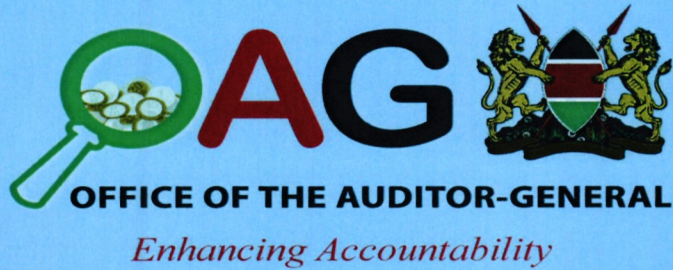


REPUBLIC OF KENYA



**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

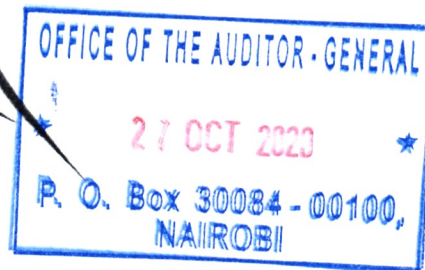
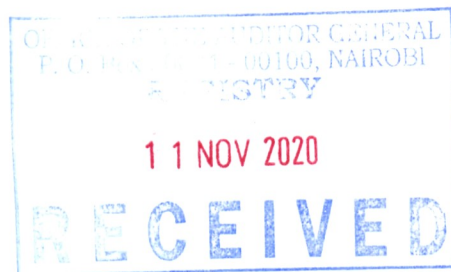
**THE AUDITOR-GENERAL**

**ON**

**NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 FEB 2021	DAY: Thursday
TABLED BY:	Leader of Majority
CLERK-AT-THE-TABLE:	Hauna Ahmed.



---

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019

---

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

*NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 20*

**Table of Content**

**Pa**

I. KEY NGCDF INFORMATION AND MANAGEMENT .....	2
II. THE BOARD OF DIRECTORS .....	8
III. MANAGEMENT TEAM.....	13
IV. CHAIRMAN'S STATEMENT .....	17
V. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	19
VI. CORPORATE GOVERNANCE STATEMENT.....	22
VII. MANAGEMENT DISCUSSION AND ANALYSIS.....	25
VIII. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT.....	35
IX. REPORT OF THE DIRECTORS .....	39
X. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	40
XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019.....	42
XII. STATEMENT OF FINANCIAL POSITION AS AT 30 <sup>TH</sup> JUNE 2019.....	43
XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019 .....	44
XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2019.....	45
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	46
NOTES TO THE FINANCIAL STATEMENTS .....	48

**I. KEY NGCDF INFORMATION AND MANAGEMENT**

**(a) Background information**

The National Government Constituencies Development Fund (NGCDF) is established under the National Government Constituencies Development Fund (Amendment) Act, 2015. The NG-CDF is under the National Treasury and Planning. The objective of the Fund is to provide mechanisms for supplementing implementation of the National Government development Agenda at the constituency level.

The Fund's overall management is the responsibility of the NGCDF Board, while the supervision and coordination is done by National Treasury and Planning.

The Board has aligned the operations of the Fund with new Act and the Constitution. The Board launched its new strategic plan on 16<sup>th</sup> August 2016 for the planning period 2016/2017 to 2020/2021. The Board also attained ISO 9001:2008 certification in March 2016 whose unveiling was done on the same date 16<sup>th</sup> August 2016.

**(b) Principal Activities**

As outlined in the NGCDF Act 2015 the Board's core mandate and responsibilities include:

- Ensuring timely and efficient disbursements of funds to every constituency
- Ensuring efficient management of the fund
- Receiving and discussing annual reports and returns from the constituencies
- Ensuring the compilation of proper records, returns and reports from the constituencies
- Receiving and addressing complaints and disputes, and taking appropriate action
- Considering project proposals submitted from various constituencies in accordance with the Act, approving for funding for those projects proposals that are consistent with the Act and sending funds to respective Constituency Fund accounts of the approved projects.

The Board will provide strategic direction in the management, use and accountability of monies drawn from the Fund. The Board therefore aspires to the following Vision, Mission and Core Values in meeting its mandate.

**VISION**

Equitable Socio-economic development countrywide

#### **MISSION**

To provide leadership and policy direction for effective and efficient management of the Fund

#### **CORE VALUES**

1. **Transparency and accountability**
2. **Professionalism and integrity**
3. **Commitment and teamwork**
4. **Neutrality and objectivity**
5. **Timeliness and excellence**
6. **Advocacy for citizen participation**

#### **KEY STRATEGIC OBJECTIVES**

1. To improve operational efficiency and effectiveness in service delivery
2. To Strengthen Institutional Capacity (skills, numbers and work environment)
3. To ensure efficient and effective project management
4. Enhance good governance
5. Promote effective communication and appropriate partnership

#### **STRATEGIC GOALS**

- a) Continue Automation of Board's operations
- b) Improve performance management
- c) Implement quality management systems
- d) Improve accounting system
- e) Strengthen research capacity to support evidence based decision making
- f) Strengthening Audit and risk management
- g) Strengthen disaster responsiveness and management
- h) streamline the organizational structure
- i) develop capacity of staff
- j) Develop and implement a talent management and succession planning strategy
- k) improve on the work environment
- l) Promote public participation in project identification and implementation
- m) Promote timely submission and approval of project proposals
- n) Promote prioritization of on-going projects in allocation of Funds

- o) Improve collaboration with technical officers from relevant government agencies
- p) Improve management of transition of NG-CDFC's in relation to resources and projects
- q) widen projects scope and strengthen collaboration with MDAs
- r) Promote openness and accountability in management of the Fund
- s) Promote compliance with applicable laws, regulations and standards.
- t) Adopt Transformative Leadership
- u) Mainstream Cross cutting issues and public participation
- v) Enhance engagement with internal & external stakeholders
- w) Enhance Media Relations
- x) Enhance relations with other Government agencies
- y) Enhance Media monitoring

#### **STRATEGIC PROGRAMMES**

- a) Design, Develop & Rollout Management information systems
- b) Further installation of appropriate ICT network infrastructure and improve their security
- c) Develop and implement annual performance contract for the board, cascade to constituencies
- d) Operationalize M&E Unit and review M&E framework
- e) Develop constituencies factsheets and conduct monitoring & evaluation of Boards' operations
- f) Continuously carry out QMS audits to maintain certification and carry out recertification audit for organization
- g) Develop and disseminate accounting manual for constituencies and establish constituencies accounting unit at Headquarters
- h) Train staff and key stakeholders on public finance management and reporting
- i) Prepare/review annual financial statements and implement audit recommendations
- j) Receive and review financial returns and update the assets register
- k) Establish and operationalize a research and policy Unit and establish and operationalize a resource centre
- l) Establish a Risk management Unit, conduct risk assessment and carryout Risk Response planning
- m) Develop a disaster preparedness and management manual and train constituencies on Disaster Risk Reduction and Response Mechanism
- n) Develop & issue guidelines on community managed disaster risk reduction (CMDRR)
- o) Review and implement an organizational structure, conduct work load analysis to establish optimal staffing levels and recruit more staff
- p) Conduct Training Needs Assessment and develop and implement an annual training plan

*NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019*

- q) Conduct work environment survey and employee satisfaction survey and implement feasible recommendations
- r) Acquire additional office space
- s) Develop and issue guidelines on public participation & identification of projects; submission of project proposals; Projects and release of funds; Project funds absorption; Management of incomplete & on-going projects during NG-CDFCs transitions and Residual Projects
- t) Develop collaboration framework for the NG-CDFCs and government technical officers
- u) Establish a liaison office to enhance operations of the Board, Ministries and National Assembly
- v) Train NG- CDFCs
- w) Develop and implement policy on documentation and dissemination of constituency best practices
- x) Evaluate constituencies' performance, publicize top performers and showcase the best practices in implementation of projects
- y) Implement Mwongozo code of governance and ensure compliance with all tendering and procurement requirements
- z) Facilitate access to information and publish constituency financial and project reports on a timely basis
- aa) Convene regular stakeholder forums/awareness campaigns, open days and road shows and participate in Corporate Social Responsibility activities
- bb) Update the Boards website and social media presence and participate in relevant television and radio programmes to enhance the profile of the NG-CDF
- cc) Review and implement service charter and Corporate Identity Manual
- dd) Participate in relevant exhibitions and conferences and organize media events ( press conferences, media tours, workshops, breakfast meetings) to clarify and explain issues to the media on newsworthy events
- ee) Carryout customer satisfaction survey and implement feasible recommendations

**KEY STRATEGIC PRIORITIES**

- Improve the implementation, Monitoring and Evaluation projects
- Come up with strategies to develop and turnaround for under-performing Constituencies
- Ensure timely availability and disbursement of Funds to Constituencies
- Develop and implement guidelines for project implementation that are in line with existing procurement laws and regulations
- Develop sound financial controls in line with Finance management Act of 2012 and in compliance with Office of the Auditor General Requirements

**(c) Key Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were as follows:

S/NO	NAME	TITLE
1.	Yusuf Mbuno	Chief Executive Officer
2.	Venazio Gachara	Senior Accountant
3.	Polly Maingi	Senior Accountant

**(d) Fiduciary Oversight Arrangements**

- i. Board of Directors
- ii. Internal Audit Department

**(e) Registered office**

NGCDF headquarters  
Harambee Plaza Building  
5<sup>th</sup> Floor  
Telephone No. 2230015/19/27  
Haile Sellasie/Uhuru Highway Junction.  
P.O. Box 46682 – 00100 NAIROBI

**(f) Contacts**

Telephone : (020) 2230015/9, 2230027  
E-mail : [info@ngcdf.go.ke](mailto:info@ngcdf.go.ke)  
Website: [www.ngcdf.go.ke](http://www.ngcdf.go.ke)

**(g) NGCDF Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya



*NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019*

Kenya Commercial Bank Ltd  
Kipande House  
Kenyatta Avenue  
P.O. Box 30012 – 00100  
Nairobi

Co-operative Bank of Kenya  
Cannon House  
Parliament Road  
P.O. Box 5772-00200  
Nairobi.

