

REPUBLIC OF KENYA



Paper Laid
By Hon. Washiale M.S
on behalf of LOMP at
Table of the House on
13/6/2018



OFFICE OF THE AUDITOR-GENERAL



PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2016**





**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
LURAMBI CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –
LURAMBI CONSTITUENCY**
Reports and Financial Statements
For the year ended June 30, 2016

Table of Content	Page
I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT.....	1
II. FORWARD BY THE CABINET SECRETARY.....	3
III. STATEMENT OF NGCDF 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.....	10
IX. NOTES TO THE FINANCIAL STATEMENTS.....	12
X. PRIOR YEAR MATTERS.....	21

CONSTITUENCY DEVELOPMENT FUND- LURAMBI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (CDF) was established under the Constituencies Development Fund Act, 2003, amended in 2007 and repealed by the CDF Act of, 2013.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, 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 Constituencies Development agenda at the constituency level.

(b) Key Management

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

- i. Constituencies Development Fund Board (NGCDFB)
- ii. NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND Committee (NGCDFC)

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Thomas Ontweka
3.	Accountant	Lee Omanje

(d) Fiduciary Oversight Arrangements

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

(e) LURAMBI NGCDF Headquarters

NGCDF Office,
Osogo Road, Opposite State Lodge Gate B
P.O BoX2680 – 50100,
KAKAMEGA.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LURAMBI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

(f) LURAMBI NG-CDF Contacts

Telephone: (254) 0722 288 499
E-mail:cdflurambi@cdf.go.ke

(g) LURAMBI NG-CDF Bankers

1. Kenya Commercial Bank
A/C NO 1101945710
Kakamega Branch

(h) Independent Auditors

Auditor General
The office of 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- LURAMBI
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2016**

**II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY
DEVELOPMENT FUND COMMITTEE (NGCDFC)**

Lurambi NGCDFC pledges that all NGCDFC activities and decisions will be based on and guided by the following values:

- Continuous learning
- Integrity
- Service Culture
- Team Work
- Objectivity

The Lurambi NGCDFC comprises of;

1. Habib Anyolo- NGCDFC chairman
2. Modesta Auka- NGCDFC secretary
3. Peter Okwako- NGCDFC Member
4. Neddy Murunga- NGCDFC Member
5. Rydon Kadasia NGCDFC Member
6. Ramadhan Aura NGCDFC Member
7. Susan Akinyi NGCDFC Member
8. Thomas Ontweka Fund Account Manager
9. Mohamed N. Hassan Deputy County Commissioner

I am pleased to report that 2015/2016 was a year of challenges. However we managed to improve our operating performance and managed to disburse 50% of the funds received from the Board (2015/16 Budget) to various projects within the year. The last 50% of the funds was received on 29/06/2016. It was not possible to be disbursed to projects due to formation of new NGCDFC members. Despite the challenges and costs we encountered during the year, we managed to construct quite a number of facilities to completion and are now in use.

During the year, we managed to achieve the following:

1. Completed quite a number of facilities in Education, health, security, water, roads and bridges.
2. Started new projects. Some of them are complete while others are ongoing.
3. Trained quite a number of Project Management Committees.

Some of the emerging issues that we underwent include;

1. Overwhelming demand for Bursary
2. No clear guidelines relating to the funding of projects under devolved government and National Government.

I take this opportunity to sincerely thank the NGCDF Board, NGCDFC and our key stakeholders for continued support and guidance.

On behalf of Lurambi NG CDFC and employees I assure you of our total dedication and tireless efforts in serving the constituents of Lurambi better.



Mr. Habib Anyolo
CHAIRMAN
Lurambi NGCDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LURAMBI
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2016**

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

The Accounting Officer in charge of the Lurambi NGCDF confirms that the NGCDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NGCDF'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 NGCDF's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The NGCDF's financial statements were approved and signed by the Accounting Officer on 22/09/ 2016.



Fund Account Manager



Chairman

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - LURAMBI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Lurambi Constituency set out on pages 5 to 25, which comprise the statement of assets and liabilities as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility 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.

