

REPUBLIC OF KENYA



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REPORT

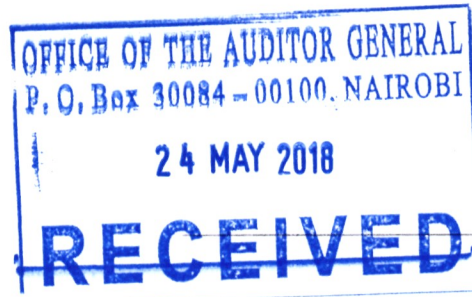
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND -
MATUNGULU CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2017**



**NATIONAL GOVERNMENT - CONSTITUENCY DEVELOPMENT FUND –
MATUNGULU 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 – MATUNGULU
CONSTITUENCY**

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

Table of Content	Page
I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT	1
II. FORWARD BY THE CHAIRMAN	3
III. STATEMENT OF NG-CDF MANAGEMENT RESPONSIBILITIES	4
IV. STATEMENT OF RECEIPTS AND PAYMENTS	5
V. STATEMENT OF ASSETS	6
VI. STATEMENT OF CASHFLOW	7
VII: SUMMARY STATEMENT OF APPROPRIATION RECURRENT AND DEVELOPMENT COMBINED.....	8
VIII. SIGNIFICANT ACCOUNTING POLICIES	9
IX. NOTES TO THE FINANCIAL STATEMENTS	11



I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (CDF) was established under the Constituencies Development Fund (CDF) Act, 2003, amended in 2007 and repealed by the CDF Act of 2013.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 *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.	Chief Executive Officer	Yusuf Mbuno
2.	Fund Account Manager	MburuNgugi
3.	District Accountant	Susan Kabiro

(d) Fiduciary Oversight Arrangements

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

(e) Entity Headquarters

Provide box and physical address of the constituency NG-CDF office

MatunguluNG-CDF Office
P.O. Box 631-90131,
Kangundo Road
Tala, KENYA

(f) Entity Contacts

Provide telephone number and email of the constituency NG-CDF office

Telephone: 0704399179
E-mail: matungulucdf.go.ke
Website: www.cdf.go.ke

(g) Entity Bankers

Constituency NG-CDF main banker (provide the bank, branch, account number and address)

1. Equity Bank Ltd.
Tala Branch
0900261817477
P.O. Box 631-90115,
TALA

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
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 is my pleasure to deliver the Chairman's report for Matungulu NG-CDF for the financial year 2016/2017.

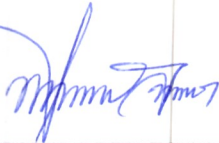
In the financial year 2016/17 Matungulu NG-CDF total allocation was Ksh 81,896,551.72 only Ksh 40,948,276.60 was received from the board in the financial year.

During the financial year a total of Ksh 105,210,819 was disbursed to various projects with the education centre taking a large percentage of the allocation.

The challenges we faced during the year were; delays in disbursements causing delays in implementation of projects.

The NG-CDF board should rationalize projects costs through some standardized national and regional projects costs ceilings and ensure funds are disbursed on time.

Sign



Chairman - NG-CDFC

III. STATEMENT OF CONSTITUENCY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2015 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 by the Public Sector Accounting Standards Board of Kenya from time to time.

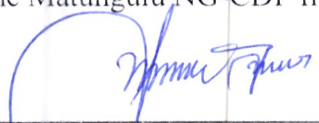
The Fund Account Manager in charge of the Matungulu NG-CDF is responsible for the preparation and presentation of the Constituency's financial statements, which give a true and fair view of the state of affairs of the Constituency as at the end of the financial year ended on June 30, 2017. This responsibility 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 constituency; (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 constituency; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Fund Account Manager in charge of the Matungulu NG-CDF accepts responsibility for the Constituency'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) and relevant legal framework of the Government of Kenya. The Fund Account Manager is of the opinion that the Matungulu NG-CDF financial statements give a true and fair view of the state of Constituency's transactions during the financial year ended June 30, 2017, and of the Constituency's financial position as at that date. The Fund Account Manager in charge of the Matungulu NG-CDF further confirms the completeness of the accounting records maintained for the Constituency, which have been relied upon in the preparation of the Constituency financial statements as well as the adequacy of the systems of internal financial control.

