units	4	71,022,692	30,193,000
Other grants and transfers	5	84,049,758	20,071,668
Other Payments	7	2,922,415	
Net cash flow from operating activities		-22,141,236	63,280,257
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	-12,202,628	-
Net cash flows from Investing Activities		-12,202,628	
NET INCREASE IN CASH AND CASH EQUIVALENT		-34,343,864	32,161,389
Cash and cash equivalent at BEGINNING of the year	8	34,421,674	2,270,299
Cash and cash equivalent at END of the year		77,810	34,421,674

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MATAYOS CDF financial statements were approved on _____ 2017 and signed by:



Chairman CDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATAYOS
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	81,896,551	36,853,449.00	118,750,000		-76031916	165.33
Other Receipts		4,094,828	4,094,828			
		59,531,915	59,531,915			
		18,000,000	18,000,000			
		39,448,275	39,448,275			
	81,896,551	157,928,467	239,825,018	157,928,467	-76031916	
PAYMENTS						
Compensation of Employees	2,200,680	801,674	3,002,354	2,174,079	820,275	72.41
Use of goods and services	5,170,010	15,531,915	20,701,924	19,900,758	801,166	96.15
Transfers to Other Government Units	42,022,512	35,320,000	77,342,512	71,022,692	251,625	100.33
Other grants and transfers	32,503,350	48,000,000	80,503,350	84,049,758	101,735	99.874
Acquisition of Assets		12,300,000	12,300,000	12,202,628	98,372	99.2
Other Payments				2,922,415		
TOTALS	81,896,551	111,953,589	193,850,140	192,272,331	1,577,809	98.70

The MATAYOS CDF financial statements were approved on _____ 2017 and signed by:



Chairman CDF



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATAYOS
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

V. 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 *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 *CDF*.

2. Recognition of revenue and expenses

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

3. In-kind contributions

In-kind contributions are donations that are made to the *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 *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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATAYOS
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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 – MATAYOS
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

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

6. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *CDF's* budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the *CDF's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7. Comparative figures

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

8. 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 June 30, 2017.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATAYOS
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

VI. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
AIE NO	59,531,915	27,720,823
AIE NO 825550	18,000,000	27,720,823
AIE NO A855704	39,448,275	40,000,000
AIE NO A829920	4,094,828	
(other constituency e.g, parent constituency) A839609	36,853,449	
TOTAL	157,928,467	95,441,646

2. COMPENSATION OF EMPLOYEES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Basic wages of contractual employees	2,110,379	2,021,138
Other personnel payments	63,699.80	271,820
Total	2,174,079	2,292,958

3. USE OF GOODS AND SERVICES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Committee Expenses	16,898,700	5,524,700
Utilities, supplies and services	2,174,079	1,909,700
Communication, supplies and services	827,980	617,095
Domestic travel and subsistence	-	170,000
Printing, advertising and information supplies & services	-	63,350
Training expenses	-	443,600
Office and general supplies and services	-	107,600
Other operating expenses	-	1,298,075
Routine maintenance – vehicles and other transport equipment	-	432,511
Total	19,900,759	10,722,631

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4 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to primary schools	33,184,137	16,775,000
Transfers to secondary schools	25,916,140	11,470,000
Transfers to tertiary institutions	10,000,000	1,375,000
Transfers to health institutions	1,922,415	573,000
TOTAL	71,022,692	30,193,000

5 OTHER GRANTS AND OTHER PAYMENTS

	2016 – 2017	2015- 2016
	Kshs	Kshs
Bursaries	55,065,687	2,772,000
Mock & CAT	-	565,700
Water projects	230,000	1,202,512
Security projects	25,916,140	1,587,776
Roads projects	-	10,870,048
Sports projects	1,637,931	3,073,632
Environment projects	1,200,000	-
Total	84,049,758	20,071,668

6 ACQUISITION OF ASSETS

<u>Non-Financial Assets</u>	2016 - 2017	2015 - 2016
	Kshs	Kshs
Construction of Buildings	9,000,000	-
Purchase of Office Furniture and General Equipment	3,000,000	-
Purchase of ICT Equipment, Software and Other ICT Assets	202,628	-
Total	12,202,628	-

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7 OTHER PAYMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Strategic Plan	2,922,415	-
	2,922,415	-

8 Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2016 - 2017	2015 - 2016
	Kshs	Kshs
<i>EQUITY Bank, Account No. 0780266047486</i>	77,810	34,421,674
Total	77,810	34,421,674