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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 35 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

*Report of the Auditor-General on the Financial Statements of National Government Constituencies
Development Fund - Lurambi Constituency for the year ended 30 June 2016*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Transfer to other Government Units

Included in the Kshs.24,967,931 in respect of transfer to other government units is Kshs.1,200,000 which was disbursed to Shisasari Primary School PMC for construction of two (2) classrooms. The school had received Kshs.500,000 in the financial year 2014/2015 making a total of Kshs.1,700,000 for the same project. However, physical audit verification exercise conducted on 2 September 2016 revealed that the classrooms had been roofed, plastered, floored and the doors and windows had been fitted with panes but painting had not been done.

Also, scrutiny of the floor layout plan revealed that the width of the classrooms which, according to plan was supposed to be 7200mm (24ft), only measured 6000mm (20ft) at the same contractual price of Kshs.1,700,000 for two classrooms. No explanation was availed why the size of the two classrooms was reduced from 7200mm (24ft) to 6000mm (20ft) and why the reduction in size was not factored on the price as well.

In the circumstances, it was not possible to confirm whether the Fund got value for money on this project.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Lurambi Constituency as at 30 June 2016, and of its financial performance and its cash flows for the year ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

Other Matter

1. Budget Performance Analysis

During the year under review, the approved budget for Lurambi CDF was Kshs.110,183,370 but received Kshs.109,683,370 resulting in an underfunding by Kshs.500,000.

In addition, the Constituency Development Fund recorded an overall under expenditure of Kshs.60,928,714 as analysed below:

Item	Original Budget	Adjustments	Final budget	Actual figure	Variance	% of unutilized Fund
Expenditure	110,183,370	30,351,458	140,714,828	140,214,828	500,000	0.4%
Compensation of employee	2,676,000	615,000	3,291,000	2,179,320	1,111,680	33.8%
Use of goods and services	7,240,503	3,213,543	10,454,046	9,014,680	1,439,366	13.8%
Transfer to other government entities	54,086,867	2,854,044	56,940,911	24,967,931	31,972,980	56%
Other grants & other payments	44,680,000	21,500,000	66,180,000	42,460,663	23,719,337	36%
Acquisition of assets	1,500,000	2,348,871	3,848,871	1,164,120	2,684,751	70%
Total	110,183,370	30,531,458	140,714,828	79,786,714	60,928,114	

2. Project Implementation Status

The Fund implemented a total of 237 projects/programmes in different sectors as at 30 June 2016. However, it was noted that twenty four (24) projects which represent 10% of the projects costing Kshs.27,050,000 had not started, one hundred and twenty two (122) projects representing 52% worth Kshs.172,397,798 were ongoing, ninety one (91) representing 38% costing Kshs.89,560,116 had been completed as at the time of audit in August 2016 as analyzed below;

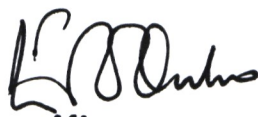
Item	Not Started		Ongoing		Complete	
	No	Value	No	Value	No	Value
Administration	2	1,500,000	8	32,829,700	2	3,596,706
Education	15	13,050,000	82	110,671,850	62	35,456,586
Environment	1	500,000	7	4,413,490	2	0
Health	0	0	12	12,882,759	1	1,580,000
ICT	1	1,000,000	0	0	0	0
Markets	1	1,000,000	0	0	0	0

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund - Lurambi Constituency for the year ended 30 June 2016

Roads	2	8,500,000	0	0	19	46,821,825
Security	2	1,500,000	10	8,600,000	5	1,585,000
Sports	0	0	3	3,000,000	0	0
Total	24	27,050,000	122	172,397,798	91	89,560,117

3. Stalled Lurambi CDF Office

The construction of Lurambi CDF office with a technical valuation of Kshs.54,168,070 had stalled. The office was to be handed over by the Lurambi CDF management to the County Government of Kakamega according to Memorandum of Understanding (MoU) dated 28 January 2014, but as at the time of audit this had not been finalized. The County Government was supposed to take over and compensate the CDF office Kshs.54,168,070. No reason has been given why the handing over of the CDF office building to the County Government as provided for in the MoU was not effected.