The Fund Account Manager in charge of the Matungulu NG-CDF confirms that the entity has complied fully with applicable Government Regulations and that the Constituency'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 Fund Account Manager 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 Matungulu NG-CDF financial statements were approved and signed on 25/6 2017.



Chairman - NG-CDFC



Fund Account Manager

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MATUNGULU 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 - Matungulu Constituency set out on pages 5 to 20, 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 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-Matungulu 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 Public Finance Management Act, 2012 and National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, 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. Un-explained Receipts

The statement of receipts and payments for the year ended 30 June 2017 reflects total receipts of Kshs. 100,150,774 while the summary statement of appropriation reflects Kshs. 110,088,198 under the actual receipts on comparable basis, resulting in un-explained difference of Kshs. 9,937,424. Further, the statement reflects other receipts of Kshs. 69,000 but the supporting schedule reflects Kshs. 21,000 resulting in unexplained difference of Kshs. 48,000. Consequently, the accuracy of the receipts could not be confirmed.

2. Bank Balance

The statement of assets as at 30 June 2017 reflects a bank balance of Kshs. 4,877,379. However, the bank reconciliation statement for the month of June 2017 reflects unrepresented

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

cheques totalling Kshs.3,796,049, out of which cheques amounting to Kshs.144,000 had gone stale as at 30 June 2017 but had not been written back in the cash book. In addition, the unpresented cheques schedule reflects a balance of Kshs.3,765,816 while the bank reconciliation statement reflects a figure of Kshs.3,796,049 resulting in un-reconciled difference of Kshs.30,233. Consequently, the accuracy of the bank balance of Kshs.4,877,379 could not be confirmed.

3. Fixed Assets Register

(i) Annex 4 to the financial statements at page 17 reflects fixed assets with a total historical cost of Kshs. 15,086,660 as at 30 June 2017. However, the fixed assets register provided for audit review casts to Kshs. 25,448,020. The resulting difference of Kshs.10,361,360 has not been explained.

(ii) Further, the title deed to the land reflected at a cost of Kshs. 9,600,000 and logbooks for transport equipment reflected at a cost of Kshs. 4,200,000 have not been produced for audit verification.

Consequently, the accuracy and ownership of fixed assets balance of Kshs.15,086,660 could not be confirmed.

4. Transfer to Other Government Entities

4.1 In-eligible Expenditure

The statement of receipts and payments reflects expenditure of Kshs.67,793,097 in respect of transfers to other government entities which includes an expenditure of Kshs.2,022,500 for health institutions that fall under the County Government functions. The expenditure of Kshs.2,022,500 was therefore incurred contrary to Section 24 (a) of the National Government Constituency Development Fund Act of 2015.

Consequently, the National Government Constituencies Development Fund Board and the Matungulu Constituency Development Fund Committee were in breach of the law.

Had this in-eligible expenditure not been charged to the Fund accounts, the statement of receipts and payments for the year ended 30 June 2017 would have reflected a reduced deficit of Kshs.3,037,545 instead of the deficit of Kshs.5,060,045 now shown.

5. Net Financial Position

The statement of assets as at 30 June 2017 reflects net liabilities instead of net financial position of Kshs.4,877,379, being the difference between the brought forward fund balance of Kshs.9,937,424 and the deficit for the year of Kshs.5,060,045.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Matungulu 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 judgement, were of most significance to the audit of the financial statements for the current year. Except for matters described in the Basis for Qualified Opinion and Other Matter sections, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budget Performance

(i) The summary statement of appropriations reflects original budget of Kshs.81,896,552. However, the statement shows budget adjustment of Kshs.69,070,921 to finance various expenditure items during the year as shown below:

Item/Component	Approved Budget Kshs.
Receipts	69,070,921
Total	69,070,921
Compensation of Employees	2,005,933
Use of Goods and Services	6,195,671
Transfer to other Government units	54,867,096
Other grants and transfers	6,002,221
Total	69,070,921

However, out of the total adjustment of Kshs.69,070,921, only an amount of Kshs.40,948,275 was fully explained leaving an un-explained balance of Kshs. 28,122,646.