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VII. ANNEXURES

ANNEX 1 SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost	Historical Cost
	(Kshs)	(Kshs)
	2016-17	2015-16
Land	1,200,000	1,200,000
Buildings and structures	19,818,275	10,818,275
Transport Equipment	4,257,536	4,257,536
Office equipment, furniture and fittings	3,890,115	890,115
ICT Equipment, Software and Other ICT Assets	1,056,628	854,000
Intangible Assets	1,200,000	1,200,000
Total	31,422,554	19,219,926

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

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
St Mathias Busia Secondary Cdf a/c	National Bank	01242037200600	111,472cr	111,472cr
Budokomi Mixed Sec	National Bank	01242037125201	2,603cr	2,603cr
Lung'a Secondary Cdf a/c	National Bank	01242037680601	4,427cr	4,427cr
Siteko Primary PMC	Equity	0780261655179	520cr	149,795cr
Mjini Ass Chief office Pmc	Equity	0780261655312	25,818cr	25,818cr
Total				294,115cr

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VIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
Cash and Cash Equivalents	The cash and cash equivalents balance of to Kshs.34,421,674 reflected in the financials statement differs with the bank reconciliation statement balance of Kshs.8,767 resulting to a variance of Kshs.34,412,907. Consequently, it has not been possible to confirm that the cash and cash equivalents balance of Kshs.34,421,674 as at 30 June 2016 is fairly stated.	The amended bank reconciliation statement is available for verification	FAM	Resolved	
Under Expenditure	The National Government Constituencies Development Fund Board had an approved budget of Kshs.154,973,561 and spent Kshs.63,280,257 resulting to an under expenditure of Kshs.91,693,304 representing 40% overall budget representation. Consequently, the failure to fully utilize the allocated	The under expenditure arose as a result of failure by the NG-CDF Board in releasing the annual allocation.	FAM	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	budget is likely to impact negatively on service delivery to the residents of the constituency				
Undisbursed Allocation	The Fund received Kshs.95,441,646 in the year against total allocation by NGCDF Board of Kshs.117,531,915 resulting to undisbursed allocation of Kshs.22,090,269. This situation is likely to hinder the implementation projects in the year under review and subsequently have an impact on the following year's performance.	The under expenditure arose as a result of failure by the NG-CDF Board in releasing the annual allocation.	FAM	Resolved	
Project Implementation Status	During the year under review, the Fund was to implement a total of 91 projects/programmes by different sectors during the financial year. Further analysis indicated that 58 or 63% of the project had not started, 32 or 35% of the projects were still on going and 1 or 1% of the project had been completed. Therefore, the fund did not fully meet the budget target and effective	The under expenditure arose as a result of failure by the NG-CDF Board in releasing the annual allocation.	FAM	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	delivery of service.				
Unauthorised Re-Allocations	A review of project files and examination of the payment documents in respect to roads projects revealed that payments amounting Kshs.6,100,000 were diverted to projects that were not originally approved by the NGCDF Board for the 2015/16 financial year as shown below.	The reallocations were approved by the CDFC	CDFC	Resolved	
Unsupported Procurement	The Fund management procured works and services amounting to Kshs.9,179,700. However, it was not possible to ascertain how they were sourced as procurement records were not availed for audit review. In the absence of competitive bidding and supporting documents the authenticity of the expenditure and value for money from the transactions could not be ascertained.	The procurement records can be availed for verification	FAM	Resolved	
Irregular Variations in Procurement	A review of records in respect to procurement of equipment for sports project revealed that the	The procurement records can be availed for	FAM	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	<p>supply of sports materials was varied upwards as shown below without the approval by procurement tender committee. In view of the forgoing, the propriety and completeness of these supplies could not be accurately ascertained.</p>	verification			
Irregular Procurement of Works on Behalf of the Project Management Committees	<p>The scrutiny of procurement records revealed that the CDF procured several contracts amounting to Kshs.4,698,000 on behalf of registered institutions without involving the management of the respective institutions as highlighted below;</p>	The procurement records can be availed for verification	FAM	Resolved	
Failure by the PMCs to Submit Expenditure Returns	<p>The expenditure returns indicating how funds disbursed were utilized for education projects funded through the Project Management Committees (PMCs) were not submitted for audit verification. Consequently, the validity and completeness of these projects costing Kshs.2,075,000 could not be confirmed.</p>	The expenditure records can be availed for verification	FAM	Resolved	