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

Nairobi

05 April 2018

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LURAMBI
CONSTITUENCY**

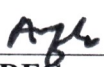
Reports and Financial Statements

For the year ended June 30, 2016

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
RECEIPTS			
Transfers from CDF board	1	109,683,370	104,002,833
TOTAL RECEIPTS		109,683,370	104,002,833
PAYMENTS			
Compensation of employees	2	2,179,320	1,771,299
Use of goods and services	3	9,014,680	11,854,667
Transfers to Other Government Units	4	24,967,931	53,632,759
Other grants and transfers	5	42,460,663	44,926,246.40
Acquisition of Assets	6	1,164,120	11,854,765
Other Payments	7	-	3,500,000
TOTAL PAYMENTS		79,786,714	127,539,736.40
SURPLUS/DEFICIT		29,896,656	(23,536,903.40)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lurambi NGCDF financial statements were approved on 22/09/ 2016 and signed by:



Chairman - NGCDFC



Fund Account Manager


**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LURAMBI
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2016**

V. STATEMENT OF ASSETS

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	8	60,428,115	30,531,458.35
TOTAL FINANCIAL ASSETS		60,428,115	30,531,458.35
REPRESENTED BY			
Fund balance b/fwd 1st July...	9	30,531,458.35	54,068,361.75
Surplus/Deficit for the year		29,896,656	(23,536,903.40)
NET LIABILITIES		60,428,114.35	30,531,458.35

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lurambi NGCDF financial statements were approved on 22/09/ 2016 and signed by:



Chairman - NGCDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LURAMBI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

VI. STATEMENT OF CASHFLOW

Receipts for operating income	2015 - 2016	2014 - 2015
Transfers from CDF Board	109,683,370	104,002,833
	109,683,370	104,002,833
Payments for operating expenses		
Compensation of Employees	(2,179,320)	(1,771,299)
Use of goods and services	(9,014,680)	(11,854,667)
Transfers to Other Government Units	(24,967,931)	(53,632,759)
Other grants and transfers	(42,460,663)	(44,926,246)
Other Payments	-	3,500,000
	(78,622,594)	(115,684,971.40)
Net cash flow from operating activities	31,060,776	(11,682,138.40)
 CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of Assets	(1,164,120)	(11,854,765)
Net cash flows from Investing Activities	(1,164,120)	(11,854,765)
 NET INCREASE IN CASH AND CASH EQUIVALENT		
	29,896,656	(23,536,903)
Cash and cash equivalent at BEGINNING of the year	30,531,458	54,068,361.75
Cash and cash equivalent at END of the year	60,428,114	30,531,458.35

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lurambi NGCDF financial statements were approved on 22/09/ 2016 and signed by:



Chairman NGCDF



Fund Account Manager

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	110,183,370	30,531,458	140,714,828	140,214,828	500,000	99.6%
TOTAL	110,183,370	30,531,458	140,714,828	140,214,828	500,000	99.6%
PAYMENTS						
Compensation of Employees	2,676,000	615,000	3,291,000	2,179,320	1,111,680	66.2%
Use of goods and services	7,240,503.30	3,213,543	10,454,046.30	9,014,680	1,439,366.30	86.2%
Transfers to Other Government Units	54,086,866.70	2,854,043.80	56,940,910.50	24,967,931	31,972,979.50	43.8%
Other grants and transfers	44,680,000	21,500,000	66,180,000	42,460,663	23,719,337	64.2%
Acquisition of Assets	1,500,000	2,348,871.20	3,848,871.20	1,164,120	2,684,751.20	30.2%
Other Payments			-		-	
TOTAL	110,183,370	30,531,458	140,714,828	79,786,714	60,928,114	56.7%

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2016**

(a) [Provide below a commentary on significant underutilization (below 50% of utilization) and any overutilization]

- i. On the acquisition of assets there is a total of kshs.1, 181,486.70 which is retention for a contractor thus utilization of 30% since the contractor has not claimed the retention.