(ii) The Fund incurred expenditure totalling Kshs.105,210,819 against an approved budget of Kshs.150,967,473 or approximately 70 % budget utilization resulting in under absorption of Kshs.45,756,654 or approximately 30% of the budget. The under absorption is an indication of funds not utilized fully and approved programs not implemented or completed. The budget did not, therefore, fully meet the intended objectives of improving delivery of services to the residents of Matungulu Constituency.

2.0 Projects Implementation

A review of the project implementation status report revealed that various projects with a cumulative budget of Kshs.36,879,313.90 and expected to have been completed during the year under review were not started as detailed:

Project Name	Project Activity	Allocated Amount	Implementation Status	Remarks
PRIMARY SCHOOLS				
Kwa Tombe Primary school	Renovations of 3 No-classrooms (Roofing, flooring, plastering, painting)	1,218,000.00	Not started	Awaiting funding
Mbuni Primary school	Construction of 6 No. Classrooms to completion	4,830,000.00	Not started	Awaiting funding
Kianzabe Primary school	Renovations of 6 No-classrooms (Roofing, flooring, plastering, painting)	2,430,000.00	Not started	Awaiting funding
Kiatineni Primary school	Construction of 2 No classrooms to completion	1,624,000.00	Not started	Awaiting funding
Sengani Primary school	Renovation of 3 No classrooms (Roofing, flooring, plastering, painting)	1,218,000.00	Not started	Awaiting funding
Kivani Primary school	Construction of 2 No classrooms to completion	1,624,000.00	Not started	Awaiting funding
Mithini Primary school	Construction of 2 No classrooms to completion	1,624,000.00	Not started	Awaiting funding
Kakulutuini Primary school	Construction of 2 No classrooms to completion	1,624,000.00	Not started	Awaiting funding
Mukalwa Primary school	Renovations of 1 No-classroom (Roofing, flooring, plastering, painting)	426,563.90	Not started	Awaiting funding
SECONDARY SCHOOLS				
Kwa Mutu Secondary school	Construction of 2 No classrooms to completion	1,624,000.00	Not started	Awaiting funding
S.A Kinyui Boys Secondary school	Completion of Library (Roofing, flooring, plastering, painting)	3,030,000.00	Not started	Awaiting funding
S.A Kinyui Girls Secondary school	Completion of Library (Roofing, flooring, plastering, painting)	1,522,500.00	Not started	Awaiting funding
Sengani Girls Secondary School	Completion of extension of dining hall (Plastering, painting)	253,750.00	Not started	Awaiting funding
Tala Girls Secondary School	Construction of Library (walling & Columns)	3,030,000.00	Not started	Awaiting funding
Katwanyaa Secondary School	Renovation of 2 No. Classrooms (Roofing, plastering, painting)	710,500.00	Not started	Awaiting funding
SECURITY				
Tala Police Station	Purchase of Land 2 Acres (for construction of Tala Police Station)	4,030,000.00	Not started	Awaiting funding
Nguluni AP Camp	Construction of AP post offices to completion	3,030,000.00	Not started	Awaiting funding

Kyeleni AP Camp	Construction of AP post offices to completion	3,030,000.00	Not started	Awaiting funding
TOTAL		36,879,313.90		

Consequently, the constituents of Matungulu did not obtain value for the projects budgeted at Kshs. 36,879,313.90 but not started during the year.