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

**(h) Principal Legal Adviser**

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

I. THE BOARD OF DIRECTORS



**Mr. Robert Nyariki Momanyi Masese**

**Chairman of the Board**

Born on 19<sup>th</sup> May, 1956, Mr. Robert Masese is the chairman of NG-CDF Board of directors. He was appointed to this position on 29<sup>th</sup> March, 2019. Prior to this appointment, he served in the Ministry of Education as a Director of Secondary Education as well as Director General of Education having risen from principal of several secondary schools and tertiary institutions.

He is also a member of the Lions Club, Nairobi Host as well as a member of the Board of Management, Nairobi School.

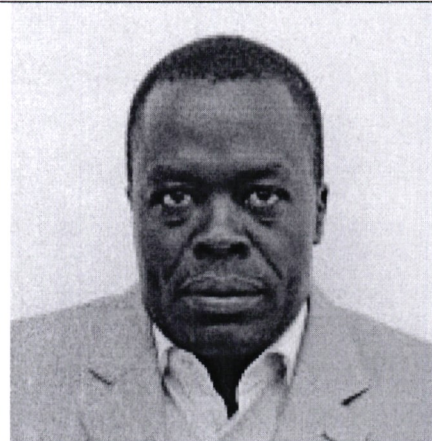
He Previously served in this Board as the Alternate Director to the Principal Secretary Ministry of Education a position and also as a Director in Kenya Literature Bureau (KLB and in School Equipment Production Unit).

He holds a Master of Education, Management & Planning and Bachelor of Science Education

**Mr. Kennedy Ogendi Ondieki**

**Alternate Director to the Cabinet Secretary, the National Treasury**

Born in 1967, Mr. Kennedy Ondieki is the Director Investments at the National Treasury. He was appointed to the Board on 14<sup>th</sup> October, 2015. He holds a master degree of Business Administration. He has specilized in public finance and governance and is also professionally trained in public accounting and secretary, and financial investment analyst. He is a member of Certified Public Accountant (CPA) and Institute of Certified Financial Investment Analyst.





**Mr. Joseph Njihia Mukui**

**Alternate Director to the Principal Secretary , State Department for Planning**

Born in June 1958, Mr. Joseph Mukui has served in the board for more than ten years and his last reappointed was on 7<sup>th</sup> January 2016. He is also a board member in Vision 2030 and in The African Institute for Economic Development and Planning (IDEP) which is a subsidiary body of the United Nations Economic Commission for Africa (UNECA). Previously, he served in Community Development Trust Fund (CDTF) and Tana and Athi Rivers Development Authority (TARDA) boards. He holds a Master of arts and Bachelor of Science. He has specilized in statistics, project management, economic development and he is also professionally trained in business management impact assessment, monitoring and evaluation. He is a member of Evaluation Society of Kenya (ESK) and Institute of Internal Auditors (IIA)

**Ms. Karen Rono**

**Alternate Director to the Attorney General**

Born on 19<sup>th</sup> March 1979, Ms. Karen Rono was appointed to the Board on 11<sup>th</sup> September, 2018.. She holds a Masters in Law (LLM), Bachelor of Laws (LLB), PGD (KSL), Strategic Leadership Development Program (SLDP), Senior Management Course (SMC) KSG.





**Mr. Paul Kibet**

Alternate Director to the Principal Secretary , State Department of Early Learning and Basic Education, Ministry of Education.

Born on 6<sup>th</sup> June 1964, Mr. Paul Kibet was appointed to the Board on 5<sup>th</sup> February, 2019. He holds a Master of science in physics, post graduate diploma in education and bachelor of science

**Ms. Maria Lekoloto**

**Director**

Born on 23<sup>rd</sup> may 1974, Ms. Maria Lekoloto was appointed to the NG-CDF Board on 26<sup>th</sup> March 2019. She represents people with disability which is a legal requirement in constituting the Board. She is also a chairperson of Pastoralist Heritage Concern Board. She holds a Master of Business Administration-Human Resource Management Bachelor of Business Administration-Human Resource and Diploma in Community Based Development. She has specilized in Human Resource Management, and she is a member of Institute of Human Resource Management.



**Mr. Abdiaziz Bulle Yarrow**

**Director**

Born on 15<sup>th</sup> February 1982, Mr. Abdiaziz Yarrow was appointed to the NG-CDF Board on 26<sup>th</sup> March, 2019. He has previously served as managing director top ten agencies and safaricom dealer for seven years

He holds a Master's of Art degree in Diplomacy and International Studies and Bachelor of Political Science Public Administration & Sociology. He is specilized in Public administration and management.



**Dr. Isabel Nyambura Waiyaki**

**Director**

Born on 19<sup>th</sup> September 1982, Dr Isabel Waiyaki is a lecturer at the University of Nairobi. She is also a member of the Board of Management Kikuyu Boys secondary School and Father Kelvin Kerry Secondary School. Previously, she served in Kikuyu NGCDF committee for 6 years, since 2013.

Dr. Isabel holds a Postgraduate Doctoral Degree in Economics, Master of Arts in Economics, Master of Arts in Leadership & Governance, Bachelor's degree in Economics and CPA part I. Dr Isabel is a member of Institute of Economic Affairs, Africa Finance & Economic Association, and African Economic & Research Consortium (AERC).

She was appointed to the NG-CDF Board on 26<sup>th</sup> March 2019.



**Hon. Peter Edick O. Anyanga**

**Director**

Born on 23<sup>rd</sup> August, 1966, Hon. Peter Anyanga was appointed to the NG-CDF Board on 26<sup>th</sup> March, 2019. Previously, he served as a member of parliament for Nyatike Constituency for two terms.

He holds a Master of Business Administration (global) specialization and Bachelor of Business Administration. He has specialized in financial Administration and is a member of Chartered Management Institute (CMI).

**Ms. Irene Masit**

**Director**

Born on 29<sup>th</sup> March 1967, Ms. Irene Masit was appointed to the NG-CDF Board on 26<sup>th</sup> March 2019. Previously, she served in Kopkega Girls Secondary, Mokwo (St. Agatta) Girls Secondary, Athal Andie Boys Secondary Boards of Management, and Elgeyo Marakwet National Land Commission Board. She has also worked as a commissioner Interim Boundaries Commission and deputy secretary constitution review commission

She holds a Master of science degree and Bachelors degree in Arts and in Law. she is a member of International Society of Substance Use Professionals (ISSUP).





**Mr. George Kasatua Ole Meshuko**

**Director**

Born on 26<sup>th</sup> December 1972, Hon. George Ole Meshuko was appointed to the NG-CDF Board on 26<sup>th</sup> March, 2019. He has previously served in Olasiti Secondary School Board of Management. He has also worked in Owing Immigration (interior) for 10 years, and County Executive Committee Narok County for 3 years.

He holds a Bachelor of Art education and is currently pursuing Master of Arts, Education Economic Planning in University of Nairobi. He has specialized in Economic Planning & Administration.

**Mr. Yusuf Mbuno**

**Chief Executive Officer**

Born on 27<sup>th</sup> April 1966, Mr. Yusuf Mbuno is the Ag. Chief executive Officer, National Government Constituencies Development Fund Board

Mr. Mbuno holds Master of Arts degree in Economics and Bachelor of Arts in Economics and Certificate in Project Planning & Management



**Simon Ndweka**

**Secretary to the Board**

Born on 24<sup>th</sup> December 1974, Mr. Simon Ndweka is the Corporation Secretary National Government Constituencies Development Fund Board

Mr. Ndweka holds Master in Business Administration degree (Strategic Management), Post Graduate Diploma in Law and Bachelors of Law degree, certified public Accountant and Certified Public Secretaries

Mr. Ndweka is a member of Institute of certified public secretaries.

II. MANAGEMENT TEAM



**Mr. Yusuf Mbuno**  
Chief Executive Officer

Yusuf Mbuno holds Master of Arts degree in Economics, Bachelor of Arts in Economics and Certificate in Project Planning & Management

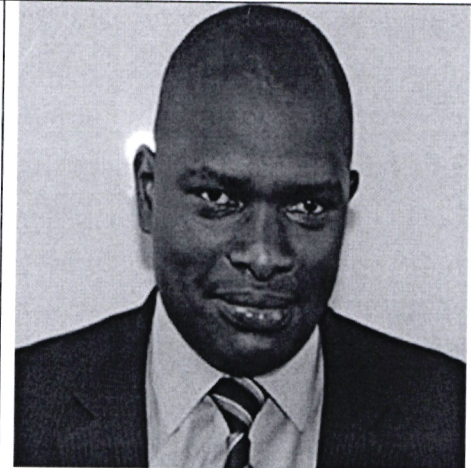
Responsibilities: Providing direction for the day to day management of the affairs and staff of the Board.