Chairman NGCDF



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2016**

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. 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 NGCDF 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 NGCDF.

2. Recognition of revenue and expenses

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

3. In-kind contributions

In-kind contributions are donations that are made to the NGCDF 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 NGCDF 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 CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2016**

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 NGCDF 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 NGCDF’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 NGCDF’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, 2016.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
 CONSTITUENCY**
Reports and Financial Statements
For the year ended June 30, 2016

IX. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
Normal allocation			
	724120	10,000,000	
	796319	10,000,000	
	820839	25,000,000	
	820602	10,000,000	-
	825798	54,683,370	
	759628	-	26,000,708.25
	796603	-	14,600,424.95
	797100		26,000,708
	796812		11,400,283
	796127		26,000,708
TOTAL		109,683,370	104,002,833

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2016**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. COMPENSATION OF EMPLOYEES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Basic wages of contractual employees	2,042,040	1,749,699
Employer contribution to NSSF gratuity	137,280	21,600
Total	2,179,320	1,771,299

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. USE OF GOODS AND SERVICES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Utilities, supplies and services	643,808	501,913
Office rent	300,000	-
Communication, supplies and services		300,000
Domestic travel and subsistence	52,800	272,400
Hospitality supplies and services	54,250	-
Other committee expenses	570,000	8,986,199
Committee allowance	6,753,900	90,000
Office and general supplies and services	635,922	1,480,841
Fuel ,oil & lubricants	4,000	-
Other operating expenses		40,000
Routine maintenance – vehicles and other transport equipment	-	183,314
Total	9,014,680	11,854,667

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Transfers to primary schools	8,987,931	23,150,000
Transfers to secondary schools	10,400,000	25,000,000
Transfers to health institutions	5,580,000	5,482,759
-TOTAL	24,967,931	53,632,759

5. OTHER GRANTS AND OTHER PAYMENTS

	2015 - 2016	2014 -2015
	Kshs	Kshs
Bursary – secondary schools	7,012,746	6,487,400
Bursary – tertiary institutions	8,120,700	6,993,200
Bursary – special schools	-	15,000
Mock & CAT	770,000	1,934,540
Water projects	1,674,100	-
Security projects	1,500,000	3,950,000
Roads projects	17,178,926	19,489,959.29
Sports projects	985,536	-
Environment projects		498,800
Other Projects (see attached list)-Text Books	1,000,000	-
Emergency Projects	4,218,655	5,557,347
Total	42,460,663	44,926,246

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. ACQUISITION OF ASSETS

<u>Non-Financial Assets</u>	2015 - 2016	2014 - 2015
	Kshs	Kshs
Construction of Buildings	567,413.50	11,854,765
Purchase of Office Furniture and General Equipment	596,706	-
Total	<u>1,164,119.50</u>	<u>11,854,765</u>

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2016**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. OTHER PAYMENTS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
LIRC	-	500,000
Strategic Plan	-	3,000,000
	<hr/>	<hr/>
	-	<u>3,500,000</u>

8: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2015 - 2016	2014 - 2015
	Kshs	Kshs
Kenya Commercial Bank A/c 1101945710	60,428,114.50	30,531,458
	60,428,114.50	30,531,458

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. BALANCES BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	30,531,458	54,068,361
Total	<u>30,531,458</u>	<u>54,068,361</u>

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LURAMBI
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2016**

10. OTHER IMPORTANT DISCLOSURES

10.1: PENDING ACCOUNTS PAYABLE

	2015- 2016	2014 - 2015
	Kshs	Kshs
Construction of buildings	1,181,486.70	1,748,899.70
	1,181,486.70	1,748,899.70

10.2: PENDING STAFF PAYABLES

	Kshs	Kshs
Others (gratuity)	900,301	450,301
	900,301	450,301

10.3: OTHER PENDING PAYABLES

	Kshs	Kshs
Amounts due to other Government entities	38,500,000	21,371,890
Amounts due to other grants and other transfers	11,600,000	3,424,619
Others (LIRC, Jua kali sheds, Kenao Fees)	2,500,000	2,000,000
	52,600,000	26,796,509.85