Responsibility 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, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either 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 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 sustaining 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 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

26 July 2018


**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Transfers from NG-CDF Board-A.I.E's received	1	100,081,774	58,000,000
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	69,000	547,000
TOTAL RECEIPTS		100,150,774	58,547,000
PAYMENTS			
Compensation of Employees	4	1,541,858	1,268,506
Use of goods and services	5	8,553,048	5,898,543
Transfers to Other Government Units	6	67,793,097	76,260,541
Other grants and transfers	7	27,322,816	23,788,534
Acquisition of Assets	8	-	-
Other Payments	9	-	-
TOTAL PAYMENTS		105,210,819	107,216,124
SURPLUS/DEFICIT		(5,060,045)	(48,669,124)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Matungulu NG-CDF financial statements were approved on 30/6 2017 and signed by:


Chairman - NG-CDFC


Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
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 Cash book)	10A	4,877,379	9,937,424
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		4,877,379	9,937,424
REPRESENTED BY			
Retention	12	-	-
Fund balance b/fwd 1 st July 2016	13	9,937,424	58,606,548
Surplus/Deficit for the year		(5,060,045)	(48,669,124)
Prior year adjustments	14	-	-
NET LIABILITIES		4,877,379	9,937,424

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Matungulu NG-CDF financial statements were approved on 30/9 2017 and signed by:

Chairman - NG-CDFC

Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

VI STATEMENT OF CASHFLOW

		2016 - 2017	2015 - 2016
Receipts for operating income			
Transfers from NG-CDF Board	1	100,081,774	58,000,000
Other Receipts	3	69,000	547,000
		100,150,774	58,547,000
Payments for operating expenses			
Compensation of Employees	4	1,541,858	1,268,506
Use of goods and services	5	8,553,048	5,898,543
Transfers to Other Government Units	6	67,793,097	76,260,541
Other grants and transfers	7	27,322,816	23,788,534
Other Payments	9	-	-
		105,210,819	107,216,124
Adjusted for:			
Adjustments during the year		-	-
Net cash flow from operating activities		(5,060,045)	(48,669,124)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	-	-
Net cash flows from Investing Activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(5,060,045)	(48,669,124)
Cash and cash equivalent at BEGINNING of the year	13	9,937,424	58,606,548
Cash and cash equivalent at END of the year		4,877,379	9,937,424

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Matungulu NG-CDF financial statements were approved on 2019 2017 and signed by:

Chairman - NG-CDFC

Fund Account Manager


VII: SUMMARY STATEMENT OF APPROPRIATION

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
Transfers from NG-CDF Board-Note	81,896,552	69,070,921	150,967,473	110,019,198	40,948,275	73%
Proceeds from Sale of Assets-	-	-	-	-	-	-
Other Receipts	-	-	-	69,000	(69,000)	-
Total	81,896,522	69,070,921	150,967,473	110,088,198	40,879,275	
Compensation of Employees- Note	1,613,793	2,005,933	3,619,726	1,541,858	2,077,868	43%
Use of goods and services-Note	5,442,001	6,195,671	11,637,672	8,553,048	3,084,624	73%
Transfers to Other Government Units- Note	46,555,930	54,867,096	101,423,026	67,793,097	33,629,929	67%
Other grants and transfers-Note	28,284,828	6,002,221	34,287,049	27,322,816	6,964,233	80%
Acquisition of Assets-Note	-	-	-	-	-	-
Other Payments-Note	-	-	-	-	-	-
TOTALS	81,896,952	69,070,921	150,967,473	105,210,819	45,756,654	

(a) The other receipts are from sale of tender documents.

(b) The underutilization was due to delays in disbursement of funds.

The Matungulu NG-CDF financial statements were approved on 30th 2017 and signed by:


 Chairman - NG-CDFC


 Fund Account Manager

VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. 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 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 – MATUNGULU
CONSTITUENCY**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Receivables and payables

Receivables are funds due to the Constituency at the end of the financial year from the NG-CDF Board and other sources but not yet received while payables are funds due to other parties at the end of the financial year but not yet paid. As receivables and payables do not involve the receipt or 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 CDF at the end of the year. When the receivables or payables 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 – MATUNGULU
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM NG-CDF BOARD

Restated

Description	2016 - 2017 Kshs	2015 - 2016 Kshs
AIE NO. 825877	57,110,997	
AIE NO. 829926	4,094,828	
AIE NO. 855063	36,853,449	
AIE NO. 855196	2,022,500	
AIE NO. 724129		10,000,000
AIE NO. 796335		10,000,000
AIE NO. 820617		10,000,000
AIE NO. 820850		28,000,000
TOTAL	100,081,774	58,000,000

2. PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS

	2016 - 2017 Kshs	2015 - 2016 Kshs
Receipts from the Sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from Sale of Certified Seeds and Breeding Stock	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	-	-
Disposal and Sales of Non-Produced Assets	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Total	-	-

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Interest Received	-	-
Rents	-	-
Sales of Tender documents	69,000	547,000
Other Receipts Not Classified Elsewhere	-	-
Total	69,000	547,000

4. COMPENSATION OF EMPLOYEES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Basic salaries of Contractual employees	1,494,978	1,235,146
Basic wages of casual labour	-	-
Personal allowances paid as part of salary	-	-
House allowance	-	-
Transport Allowance	-	-
Leave Allowance	-	-
Other personnel payments	-	-
Employer contribution to NSSF	56,880	33,360
Gratuity	-	-
Total	1,541,858	1,268,506

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Utilities, supplies and services	960,273	639,275
Office rent	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Foreign travel and subsistence	-	-
Printing, advertising and information supplies & services	-	-
Rentals of produced assets	-	-
Training expenses	1,215,000	988,745
Hospitality supplies and services	-	-
Other Committee Expenses	824,080	282,880
Committee Allowance	4,849,100	3,596,400
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	287,239	152,320
Fuel, oil & Lubricants	400,000	200,000
Other operating expenses	17,356	38,924
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance – other assets	-	-
Total	8,553,048	5,898,543

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to Primary Schools	39,106,701	38,863,373
Transfers to Secondary Schools	26,663,896	20,989,916
Transfers to Tertiary institutions	-	-
Transfers to Health institutions	2,022,500	16,407,252
TOTAL	67,793,097	76,260,541

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

7. OTHER GRANTS AND OTHER PAYMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bursary -Secondary	12,927,586	9,504,403
Bursary -Tertiary	7,360,230	4,034,000
Bursary-Special schools	-	-
Mocks & CAT	-	-
Water	3,045,000	1,800,000
Food security	-	-
Electricity	-	800,000
Security	-	-
Roads	-	-
Sports	-	360,019
Environment	-	102,206
Emergency Projects	3,990,000	7,187,906
Total	27,322,816	23,788,534

8. ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2016 - 2017	2015 - 2016
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	-	-
Construction of Roads	-	-
Construction and Civil Works	-	-
Overhaul and Refurbishment of Construction and Civil Works	-	-
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	-	-
Purchase of Specialised Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	-
Research, Studies, Project Preparation, Design & Supervision	-	-
Rehabilitation of Civil Works	-	-
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

Acquisition of Intangible Assets	-	-
<u>Financial Assets</u>		
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
Total	-	-

9. OTHER PAYMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Other Payments	-	-
	-	-

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2016 - 2017	2015 - 2016
	Kshs	Kshs
<i>Equity Bank, Tala Branch A/C no. 0900261817477</i>	4,877,379	9,937,424
Total	4,877,379	9,937,424

13. BALANCES BROUGHT FORWARD

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bank accounts	9,937,424	58,606,548
Cash in hand	-	-
Imprest	-	-
Total	9,937,424	58,606,548



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

14: PMC Account Balances (See Annex 5)

	2016 - 2017 Kshs	2015 - 2016 Kshs
PMC account Balances (see attached list)	8,958,587	10,067,145
	<u>8,958,587</u>	<u>10,067,145</u>

15: Amount due from the NG-CDF Board

	2016 - 2017 Kshs	2015 - 2016 Kshs
Amount due from NG-CDF Board	40,948,275	-
	<u>40,948,275</u>	<u>-</u>

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2017

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2016/17	Historical Cost (Kshs) 2015/16
Land		
Buildings and structures	9,600,000	9,600,000
Transport equipment	4,200,000	4,200,000
Office equipment, furniture and fittings	761,360	761,360
ICT Equipment, Software and Other ICT Assets	499,500	499,500
Other Machinery and Equipment	25,800	25,800
Heritage and cultural assets	-	-
Intangible assets	-	-
Total	15,086,660	15,086,660