Simon Ndweka has over 15 years experience in Legal, Board Management and Corporate Governance.

He holds Masters in Business Administration degree (Strategic Management) and Bachelor of Laws.

He is a Certified Secretary and a Certified Public Accountant and a member of the Institutes of Certified Secretaries (ICS), Certified Public Accountants, Kenya (ICPAK) and Law Society of Kenya (LSK), in good standing.

Responsibilities: providing professional advice to the National Government Constituencies Development Fund Committees (NGCDFCs) on Legal, Governance and Providing technical guidance and support to Constituencies on legal and governance matters.



**Simon Ndweka**  
Secretary to the Board






**Polly Maingi**  
Senior Accountant- Field Services

Polly Maingi holds Masters in Business Administration degree (Finance) and Bachelor of Commerce.

She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants, Kenya (ICPAK) in good standing.

Responsibilities: providing professional advice to the National Government Constituencies Development Fund Committees (NGCDFCs) and fund account managers on financial management and Providing technical guidance and support to Constituencies in Preparation of Constituencies financial statements.

<p>Venazio Gachara holds Masters in Business Administration degree</p> <p>He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants, Kenya (ICPAK).</p> <p><b>Responsibilities:</b> Management of NGCDF Board secretariat finances, including financial planning, financial risks management, record-keeping, and financial reporting.</p>	 <p>Venazio Gachara Senior Accountant- Headquarter Services</p>
 <p>Raphael Nduati, Ag. Chief Manager Corporate Planning and Strategy</p>	<p>Raphael Nduati holds Masters and Bachelor's degrees in Economics.</p> <p><b>Responsibilities:</b> coordinating the policy preparation and review in strategic planning, performance management, research and statistics.</p>
<p>Alice Wachira-Mbatia holds an executive MBA degree on Strategic Management. She is a Certified Public Accountant (CPA K) and Certified Public Secretary (CPS K).</p> <p>Alice is a member of Institute of Certified Public Accountants (ICPAK, Kenya), Institute of Certified Public Secretaries (ICPS) and Institute of Internal Auditors (IIA) Kenya Chapter.</p> <p><b>Responsibilities:</b> Providing assurance on effectiveness of Risk Management, Internal controls, and governance processes within the organization to the National Government Constituencies Development Fund Board (NGCDFB).</p>	 <p>Alice Wachira Chief Internal Auditor</p>
 <p>Anne Thumbi Senior Manager Human Resource</p>	<p>Anne Thumbi holds Masters of Science in Human Resource Management, Bachelor of Science in Communication and Public Relations, Higher Diploma in Human Resource and Diploma in Personnel Management. She is a member of the Institute of Human Resource Management (IHRM) in good standing.</p> <p><b>Responsibilities:</b> providing professional advice to the National Government Constituencies Development Fund Board and staff on Human Resource matters and providing technical guidance and support to Constituencies in management of human capital.</p>



<p>Elizabeth Kitundu holds a Master in Education degree in (Economics of Education) and Diploma in Project Management.</p> <p>She has also undertaken Advanced Strategic Leadership Programme Course from Kenya Institute of Management and Strategic Leadership Development Programme Course in Kenya School of Government.</p> <p>Responsibilities: Coordination Project planning, implementation and continuous monitoring of implementation of projects by the National Government Constituencies Development Fund and Project Management Committees.</p>		 <p><b>Elizabeth Kitundu</b> Ag. Chief Manager Programme and Field Services Coordination</p>
 <p><b>Jack Odhoch</b> Chief ICT Officer</p>	<p>Jack Odhoch holds Master in Information Systems and Bachelor of Science (Statistics &amp; Computer).</p> <p>Responsibilities: Provide an interface between the Board's needs, user requirements, and the information and communication technology (ICT) used at the Board to achieve its goals of streamlining internal operations and improve customer experience by setting and implementing suitable ICT objectives &amp; strategies.</p>	
<p>Kennedy Nyabiera holds Master in procurement and Logistics, Bachelor of Arts in Economics and Graduate Diploma – Purchasing &amp; Supply (CIPS)</p> <p>He is a member of Chartered Institute of Purchase and supplies and Kenya Institute of Supply management.</p> <p>Responsibilities: Provide professional advice to NGCDF Board on procurement of goods, supplies and Services and works</p>		 <p><b>Kennedy Nyabiera</b> Senior Procurement Officer</p>



**Brenda Onyino**  
**Senior Manager**  
**Communication**

Onyino Ruth Brenda holds Masters in corporate Communication and Bachelors in Communication and PR

She is a honourable member of the public Relations Society of Kenya (PRSK).

Responsibilities: create and maintain a favourable public image for the NGCDF Board by communication programs and achievements; advising the Board and the constituencies on corporate branding and media relations.

Robert Maina holds Masters of Science degree in Risk Management and Bachelors of commerce finance option.

He is a member of Institute of Certified Public Accountant of Kenya (CPA(K)

Responsibilities: Co-ordinate and monitor the implementation of risk management framework at the Board secretariat and the constituencies



**CPA Robert Maina,**  
**Ag. Manager Risk &**  
**Compliance Division**

### III. CHAIRMAN'S STATEMENT



**Mr. Robert Masese**

On behalf of Board of Directors and the Secretariat of National Government Constituencies Development Fund, I am profoundly glad in presenting the FY 2018/2019 Annual Report and Financial Statements for the Fund. The Board continued discharging its core mandate in approving projects proposals, disbursement of funds to the approved projects and ensuring efficient management of the Fund at the constituencies. This was done mainly through Board working sessions and later in the year Board Committees' meetings.

The Board registered exemplary performance in the year under review as demonstrated by implementation of projects, programmes and activities in the sectors of Education, Security, Sports and Environment which fall within the mandate of the Fund established by the National Government Constituencies Development Fund Act, 2015 (as amended in 2016).

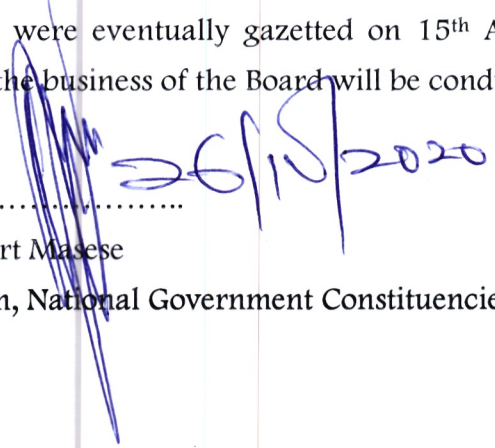
The Fund augmented the national government's infrastructure development in education sector through construction, renovation and equipping of schools. A total of 4,894 classrooms, 238 dormitories, 298 Laboratories, 407 administration blocks, and 4,054 toilets were constructed through the allocation to the Fund. The Fund's contribution towards education infrastructure across the country supported the 100% government transition policy. The Board also approved projects on construction and equipping of 2,597 security facilities amounting to Kshs 1,431,869,489.00 in FY 2018/2019 to enhance security in most parts of the country.

In addition, the Fund supported retention of students in secondary and tertiary institutions through issuance of bursary to needy students. A total of Kshs. 6,419,552,900.52 of bursary allocation was approved for award to needy students in the constituencies. The National Government Constituencies Development Fund Committees who are the custodians of the Fund in constituencies

developed criteria for bursary awards as guided by the performance contracts they signed at the beginning of FY 2018/2019.

Looking ahead, the Board is targeting to review its strategic plan 2016/17-2020/21 to incorporate Medium Term Plan III and the Big 4 agenda of the national government. The strategic initiatives envisaged in the plan are aimed at enhancing operational efficiency and effectiveness, strengthen institutional capacity, ensure efficient and effective projects management, enhance good governance, and promote effective communication and appropriate partnership to ensure effective delivery of our mandate.

The above achievements were not without challenges key among which was the lack of a fully constituted Board which sometimes made it difficult to muster quorum required to conduct a Board meeting and impossible to constitute Board committees as required by law. The seven independent members were eventually gazetted on 15<sup>th</sup> April 2019. We are therefore optimistic that going forward the business of the Board will be conducted more efficiently.



.....

Mr. Robert Masese

Chairman, National Government Constituencies Development Fund Board

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER



### Mr. Yusuf Mbuno

The National Government Constituencies Development Fund (NG-CDF) is established under Section 4(1) of the NG-CDF Act, 2015 as amended in 2016, as a National Fund consisting of monies of an amount not less than two and half per centum (2.5%) of all the National Government's share of revenue as divided by the Annual Division of Revenue Act enacted pursuant to Article 218 of the Constitution; and additionally comprises any monies accruing to or received by the Board from any other source.

The main purpose of the Fund is to enhance infrastructural and socio-economic development at the constituency level in order to reduce poverty.