NATIONAL GOVERNMENT ENTITY – LURAMBI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016 (Kshs'000)

ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Land	N/A	N/A
Buildings and structures	64,886,754.50	52,464,576.00
Transport equipment	2,667,950.00	2,667,950.00
Office equipment, furniture and fittings	796,246.00	199,540.00
ICT Equipment, Software and Other ICT Assets	504,000.00	504,000.00
Other Machinery and Equipment	58,500.00	58,500.00
Total	68,913,450.50	55,894,566.00

Ammer -

NATIONAL GOVERNMENT ENTITY –LURAMBI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016 (Kshs'000)

Prior year matters

Basis for Adverse Opinion

1. Presentation, Accuracy and Completeness of the Financial Statements

The International Public Sector Accounting Standards (Cash Basis) financial statements presentation format prescribed by the National Treasury requires the management to include among financial statements submitted for audit a report on the action taken to address previous year Auditor's recommendations. In the year 2013/2014, Lurambi CDF had a qualified opinion. However, a report on follow-up of the audit issues raised was not included in the financial statements for the year under review. Therefore the presentation of the (Cash Basis) does not conform to IPSAS (Cash Basis) format prescribed by the National Treasury and the Public Finance Management Act, 2012.

The statement of receipts and payments reflects a deficit of Kshs. 23,536,903 implying the cash brought forward of Kshs. 53,674,887 and the outstanding imprest of statement of responsibilities and Note 14 to financial statements is omitted. Further, pending bills (payables) totalling Kshs. 27,246,811 (Note 15.2 and 15.3) were not supported with schedules showing detail of the bills.

In view of the foregoing, the presentation, accuracy and completeness of the financial statements for the year ended 30 June 2015 could not be confirmed.

1. Follow up issues/ Current Status

It is true that deficit reflected on the statement of receipts and payments was as a result of funds brought forward from the previous year which was then utilized in the financial year 2013/2014.

We further clarify that as at 30th June 2015 there was no outstanding imprest. All the pending bills as at 30 June 2014 were fully funded in the financial year 2014/2015.

2. Budgetary Control and Performance Analysis

During the year under review, the Fund's budgeted receipts amounted to Kshs. 158,071,195 but only Kshs. 127,539,736 was received thus resulting in under funding by Kshs. 30,531,458. Further, budgeted Projects worth Kshs. 30,531,458 were not implemented as shown below:

Receipt/Expense	Approved Budget Kshs.	Actual Expenditure Kshs.	Variation Kshs.	% age Variation
RECEIPTS				
Transfer from CDF Board	158,071,195	127,539,736	30,531,458	19%
Sub Total	158,071,195	127,539,736	30,531,458	
PAYMENTS				
Compensation of Employees	2,650,000	1,749,699	900,301	34%
Use of Goods and Services	2,804,170	2,778,468	25,702	1%
Committee Expenses	9,090,085	9,076,199	13,886	0%
Transfer to other Government	75,004,649	53,632,759	21,371,890	28%

NATIONAL GOVERNMENT ENTITY –LURAMBI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016(Kshs'000)

Units				
Other grants and transfers	48,350,867	44,926,246	3,424,620	7%
Social Security Benefits	36,000	21,600	14,400	40%
Acquisition of Assets	14,635,424	11,854,765	2,780,659	19%
Other Payments	5,500,000	3,500,000	2,000,000	36%
TOTAL	158,071,195	127,539,736	30,531,458	19%

Consequently, the Fund did not meet its targets and service delivery obligations due to the Constituents.

2. Follow up issues/ Current Status

It is true that kshs 30,531,458.00 was not utilized in the financial year 2014/2015 this is because the amount was received towards the end of financial year, thus making it difficult to spend the funds without the Authority to Incur Expenditure. The balance of kshs 30,531,458 was however, utilized in the financial year 2015/2016 .

3.0 Other Payments

3.1 Unaccounted for Equipment

The Fund paid Lurambi Information Resource Centre Kshs. 500,000 to establish an Information, Communication and Technology Centre. However, the procured information and communication Technology Equipment could not be verified as there were no stores records. Further, equipment's so procured were not in store at the time of the audit as they were reportedly stolen. Further, there was no police abstract to confirm the theft. In the circumstance, the expenditure amounting to Kshs. 500,000 was not accounted for.