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

ANNEX 5 –PMC BANK BALANCES AS AT 30TH JUNE 2017

PMC	BANK	ACCOUNT NUMBER	BANK BALANCE 2016/17	BANK BALANCE 2015/16
Donyo Coffee Primary School	Equity	0900262571269	54,020.00	54,020.00
Fr Heeran High school	Equity	0900264495835	89,268.65	266.00
Itheuni Secondary School	Equity	0900263728211	78,803.00	1,612.00
Kakulutuini Primary school	Equity	0900262676311	1,501.01	1,595.51
Kalandini Primary school	Equity	0900262170665	1,962.20	14,187.20
Kambusu Secondary School	Equity	0900297298331	179,345.15	1,383.50
Kanzalu Primary School	Equity	0900262599055	118,180.00	56,031.00
Kasioni Primary School	Equity	0900263768276	4,069.00	4,069.00
Katangini Health Centre	Equity	0900263585430	930.55	1,260.55
Kathiani Primary School	Equity	0900263606999	1,511.00	41,666.00
Katine Hgm Primary School	KCB	1115484419	4,691.95	4,691.95
Katine S.A Primary School	Equity	0900266565933	32.05	0.00
Katine S.A Secondary School	Equity	0900266591868	56,085.00	1,000.00
Katuluni Primary School	Equity	0900262589084	246,480.00	246,480.00
Katwanyaa Primary School	Equity	0900263155133	34,390.70	9,830.70
Katwanyaa Secondary School	Equity	0900263155133	34,390.70	9,830.70
Kayatta Primary School	Equity	0900262854729	315.00	315.00
Kianzabe Primary school	Equity	0900266555329	485,955.00	0.00
Kiatinine Primary School	Equity	0900262558502	116,684.00	39,175.00
Kiboko Secondary School	KCB	1110987323	5,016.50	84,991.50
Kikaatini Primary School	Equity	0900294458052	262.00	262.00
Kikaatini Secondary School	Equity	0900265991300	1,075,876.00	60,876.00
Kikuyuni Secondary School	Equity	0900262575258	100,468.00	101,073.00
Kiliku Primary School	Equity	0900263617618	81,585.50	1,000,000.00
Kiluluini Primary School	Equity	0900264528999	70,229.00	109,871.00
Kimiti Health Centre	Equity	0900296447358	32,490.00	126,680.00
King'oti primary school	Equity	0900298671522	328,841.00	397,391.00
Kinyui Primary School	Equity	0900294542354	82,315.00	2,097.00
Kisekini Primary School	Equity	0900268794402	101,301.15	0.00
Kisitimani Primary School	Equity	0900262599481	993.00	41,138.00
Kisukioni Primary school	Equity	0900263403427	4,482.00	39,571.00
Kithaayoni Primary School	KCB	1115866877	286.50	286.50
Kithuani Primary school	KCB	1109686757	3,419.96	2,750.00