This annual report outlines the achievements of the Fund in the FY 2018/2019. It highlights the projects, programs and activities implemented and resultant achievements; requisite statistical information, challenges encountered as well as Financial Statements of the Fund. The projects, programmes and activities implemented during the period under review are highlighted here below.

- I. **Big 4 initiatives and Vision 2030 Flagship projects:** The Board approved construction, renovation and equipping of 30 KMTCs in FY 2018/2019 amounting to Kshs 174,888,799.23 at the constituencies. Moreover, the Board approved construction, renovation and equipping of 39 TTIs at a cost of Kshs 188,702,926.25 in FY 2018/2019. These projects were at different phases of implementation during the reporting time.
- II. **Education and Training Projects:** The Board approved projects proposed by the constituencies on construction and equipping of 8,040 school facilities in FY 2018/2019 at a cost of Kshs 11,540,9244,15.84. In order to promote student's retention and augment 100% transition rate policy in schools the Board approved allocation of funds to bursary to constituencies amounting to Kshs 6,419,552,900.52.
- III. **Improved Performance Management in Constituencies:** In order to efficiently and effectively achieve the mission of the Fund, all the 290 constituencies signed performance contracts in

the first quarter of FY 2018/2019. The constituencies were also advised to develop their five (5) year strategic plans to guide their strategic interventions in the forthcoming years.

The Board carried out quarterly & mid-term site visits for verification of Performance Contracts implementation as well as assessment of development and implementation of strategic plans in some selected constituencies in Coast region during the reporting period.

- IV. **Strengthened linkages and communication through media:** The Board organized and participated in two (2) media education tours to constituencies in Coast and Central regions in order to expose the media to NG-CDF programmes to enhance balanced reporting on programmes, projects and activities implemented by NG-CDF in the country.

Additionally, the Board produced 12 infomercials (short informative video clips) to enhance the image of the Fund through regular communication on NG-CDF operations. The Board also improved awareness of the Fund operations by updating all its social media platforms, such as Facebook, Twitter, and Instagram as well as regularly updating its website throughout the FY 2018/2019.

Similarly, the Board participated in ten (10) ASK Shows during the FY 2018/2019 in Machakos, Nakuru, Kisii, Kisumu, Mombasa, Nyeri, Kitale, Nairobi, Kakamega & Eldoret and showcased achievements and best practises of the Fund.

#### **Challenges:**

A number of challenges impacted negatively on the execution of our mandate during the reporting period. These include inadequate staff capacity at the Board, numerous and lengthy court case challenging the existence of the Fund at Supreme Court of Kenya.

#### **Way Forward:**

Despite the challenges experienced during the reporting period, the Board remained determined to achieve its mandate. Plans are underway to enhance operations of the Fund targeting areas of improvement. At the time of this report, the Board had signed its performance contract for the FY 2019/2020 and cascaded the same to all the 290 constituencies. The Board also finished auditing 17 constituencies in Nairobi region in the beginning of the new FY 2019/2020 as well as integrating risk management and Information Security Management System (ISMS) in the 290 Constituencies.

On behalf of NG-CDF Board, I wish to express my sincere gratitude to all those who participated and, or supported the Board as it prepared this annual report. We look forward to improve service delivery to Kenyans and reduce poverty thus creating a better society for all.



Mr. Yusuf Mbuno

Chief Executive Officer, NG-CDF Board

V. CORPORATE GOVERNANCE STATEMENT

During the financial year, there were four meetings of the Board. The low number was occasioned by the fact that the Board was not fully constituted and hence it was difficult to muster quorum. The Attendance of the meetings during the year was as follows:

NO.	NAME	Meeting number			
		119	120	121	122
1.	Robert N. M. Masese-Chairperson	x	x	N/A	x
2.	Kennedy Ondieki	x	x	x	x
3.	Karen Rono	x	x	x	x
4.	Joseph Mukui	X	X	X	X
5.	Yusuf Mbuno (Ag. CEO)	X	X	X	X
6.	Paul Kibet	N/A	N/A	X	X
7.	Hon. Peter Edick Omondi Anyanga	N/A	N/A	N/A	x
8.	Hon. George Kasatua R. Ole Meshuko	N/A	N/A	N/A	x
9.	Abdiaziz Bulle Yarrow	N/A	N/A	N/A	x
10.	Dr. Isabel Nyambura Waiyaki	N/A	N/A	N/A	X
11.	Irene Masit	N/A	N/A	N/A	X
12.	Maria Lekoloto	N/A	N/A	N/A	x
13.	Dina Mboje	N/A	N/A	N/A	N/A
14.	Mumbi Mahinda	N/A	N/A	N/A	N/A

**Note:**

1. Dinah Mboje – Appointed on August 06, 2018 and retired on September 11, 2018
2. Mumbi Mahinda – Appointed on April 07, 2014 and retired on August 06, 2018

Section 2 (1) of the Second Schedule to the NGCDF Act provides that the Board shall not meet less than six and not more than eighteen times in the financial year and not more than two months shall elapse between the date of one meeting and the date of the next meeting. However, during the year, the Board held four meetings only. This was attributed to lack of duly constituted Board. Section 15 of the NGCDF Act provides for twelve (12) members of the Board, including the Chief Executive Officer. However, during the year, there were five (5) members only, constituting just a quorum, as provided for under the Section 2 (4) of the Second Schedule. Hence, in absence of all the serving members, as it could happen from time to time, the Board could not hold a scheduled



*NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019*

meeting. In its operations, the Board is aided by a Strategic plan (2016-2021). Coupled with the Strategic Plan, the Board has a Charter which is a guide that stipulates, amongst others, the individual Director Obligations and commitment towards the work of the Board. The Board charter is reviewed periodically to suit the changing circumstances. The Board Charter is supplemented by the Code of Governance of State Corporations (Mwongozo). The members of the Board are nominated by the Cabinet Secretary, parent Ministry and approved by the National Assembly, and thereafter appointed by the Cabinet Secretary. The Members of the Board serve for a period of three (3) years, renewable once. Section 19 of the NGCDF Act stipulates removal of a member thereof. Amongst reasons for removal of a Board member are:

1. Serious violation of the Constitution or any other Laws;
2. Gross misconduct, whether in performance of the member's or Office holder's functions or otherwise;
3. Physical or mental incapacity to perform the functions of office;
4. Incompetence;
5. Bankruptcy; or
6. Engaging in active politics.

The removal of a member on any of the above grounds is initiated by sending a petition to the National Assembly Select Committee on NGCDF. A member of the Board may be suspended pending hearing of a petition. The National Assembly Committee hears a petition and makes final determination on the matter. Under the NGCDF Act of 2015, the functions of the Board are listed under Section 16 thereof. The functions are as follows:

- a. Ensure timely and efficient disbursement of funds to every constituency
- b. Ensure efficient management of the Fund;
- c. Consider project proposals submitted from various constituencies in accordance with the Act, approve for funding those projects proposals that are consistent with this Act and send funds to the respective constituency fund account of the approved projects;
- d. Co-ordinate the implementation of projects at the inter-constituency level;
- e. receive and address complaints that may arise from the implementation of the Act;
- f. Encourage best practices in the implementation of projects; and
- g. Administer the funds and assets of the Board in such manner and for such purpose as shall promote the best interest of the Board in accordance with the Act to ensure efficient management of the Fund.

Upon appointment, the Board members are undertaken through induction training, besides being sponsored to attend governance related trainings, lasting for not less than one week. The current Board members attended training on the Code of Governance of State Corporations (Mwongozo). During every meeting of the Board, all directors are required to declare conflict of interest and recorded in the minutes. The Board maintains a conflict of interest register as required by Leadership and Integrity Regulations, 2015. Regarding Board's remuneration, Directors are paid sitting allowances whenever they attend a meeting or any other Board's function. While attending Board's functions outside the station, Directors are paid Daily Subsistence Allowance in accordance with prevailing rates. In terms of Governance Audit, Mwongozo requires that the exercise should be conducted once every year. The exercise can only be facilitated by accredited officers. During the year under review, no governance audit was undertaken as there were no accredited governance auditors. This fact was well communicated by SCAC. The Board shall, however, continue to observe and enforce set governance standards in its operations. The Board shall continually improve its performance with a view to achieving the strategic objectives, effectively and efficiently.

## VI. MANAGEMENT DISCUSSION AND ANALYSIS

### FUNDS DISBURSEMENTS

The Fund was established in 2003 as the Constituencies Development Fund (CDF). The name was changed to the National Government Constituencies Development Fund (NG-CDF) following the enactment of the NG-CDF Act, 2015 meant to align the Fund with the Constitution of Kenya.

Between 2003/2004 and 2018-2019, the Fund has been allocated a total of Kes.261.979 billion. Kes.258.316 billion was statutory allocation while Kes.3.663 billion was conditional grant for completing stalled projects. Out of the funds allocated, Kes.12.044 billion was allocated for running the Board secretariat while the balance of Kes.283.221 billion was allocated for disbursement to constituencies.