3.1 Follow up issues/ Current Status

It is true that Lurambi CDF funded a Project Management Committee by the name Lurambi Information Resource Centre kshs 500,000 to establish an Information Communication and Technology Centre. The PMC bought the equipment which were later on stolen, currently the matter is still in court.

3.2 Irregular Procurement of Strategic Plan

The Fund procured a Strategic Plan at a cost of 3,000,000 through requests for quotations method of procurement instead of open tender as provided for by the Public Procurement Regulations. The chosen method rendered the procurement irregular. Consequently, it has not been possible to ascertain that the Fund obtained value-for-money from the expenditure of Kshs. 3,000,000.

3.2. Follow up issues/ Current Status

The fund has obtained value-for-money from the expenditure of kshs.3,000,000 since we have managed to prepare our subsequent budget proposal basing on the needs of the constituents as stated in the strategic plan.

NATIONAL GOVERNMENT ENTITY –LURAMBI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016(Kshs'000)

4.0 Other Grants and Transfers

4.1 Stalled Construction of Administration Police Camp

The Other Grants and Transfers Balance of Kshs. 44,780,028 include Kshs. 1,500,000.00 disbursed for the construction of a one storey block of houses at Butso Administration Police (AP) Camp. However, audit verification revealed that the project stalled before completion with the walling less than half-way done.

4.1. Follow up issues/ Current Status

It is true that the project of houses at East Butso Administration Police Camp is being funded by Lurambi CDF .However,the project is not stall the way it has been stated it is on going, the project was funded in the financial year 2015/2016 with kshs. 1,000,000.00 and the fund will continue funding the project to its completion.

4.2 Unsupported for Bursary Expenditure

During the year under review the Fund disbursed Kshs. 13, 254,700 in various bursaries. However, acknowledgement letter/receipts were not received for disbursements totalling to Kshs.1,009,000 only out of Kshs. 6,993,200 that was supported by schedule of beneficiaries list. Consequently, bursaries totalling to Kshs. 5,984,200 had not been accounted for as at 30 June 2015.

In view of the foregoing, the propriety of the expenditure of Kshs, 7,484,200 could not be confirmed.

4.2. Follow up issues/ Current Status

Currently, the issue of acknowledgement of receipt for bursary from institutions is an internal control challenge that the fund is experiencing. This is because the learning institutions are far and we send the cheques vide registered postal means. We are continuing to team up with the bursary beneficiaries and the learning institutions to solve the problem.

5.0 Transfers to Other Government Units

During the year under review, the Fund disbursed Kshs. 53,632,759.00 as transfers to Government Units. The following audit observations were made in relation to the transfers.

5.1 Construction of 3 Storey Classroom Block

Included in the balance of Kshs. 53,632,750 was a sum of Kshs. 2,000,000.00 disbursed to Kakamega Primary School for the construction of three storey classroom block under a co-funding arrangement with other stakeholders. Along with previous years' contributions, the grants cumulative to the project by the CDF amounted to Kshs. 6,300,000. However, the grants contravened laws governing the operations of the Fund because they were not meant to finance the whole project or a defined phase of a project as the law requires.

5.1. Follow up issues/ Current Status

It is true that Kakamega primary school has been funded by the Fund cumulatively to amount totalling kshs 6,300,000.The project is a multi million project which could not be funded by the fund alone,since the CDF Act allows Co funding of projects from other donors,Kakamega primary approached other donors to assist in the construction of the storey building. We further,

NATIONAL GOVERNMENT ENTITY –LURAMBI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016(Kshs'000)

clarify that the Fund has informed the project management committee to request the works officer to clearly state the phase funded by the Lurambi CDF.

5.2 Purchase of Land

Further, the Fund disbursed Kshs. 2,000,000 for purchase of land worth Kshs. 3,500,000 for a secondary school. However, no ownership documents were presented for audit review and as a result, the propriety and value for money of the expenditure could not be ascertained.