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

PMC	BANK	ACCOUNT NUMBER	BANK BALANCE 2016/17	BANK BALANCE 2015/16
Kithuani Secondary School	KCB	1109687974	802,500.09	30,021.00
Kithuani Primary School	Equity	0900264186783	81,284.00	2,120.00
Kituluni Primary School	Equity	0900266542836	1,109.50	0.00
Kivani Primary school	Equity	0900263641552	297,743.50	963,586.50
Koma Hill Kiamba Primary School	Equity	0900271391103	29,945.00	0.00
Koma Ranch Primary school	co-op	0114134199500	122,479.50	506.00
Kwa Kasivi Primary School	Equity	0900266397601	76,885.00	0.00
Kwa Ken Primary School	Equity	0900294513812	1,644.00	1,644.00
Kwa Kisinga Primary School	Equity	0900298580610	79,924.00	802,364.00
Kwa Mutu Secondary school	Equity	0900294391004	725.50	725.50
Kwa Mwaura Dispensary	Equity	0900264370220	829.00	1,049.00
kwa Mwaura dispensary	Equity	0900264370220	829.00	1,049.00
Kwa Tombe Primary school	Equity	0900294525431	44,715.74	19,911.49
Kwale Primary School	Equity	0900264350146	3,160.00	3,160.00
Kyamulendu Secondary School	Equity	0900262599481	1,295.85	1,515.85
Kyasyokianza Primary School	Equity	0900262558258	233,467.00	233,467.00
Kyaume Health Centre	Equity	0900263845623	212,441.00	84,987.00
Kyaume Primary School	KCB	1109687907	6,771.00	6,121.00
Kyaume Secondary School	Co-op	01141342155200	334,686.50	12,350.16
Kyeleni Primary School	KCB	1109687230	19,948.00	58,998.00
Kyeleni Secondary School	Equity	0900262584602	37,318.40	37,538.40
Kyumbuni Primary School	Equity	090026257054	3,789.65	43,883.65
Matheini Secondary School	Equity	0900266759538	133,986.00	0.00
Matungulu DEB Primary School	Equity	0900262599081	210.00	210.00
Matungulu Estate Primary School	Equity	0900262163639	65.00	65.00
Mbiiani Primary School	KCB	1112089330	49,608.55	89,608.85
Mbuni Dispensary	Co-op	01141342189500	0.90	0.90
Mbuni Primary school	KCB	1205132724	1,000.00	0.00
Mbuni Secondary School	Equity	0900263913013	152,119.00	449,780.00
Mililu Pry School	Equity	0900262559064	41,160.50	41,160.50
Mithini Community Primary School	Equity	0900266397465	95.00	0.00
Mukalwa Primary school	Equity	0900271104834	30,642.00	0.00
Mukalwa Secondary School	KCB	1148785523	63,365.60	61,734.60
Mukengesya Secondary School	Equity	0900261999009	1,976.35	301.35
Muumoni Primary School	Equity	0900265410990	968.00	110,353.00
Muusini Secondary School	Equity	0900294442014	52.25	52.25

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

PMC	BANK	ACCOUNT NUMBER	BANK BALANCE 2016/17	BANK BALANCE 2015/16
Mwatati Primary School	Equity	0900265166992	27,390.00	27,390.00
Mwisanyi Primary School	Equity	0900262568450	511,000.00	507.25
Ndulya Primary School	Equity	0900262558639	508,360.00	508,360.00
Nduu Dispensary	Equity	0900295224119	2,013.17	107,228.17
Nduu Health Centre	Equity	0900295224119	2,013.17	107,228.17
Ngomeni Primary School	Equity	0900262599321	61,064.00	85,394.00
Ngomeni Pry School	Equity	0900262599321	61,064.00	85,394.00
Nguluni Primary School	Equity	0900262566809	3,125.00	932.50
Nguluni AIC Primary School	Equity	0900297172099	8,398.00	650.50
Nguluni Health Centre	Co-op	1141341070800	92,353.85	345,023.85
Nguluni Primary school	Equity	0900262566809	3,125.15	932.50
Nguluni Township Primary	Equity	0900266142510	115.00	24,966.00
Ngunga Primary School	Equity	0900261942406	15,160.00	435.50
Nzambani Primary School	Equity	0900190771581	501,350.00	41,395.00
S.A Nguluni Secondary School	KCB	1113799862	359,297.00	360,516.50
SA Kiamba Muumoni Secondary School	Equity	0900264544026	2,255.00	30,658.00
Sengani Girls Secondary School	KCB	1109687494	12,696.15	644,701.00
Sengani Primary school	Equity	0900294041577	4,864.00	4,864.00
St Benedict Primary School	KCB	1109700482	102,135.00	689,330.00
St Philip Kayata Primary School	Equity	0900262574106	10.00	10.00
St. Benedict Secondary School	KCB	1109700482	102,135.00	689,330.00
St. Joseph Katheka Secondary School	Equity	0900263316929	93,469.48	48,274.00
Syanthi Primary School	co-op	01141341094900	1,102.20	1,149.20
Syanthi Secondary School	Equity	0900264488156	432.50	623,097.50
Tala Boys Primary School	Equity	0900262544986	9,911.75	9,911.75
Tala Girls Primary School	Equity	0900262600575	51.95	6.00
Tala Girls Secondary School	Equity	0900266658999	114,450.00	114,450.00
Tala Township Primary School	Equity	0900264768229	25,636.00	0.00
Uamani primary school	Equity	0900266624763	67,448.00	0.00
Utooni Primary School	Equity	0900262569333	1,241.25	2,345.00
TOTAL			8,958,587.57	10,067,145.50