The Fund was allocated Kes 33.286162 Billion in Financial Year 2018/2019 This comprises of Kes 31.6218539 Billion being allocation for disbursement to the constituencies and Kes 1.6643081 billion being allocation to the Board Secretariat for administrative purposes. The Board has received a total of Kes 28Billion to date

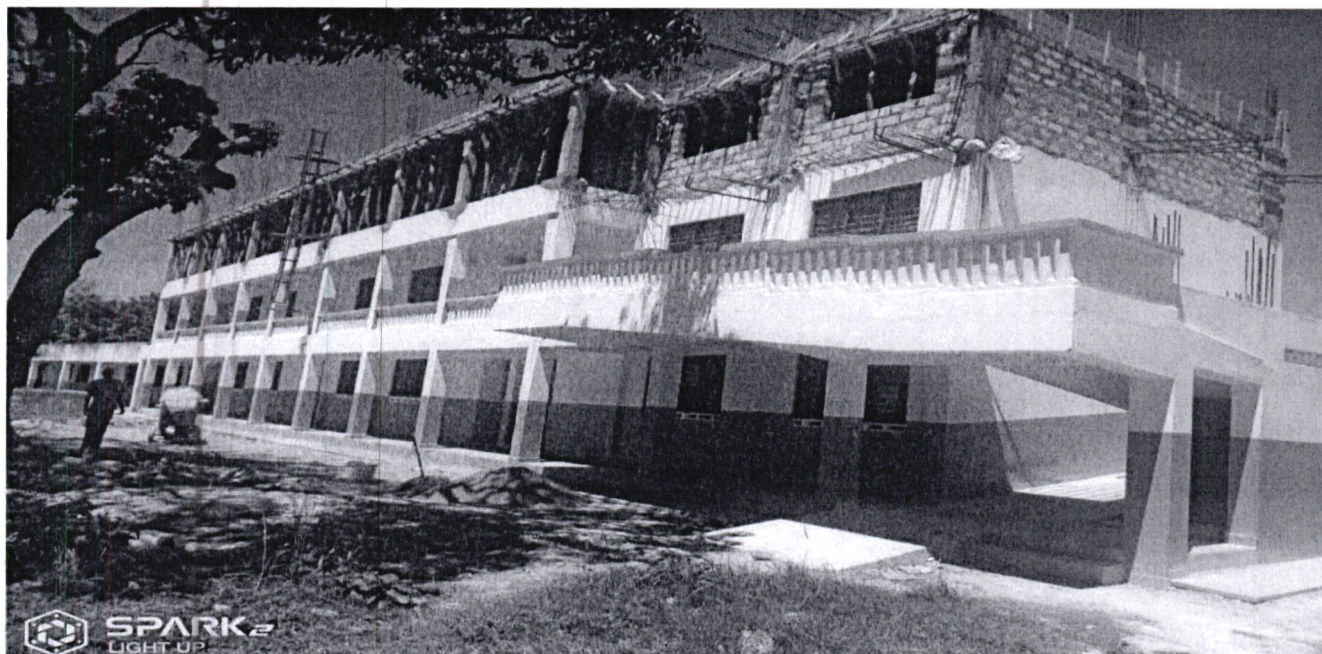
Pursuant to section 34 (1) of the NG-CDF (Amendment) Act of 2016, the Board allocated all 290 constituencies an equal share of the Kes. 31.6218539 National NG-CDF kitty. This translated to Kes 109,040,875.52 per constituency. By the end of 30<sup>th</sup> June 2019, the Board had received a total of Kes 35.925 billion from the National Treasury of which Kes 28 billion were funds allocated in 2018/2019 financial year and Kes 7.925 were funds allocated in 2017/2018 financial year was not received by the end of the 2018/2019 financial year.

The Funds were disbursed to the constituencies as follows.

- Thirty-one (31) constituencies have received full allocation amounting to Kes 5,233,962,024.
- Two hundred and fifty-nine (259) have received between 28% and 99% of the funds allocated amounting to Kes 14,770,789,290,
- Kes 1,547,930,000 has been disbursed to the secretariat for administrative purposes.
- Kes 11,839,869,572 disbursed to the constituencies with respect to previous financial years' allocation.

## PROJECTS IMPLEMENTED THROUGH THE FUND

- i. **Education and Training Projects:** The Board approved projects on construction and equipping of 8,040 school facilities in FY 2018/2019 amounting to Kes 11,540,9244,15.84. This has contributed towards achievement of 100% transition from primary education to secondary education



Kongowea Secondary School construction of 9 classrooms and 2 laboratories (ongoing) the school has increased uptake of secondary school students in the area.

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019



PROJECT IMPLEMENTED BY NAVAKHOLO NGCDF



ST PETERS HIGH SCHOOL NDUMBERI FULLY FUNDED BY NGCDF

ii. NGCDF as an enabler of 100% transition from primary schools to secondary

In order to promote student's retention rate and augment 100% transition rate policy in schools the Board approved allocation of funds to bursary to constituencies amounting to Kes 6,419,552,900.52.

NG-CDF has also been effective as an enabler in the transition from primary to secondary through funding of school buses that have been resourceful in running most school logistics and most of all improving students' morale. Purchase of sports kits and planting of trees has also been a part of the NG-CDF agenda in order to promote extra-curricular programs at the same time teaching students on better ways of conserving the environment. Construction of police posts within close reach of the school compound has improved student enrolment countrywide due to improved security conditions.

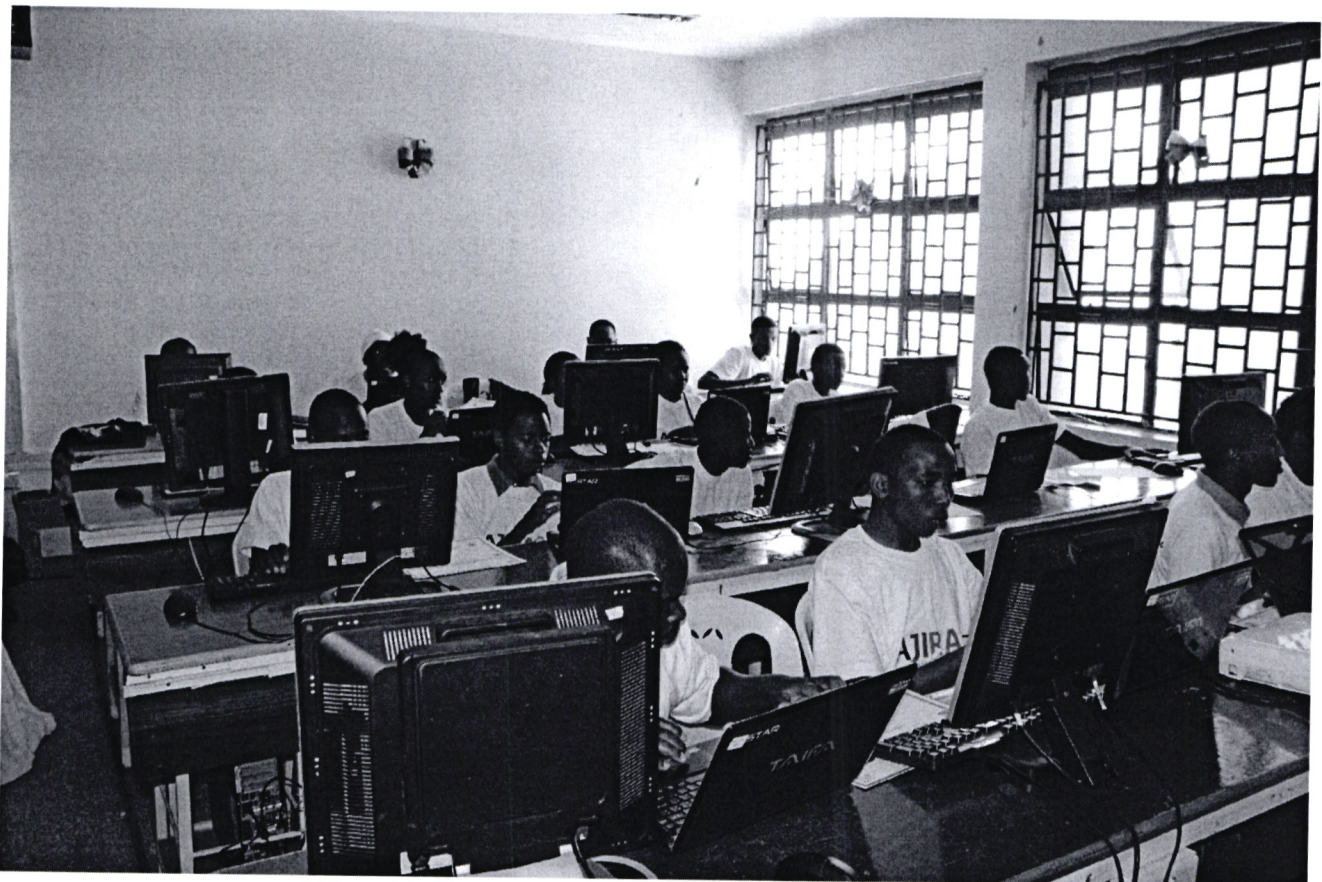


BUS PROJECT FUNDED BY NAROK SOUTH NGCDF

iii. Ajira digital platform Projects

Ajira digital platform is an online jobs platform initiative by the Government, driven by the Ministry of ICT to empower the youth access job opportunities. The program's aim is to introduce young people to online digital work and provide the tools, training and mentorship needed for young people to work and earn an income with dignity achieving the country's objective of a globally competitive knowledge-based middle-income economy in an increasingly digital world.