5.2. Follow up issues/ Current Status

It is true the Fund funded Maraba Secondary school with kshs 2,000,000 for purchase of land worth kshs 3,500,000. At the time of audit the fund had not completed funding the project, thus ownership documents could not have been availed. Currently the fund has completed the funding and transfer of ownership of land is in the process.

6. Acquisition of Assets

6.1 CDF office not handed over

Construction of the CDF's offices at Eshisiru Shopping Centre was commissioned during the year at a contract sum of Kshs. 14,054,535. However, the office handed over to the Fund and was therefore not in use as at 30 June 2015.

6.1. Follow up issues/ Current Status

It is true that as at 30 June 2015 the office was not in use, but currently the office is in use and serving the constituents.

6.2 Stalled Construction of Old Constituency Development Fund Offices

As previously reported, construction of the stalled old Lurambi CDF offices in Kakamega town was approved by the CDF Board during the 2008/2009. The allocation for the project over the years totalled to Kshs. 65,000,000 out of which Kshs. 50,964,576 was spent on the construction works leaving a balance of Kshs. 14,035,424 unspent.

On 28 January 2014 the Fund through its Member of Parliament signed a Memorandum of Understanding (MOU) with County Government of Kakamega for the transfer of the project to the County Government as a consideration of Kshs. 54,200,000 to be settled through funding of projects of equivalent amount which at the time of the audit had not been effected by the County Government. Annex 4 to the financial statements which is a summary of the fixed assets register reflects expenditure on the building under Building and Structures comprising of old building valued at Kshs. 52,464,576 and new building (Eshisiru Centre) valued at Kshs. 11,464,576. However, the financial statements do not disclose the details of the MOU.

In the circumstances, the propriety and value-for-money of the expenditure of Kshs. 62,429,152 on the projects could not be confirmed.

6.2. Follow up issues/ Current Status

The Fund has signed an MOU with the County Government of Kakamega for the transfer of the project at the consideration of kshs 54,200,000 to be settled through funding of projects of equivalent

NATIONAL GOVERNMENT ENTITY –LURAMBI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016(Kshs'000)

amount. Currently the fund is still waiting for communication from NG CDF Board before the transfer takes effect.

7.0 Project Implementation and Management

Over the period of two (2) years, to 30 June 2015 the Fund allocated a total of Kshs. 181,745,059 to one hundred forty seven (147) projects. However, Seventy three (73) projects allocated Kshs. 107,674,889 were not completed. These included construction of (2) staff houses for administration police, three (3) houses for health centres and construction of classrooms in 14 schools allocated funds in 2013/2014 as detailed below:

Sector/Status	Abandoned		Not Started		Ongoing		Complete	
	No	Value Kshs	No	Value Kshs	No	Value Kshs	No	Value Kshs
Administration				-	9	24,953,500	2	3,600,000
Agriculture								
Education	4	2,400,000	1	1,000,000	48	64,838,630	49	29,222,931
Environment			1	500,000	3	2,500,000		-
Health					8	9,282,759		-
ICT			1	1,000,000				
Market			1	1,000,000				
Road	1	2,000,000					11	31,447,239
Security			1	500,000	3	4,000,000	4	1,500,000
Sports					2	2,000,000		
Total	5	4,400,000	5	4,000,000	73	107,574,889	66	65,770,170

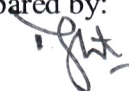
Five (5) projects worth Kshs. 4,400,000 were abandoned while works on five (5) other allocated Kshs. 4,000,000 had not commenced as at 30 June 2015. Seventy three (73) projects were ongoing. Only sixty six (66) projects were completed during the year ended 30 June 2015.

In view of the foregoing, the residents of Lurambi Constituency and the Fund have not obtained value for the money invested in the abandoned and incomplete projects.

7.0 Follow up issues/ Current Status

At the time of audit the projects had not been funded but the projects are still ongoing and they will be funded to their completion.

Prepared by:


Thomas Ontweka
Fund Account Manager
Lurambi NG -CDF