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
CONSTITUENCY**

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

ANNEX 6 – 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: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1	<p>The cash and cash equivalents</p> <p>The cash and cash equivalents balance of Kshs.58,606,548 as at 30 June 2015 was supported by the bank reconciliation statements which indicated that there were unrepresented cheques amounting to Kshs.890,372 out of which Kshs.162,868 represented stale cheques.</p> <p>In addition the supporting schedules for receipts in bank statement not yet recorded in cash book for Ksh 223,000 and receipts in cash book not yet recorded in the bank statement for Ksh 18,162 did not disclose the related dates.</p>	<p>Most the unrepresented cheques mainly bursary cheques have now cleared, the stale Cheques of Ksh 162,868 have been written back to the cashbook after approval by the CDF committee.</p>	<p>Mburu Ngugi Fund Account Manager</p>	<p>Resolved</p>	

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
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)
	Consequently, the accuracy of the cash and cash equivalents balance of Kshs.58,606,548 as at 30 June 2015 could not be confirmed.				
2	<p>1 Budget and Budgetary control</p> <p>1.1 Low Absorption of Funds</p> <p>The summary statement of appropriations reflects a budget of 160,574,720 for the year ended 30 June 2015. At the same time, transfers from the CDF Board amounted to Kshs.110,510,251 while total expenditure was Kshs.105,977,350 resulting in an under expenditure of Kshs.58,005,549</p> <p>Reviews of records indicate that the fund had an opening cash balance of Ksh. 53,617,647, receipts from</p>	<p>The low absorption was caused by the delay in disbursement of funds with most of the funds being disbursed towards year end as evident by the bank statement.</p> <p>Over allocation was noted in some of the votes such as the goods and services and subsequent</p>	<p>Mburu Ngugi</p> <p>Fund Account Manager</p>	Resolved	

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
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)
	CDF Board amounting to Kshs.110, 510,251 and other miscellaneous revenue totaling Kshs 456,000 all amounting to Kshs.164, 583,898.However, the expenditure totaled Kshs.105, 977,689, leading to a low absorption of Funds of 64% only. No reason was given for this low absorption of funds.	allocations were reduced.			
3	<p>1.2 Transfers to Other Government Entities</p> <p>The statement of receipts and payments reflects expenditure of Kshs.61,826,157 under transfers to other government entities while the approved budget for the year amounted to Kshs.103,364,087 resulting in under expenditure of Kshs.41,538,930.</p> <p>In addition, while the summary statement of appropriation reflects an</p>	The figure of Kshs 36,182,759 is the amount of Transfers to Other Government Units for the financial year 2013/14 brought forward in the financial year 2014/15 as per attached schedule.	Mburu Ngugi Fund Account Manager	Resolved	

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
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)
	<p>amount of Kshs103,364,087 the approved project proposal for the constituency reflected an amount of Kshs 67,181,328 resulting in unsupported budget of Kshs.36,182,759. No explanation was provided for the difference between the summary statement of appropriation and the approved project proposal document for the constituency.</p>				
4	<p>1.3 Other Grants and Transfers</p> <p>The statement of receipts and payments reflects expenditure of Ksh 32,162,245 under other Grants and transfers while the approved budget for the year amounted to Ksh.42,994,143 resulting to under expenditure of Kshs.10,831,898</p> <p>In addition while the</p>	<p>The figure of Kshs 8,652,897 is the amount of other Grants and transfers for the financial year 2013/14 brought forward in the financial year 2014/15 as per attached schedule.</p>	<p>Mburu Ngugi Fund Account Manager</p>	<p>Resolved</p>	

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MATUNGULU
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 (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
	<p>summary statement of appropriation reflects an amount of Kshs 42,994,143, the approved project proposal for the constituency reflected an amount of Kshs34,341,246 resulting in unsupported budget of Kshs 8,652,897. No explanation was provided for the difference between the summary statement of appropriation and the approved project proposal for the constituency.</p>				