The NG-CDF Board, through its regular guidelines to constituencies, urged constituencies to include Constituency Innovation Hubs (CIH) in their project proposals. Currently, two hundred and fifty-eight (258) constituencies have set aside funds to support establishment of nine hundred and seventy-one (971) CIH projects. To set up one hub requires Kes 1,169,256.80 (cost covered by NG-CDF) which is paid to Telkom Kenya to supply free internet, install and commission the equipment needed to run the Hub.



MUKURWEINI NGCDF ICT HUB PROJECT



#### KAMUKUNJI NGCDF ICT HUB PROJECT

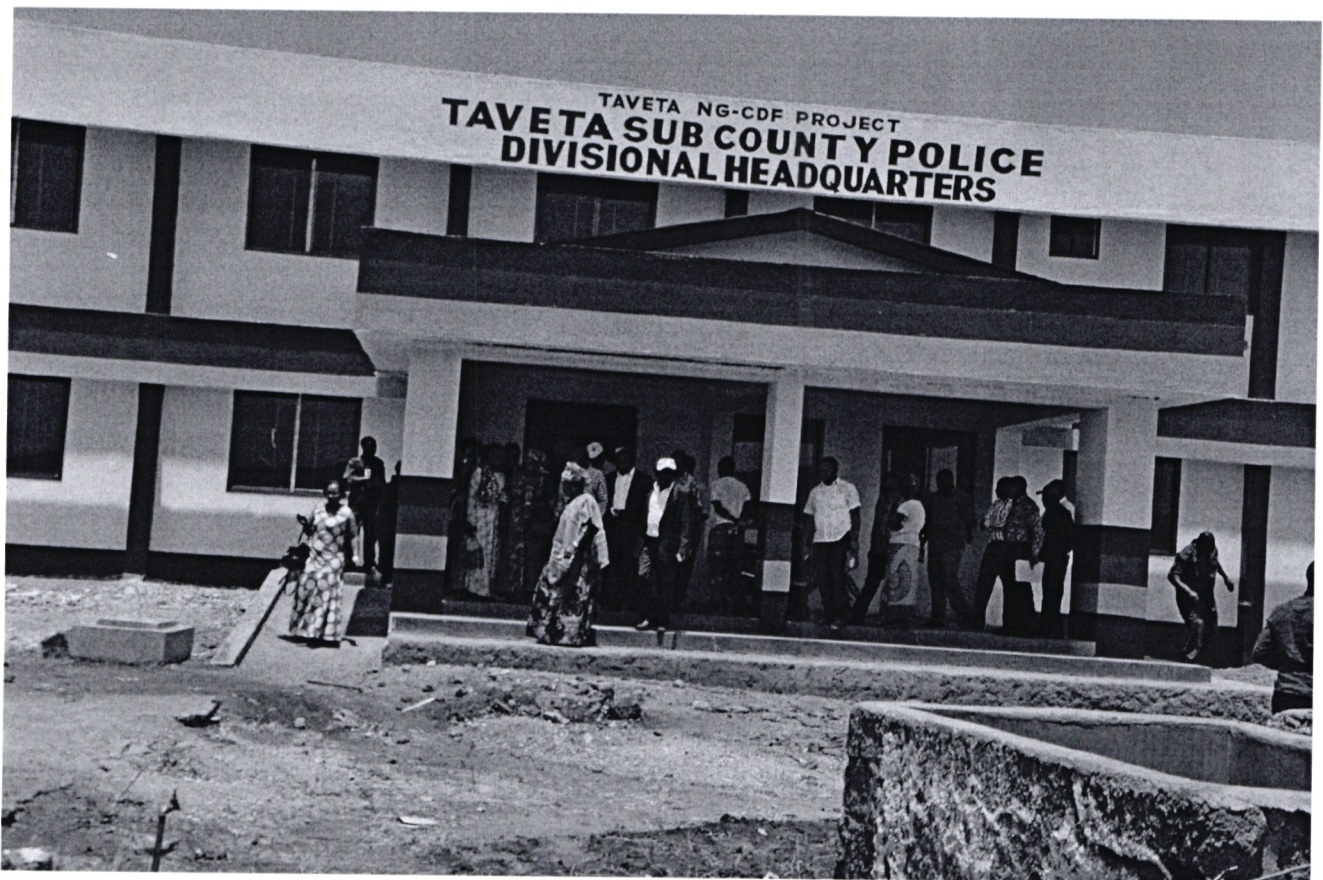
iv. Big 4 initiatives and Vision 2030 Flagship projects:

The Board approved construction, renovation and equipping of 30 KMTCS in FY 2018/2019 amounting to Kess 174,888,799.23 at the constituencies. Moreover, the Board approved construction, renovation and equipping of 39 TTIs amounting to Kes 188,702,926.25 in FY 2018/2019. These projects were at different phases of implementation during the reporting time.



v. Security projects

During the year under review, the Board approved projects proposals towards construction of police posts, chief offices, and installation of security lights among others. This has contributed towards improving security of the locals at the constituencies as well as reduction in crime rates.



**TAVETA SUBCOUNTY POLICE DIVISIONAL HEADQUARTERS IMPEMENTED BY TAVETA NGCDF**

**STATUTORY REQUIREMENTS**

The Board has continued to ensure that management of the Fund at the constituency level complies with all the statutory requirements through issuance of circulars and policies. In the period under review no sanction was received for non- compliance in the management of the Fund.

## MAJOR RISKS FACING THE FUNDS

Mwongozo code of governance on state corporations require the board to ensure risk assessment is conducted and the risks are monitored. The NGCDF board through management conducted risk assessment and identified major risks facing the fund.

1. Shortage/insufficient staff at the NGCDF Board.
2. Inadequate technical support from relevant government departments.
3. Litigations on Constitutionality of NGCDF Act
4. Inadequate managerial and technical skills among some NG-CDFC members
5. Abandonment of/ Non allocation of funds to ongoing projects
6. Delayed disbursement of funds to the constituencies.
7. Inadequate project management and supervision skills among the PMC members
8. Delay in approval of project proposals, resubmissions and reallocations by the NG-CDF Board
9. Excess employment of NGCDFC staff
10. Poor and unreliable internet connectivity in NGCDF offices
11. Insecurity incidences in constituencies
12. Needy and deserving students missing out on bursary
13. Inequitable distribution of projects within the constituency
14. Stalled projects under devolved factions resulting from commencement of NG-CDF act 2015
15. Complete but unutilized projects
16. Lack of ownership documents on public land for project implementation.
17. Poor workmanship on projects by contractors
18. Non adherence to public procurement process.

Proper internal controls have been put in place and they are being monitored continuously.

## IMPLEMENTATION CHALLENGES AND EMERGING ISSUES

During the period under review, the NG-CDF Board has continued pursue the goal of performance improvement by institutionalising public sector reforms implemented by the Government of Kenya as well as other internal interventions with the aim of ensuring efficient, effective and ethical delivery of services to the people of Kenya.

The Board continues to commit itself to this goal by developing annual performance targets that it believes will aid in bring about sustainable change and ultimately negotiating a performance contract with the Government of Kenya. This coupled with other public sector reforms that have

*NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019*

been put in place all serve to improve efficiency and effectiveness in the management of public affairs by the Board in its operations at the constituency level as well as at its headquarters.

However, despite its best efforts, the accomplishment of these goals has been hampered by several factors over the past year.

**(i) Pending receipts for previous Financial Years**

Analysis of the receipts from the National Treasury for 2011/2012, 2013/14 and 2014/15, financial years indicates an outstanding arrears amounting to Kes.4,976,750,000 as shown in the table below: -

No.	Financial Year	Allocation	Amount Received	Amount in Arrears
1	2011/2012	22,978,000,000	22,436,250,000	541,750,000
2	2013/2014	23,062,000,000	20,933,500,000	2,128,500,000
3	2014/2015	33,213,000,000	30,906,500,000	2,306,500,000
	<b>Total</b>	<b>79,253,000,000</b>	<b>74,276,250,000</b>	<b>4,976,750,000</b>

This gap between allocation and receipts constrains the Board's ability to finance the entire approved Constituencies' Project Proposals.

**(ii) Pace in replenishment of the Board's main account.**

The pace of replenishment of Board's account has remained a challenge to project implementation. However, the Board continues to engage the National Treasury with a view to ensuring regular replenishment of the account at predictable tranches

**(iii) Legal challenges**

The National Government Constituency Development Fund is facing Constitutional legal suits now at the Supreme Court after two organisations challenged a decision made by the Court of Appeal in November 2017. The Institute for Social Accountability (TISA) and Centre for Enhancing Democracy and Good Governance have gone to Supreme Court to challenge the constitutionality of NG-CDF Act, 2015. They argue that the current NG-CDF Act is unconstitutional as it offends the principles of public finance, division of revenue and the division of functions of the national and county governments.

**(iv) Staff Levels**

The NG-CDF Board secretariat is understaffed. This has severely hampered the Board's operations especially in as far as labour intensive tasks are concerned. As a result, the existing staff find

themselves spread thin and take longer to perform some duties than expected. However, recruitment of additional staff will be undertaken once the National Treasury blanket freezing on hiring that was put in place in July 2017 is lifted.

## VII. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

The Board adopted a Corporate Social Responsibility (CSR) policy as part of mechanism to encourage best practices in the implementation of projects as provided for in Section 16 (f) of the NG-CDF Act, 2015.

The objective of the NG-CDF Board CSR is to guide stakeholders in embracing requisite values that encourage continuous improvement by demonstrating ideal approaches in project implementation that embrace the principles of community participation, social inclusion, environmental sustainability, excellence in quality of project implementation and adherence to pertinent laws and government policies/guidelines.

In line with this, the NGCDF Board focuses on:

- Maintaining good environmental system that is suitable to the nature, scale and environmental impacts of its operations and related activities.
- Making environmental concerns as an integral part of its' planning and decision making process by committing sufficient resources in order to implement effective environmental and sustainability programs.
- Providing the necessary training for its employees to ensure that they have enough knowledge and capacity to conduct operations in a manner that is consistent with sound environmental practices while at the same time encouraging employees to be involved in environmental action.
- Avoiding, minimizing and mitigating any adverse environmental impacts caused by its operations.
- Adopting the highest standards in all areas of operations, meeting and exceeding all relevant requirements.
- Assessing its operational activities and identifying areas where it can minimize waste and negative environmental impacts through careful and efficient use of all materials and energy by promoting the use of environmentally friendly technologies.
- Promoting environmental awareness among its employees by encouraging them to work in an environmentally responsible manner.

- Continually assessing the environmental impact of all its operations.

Fundable projects under the CSR programme are those that meet the eligibility criteria as per the law governing NG-CDF. The above notwithstanding, eligible projects under the CSR programme are required to meet the following criteria:-

- a) Community based projects addressing the needs of a wide cross section of inhabitants of a particular area;
- b) Projects addressing National Government mandates as outlined in the Fourth Schedule of the Constitution of Kenya;
- c) Activities focusing on persons with special needs with a view to promoting equal opportunities to all persons;
- d) High impact projects to the community for optimal value for the allocated funds;
- e) Integration of environmental/tree planting programme into the facilities proposed for support under the NG-CDF Board CSR programme.
- f) Incorporation of project components which include requisite accessories, equipment and safety installations (such as fire extinguishers, lightning arresters, emergency exits among other applicable components) to facilitate immediate and safe use after handover;
- g) The design should cater for the needs of all users including persons with special needs, such as access ramps for wheelchair users; separate sanitation facilities for persons of all gender, underage persons and persons with disability must be included in the project design.
- h) The projects must comply with pertinent laws, regulations and government policies/guidelines including recommended designs and requirements for specific facilities e.g. dormitories, classrooms, libraries among others.

*NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019*

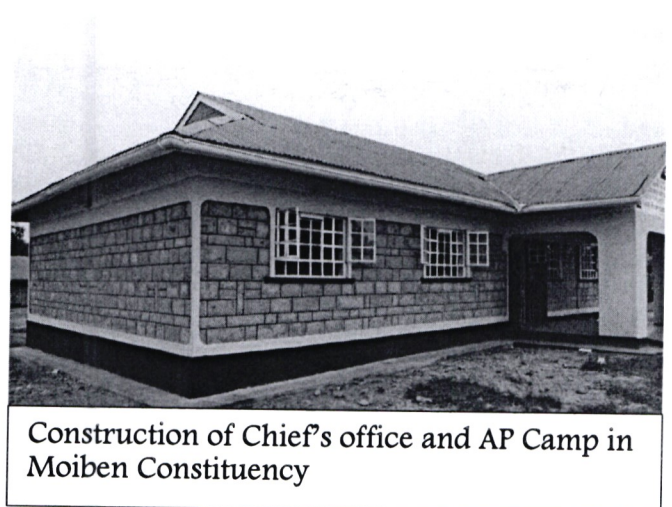
In the financial year 2017/2018, the Board approved projects proposal under the CSR programme for twenty five (25) constituencies drawn from various parts of the country.

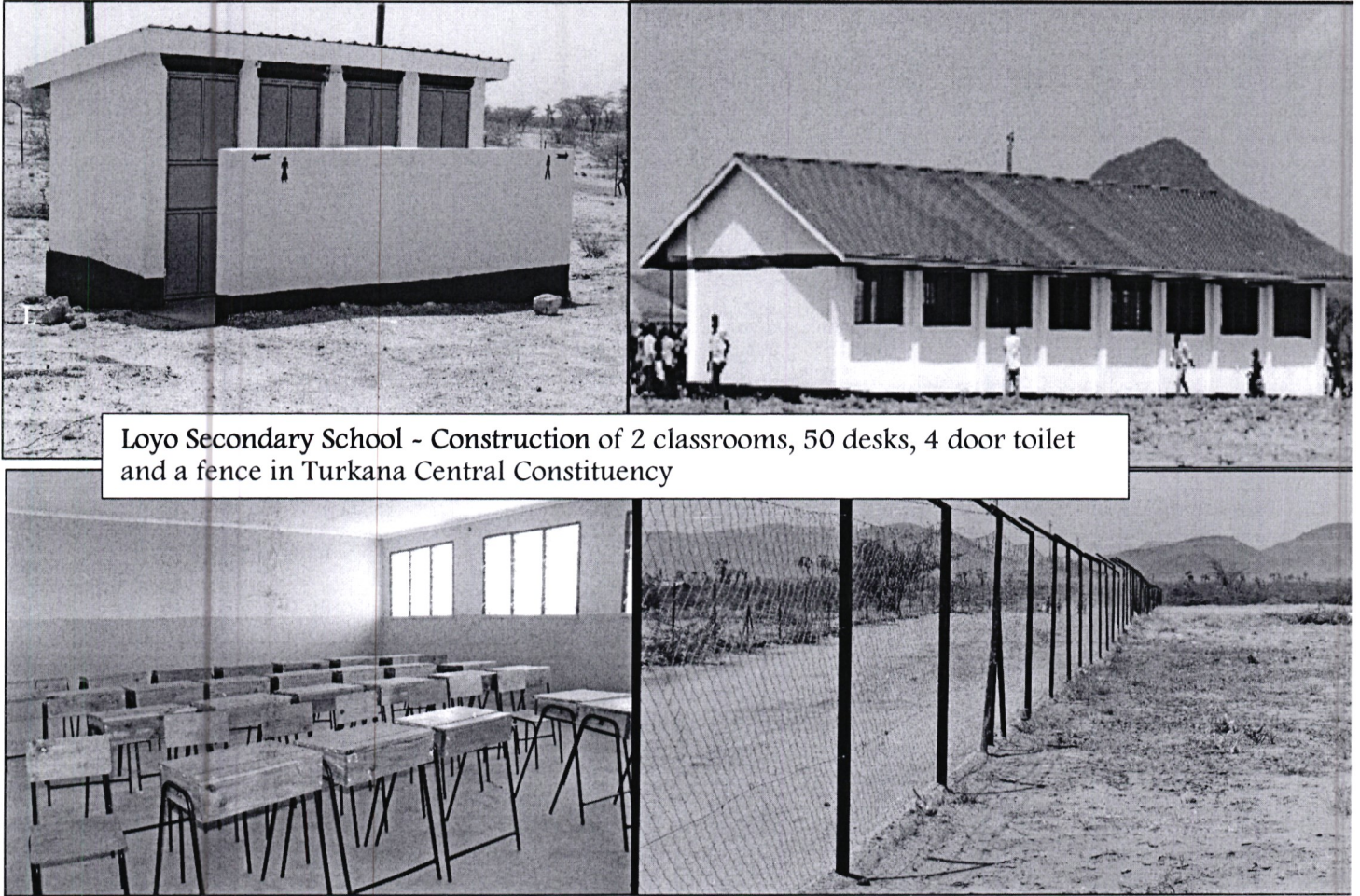
The NGCDF Board recognizes its responsibility of being environmentally responsible by complying with all environmental laws at all phases of its activities. The Board is responsible for ensuring that the policy on environmental sustainability is implemented and that the natural and man-made resources are protected through the implementation of proactive environmental programs.

To achieve the 2017-2018 objectives, the Board undertook several activities aimed at enhancing environmental education, awareness and Sensitization on environmental sustainability relevant to the institutional mandate. The Board carried out environmental activities in the following counties: **Narok** - Narok East, Narok West, Narok South constituencies; **Laikipia** - Laikipia North and West constituencies; **Kiambu** - Kiambaa constituency; **Makueni** - Makueni constituency. **Baringo** - Eldama Ravine constituency.

The Board also participated in Chemususu Dam Half Marathon in Eldama Ravine constituency and undertook tree planting, conservation using biogas at Poror High School.

**Some of the Corporate Social Responsibility Projects**







## **VIII. REPORT OF THE DIRECTORS**

The Directors submit their report together with the financial statements for the year ended June 30, 2019, which show the state of the NGCDF Board affairs.

### **Principal activities**

The principal activities of the Board continue to be:

- (a) Ensure timely and efficient disbursement of funds to every constituency;
- (b) Ensure efficient management of the Fund;
- (c) Consider project proposals submitted from various constituencies in accordance with the Act. Approve for funding those projects proposals that are consistent with this Act and send funds to the respective constituency fund account of the approved projects;
- (d) Co-ordinate the implementation of projects at the inter-constituency level;
- (e) Receive and address complaints that may arise from the implementation of the Act;
- (f) Encourage best practices in the implementation of projects;
- (g) administer the funds and assets of the Board in such manner and for such purpose as shall promote the best interest of the Board in accordance with the Act to ensure efficient management of the Fund; and
- (h) Perform such other duties, as the Board may deem necessary from time to time for the proper management of the Fund.

### **Results**

The results of the entity for the year ended June 30, 2019 are set out on page 42 to 57 of this report

### **Directors**

The members of the Board of Directors who served during the year are shown on page 8-12 of this report.

### **Auditors**

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

## X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and Section 39 (4) of the NGCDF Act 2015 require the Directors to prepare financial statements in respect of NGCDF, which give a true and fair view of the state of affairs of the NGCDF at the end of the financial year/period and the operating results of the NGCDF for that year/period. The Directors are also required to ensure that the NGCDF keeps proper accounting records which disclose with reasonable accuracy the financial position of the NGCDF. The Directors are also responsible for safeguarding the assets of the NGCDF.

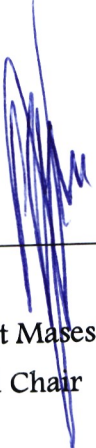
The Directors are responsible for the preparation and presentation of the NGCDF's financial statements, which give a true and fair view of the state of affairs of the NGCDF for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial 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 Directors accept responsibility for the NGCDF's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) accrual, and in the manner required by the PFM Act and the State Corporations Act. The Directors are 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, 2019, and of the NGCDF's financial position as at that date. The Directors further confirm 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.


Nothing has come to the attention of the Directors to indicate that the NGCDF will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The NGCDF financial statements were signed on behalf of the Board by:

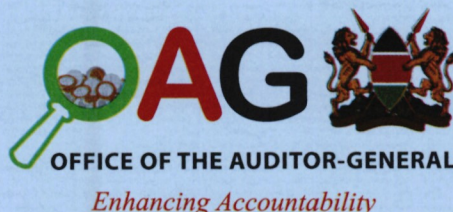
  
\_\_\_\_\_  
Robert Masese  
Board Chair

26/10/2020

  
\_\_\_\_\_  
Yusuf Mbuno  
Chief Executive Officer  
\_\_\_\_\_  
Venazio Gachara  
Head of Finance (HQ)  
ICPAK No: 12156

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2019**

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund set out on pages 42 to 65, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts 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 as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the National Government Constituency Development Fund Act, 2015 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Property, Plant and Equipment**

###### **1.1 Loss of Obsolete Assets**

The statement of cash flows reflects a loss of obsolete assets amount of Kshs.5,062,515 under cash from operating activities which has not been supported. In addition, the figure has been referenced to as Note 18 to the financial statements while the Note does not reflect such an amount.

###### **1.2 Unexplained Disposals of Computer Equipment**

Note 13 to the financial statements reflects a disposal figure of Kshs.67,891,128 under computer equipment which is not supported by any documentation. No record was provided to show that the assets were previously categorized as computers. The

breakdown of disposed computers and related assets not included in Note 17 on disposal of property, plant and equipment is shown below.

Asset Name	Purchase Date	Cost Kshs	NBV Kshs	Charge value Kshs	Accumulative Depreciation Kshs
CDFMIS Software	30/06/2011	31,219,426	1,259,817	539,921	29,959,609
CDFMIS Software	30/06/2013	35,934,202	2,071,535	887,800	33,862,666
Hard Disk	30/06/2016	200,000	48,020	20,580	151,980
Software	30/06/2017	360,000	123,480	52,920	236,520
Computer System	19/01/2017	107,500	36,873	15,802	70,627
20 Flash Disks	2013	70,000	4,036	1729	65,964
<b>Total</b>		<b>67,891,128</b>	<b>3,543,761</b>	<b>1,518,752</b>	<b>64,347,366</b>

Consequently, the existence, completeness and accuracy of the property, plant and equipment figure of Kshs.112,203,116 as at 30 June, 2019 could not be confirmed.

### 1.3 Failure to Provide Original Logbooks

Included in the property, plant and equipment balance of Kshs.112,203,116 are three (3) motor vehicles reflected in the table below, with a total historical cost of Kshs.17,412,000 whose logbooks were not availed for audit verification:

Asset Name	Barcode Name	Cost (Kshs.)	Year of Purchase
Mitsubishi Pajero	GKB 454D	5,804,000	2013
Mitsubishi Pajero	GKB 455D	5,804,000	2013
Mitsubishi Pajero	GKB 456D	5,804,000	2013

Consequently, the ownership of the above vehicles with historical cost value of Kshs.17,412,000 could not be confirmed.

### 1.4 Lost Cameras

Included in the balance of Kshs.112,203,116 are cameras bought in 2018 by the Board at a cost of Kshs.279,885 and which were reported missing. The cameras continue to be included in the assets even though not physically available for use by the Board. No meaningful efforts appear to have been taken by Management to recover the stolen equipment or hold any officer responsible for occasioning the loss.

Consequently, it has not been possible to confirm that the Fund got value for money from Kshs.279,885 used to procure the cameras.

## 2. Cash and Cash Equivalents

The statement of financial position as at 30 June, 2019 reflects cash and cash equivalents balance of Kshs.1,711,951,774. However, the following matters were noted;

## 2.1 Dormant Bank Accounts

As disclosed in Note 11 to the financial statements, the statement of financial position reflects a balance of Kshs.1,711,951,774 under cash and cash equivalents which includes an amount of Kshs.35,429,127 held in dormant bank accounts as follows:

<b>Bank Name</b>	<b>Balance as at 30 June, 2019 Kshs.</b>
KCB (ESP)	32,504,840
ABC (current)	371
Equity	415
Eco (Current)	2,923,501
<b>Total</b>	<b>35,429,127</b>

No explanation has been provided as to why these bank accounts remained dormant during the last two (2) years and why action has not been taken to close the same and avoid incurring unnecessary running expenses.

## 2.2 Unrecorded Amounts- Kenya Commercial Bank Account

The statement of financial position reflects cash and cash equivalents balance of Kshs.1,711,951,774 which includes a balance of Kshs.38,022,931 held in a Kenya Commercial Bank (KCB) account. However, a review of the KCB account bank reconciliation statements for the month of June, 2019 revealed payments in bank statements not in cash book of Kshs.32,589,081. These unrecorded amounts are in respect of monies fraudulently withdrawn from the Fund's KCB bank account in the year 2011/2012 which has not been recovered to date. In the circumstances, the accuracy of the cash balance reflected under the KCB cashbook account of Kshs.38,022,931 could not be confirmed.

## 3. Non-Current Employee Benefit Obligation

As disclosed in Note 16(b) to the financial statement, the statement of financial position reflects a balance of Kshs.227,799,075 under non-current employee benefit obligation being provisions for gratuity less the gratuity paid in the year under review. The Management has not explained why the entire amount is classified as non-current liability yet there is a component of gratuity due and payable each year.

Further, the reconciled bank balance for the gratuity money at Equity Bank account as at 30 June, 2019 was Kshs.104,541,042 which differs with the financial statements balance for Non-Current employee benefit obligation reflected under Note 16(b) to the financial statements of Kshs.227,799,075, and resulted in an unreconciled variance of Kshs.123,258,033. In addition, the Fund Management did not maintain a movement schedule of the opening employee benefit obligation balance, additional provisions made during the year and payments paid out during the current year.

Consequently, the accuracy and completeness of non-current employee benefit obligation of Kshs.227,799,075 could not be confirmed.

#### **4. Employee Benefit Obligation**

The statement of financial position reflects employee benefits obligation of Kshs.2,710,867 which relates to leave allowance provisions net of the allowances paid during the year. However, the analysis of this balance per staff member was not availed for audit verification.

Consequently, the accuracy and completeness of the employee benefit obligation of Kshs.2,710,867 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

##### **1. Unauthorized Training Expenditure**

During the year under review, the Fund Board spent a total of Kshs.171,271,349 on training against a budgetary provision of Kshs.138,227,000, resulting in unauthorized expenditure of Kshs 33,044,349. Further, it was noted that the annual training needs assessment were pegged at Kshs.108,660,372. No reallocation approvals were provided for audit verification. Consequently, it was not possible to match the trainings conducted by the Fund Board against the training needs assessment. Further, the source of funding for over expenditure is unknown.

Under the circumstances, the over expenditure of Kshs.33,044,349 on training is irregular.

##### **2. Unresolved Prior Year issues**

As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, various prior year's audit issues remained unresolved as at 30 June, 2019. Management has not provided reasons for the delay in resolving the prior year's audit issues.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Under-Utilization of National Government Constituency Development Fund Management Information System**

The Fund Board entered into a contract with a Consultant for the supply and implementation of an Integrated Constituency Development Fund Management Information System (CDFMIS) at a contract sum of Kshs.34,800,000 on 31 August, 2010. The major objective of the system was to implement an integrated Constituency Development Fund Management Information System (CDFMIS) across all the departments and at the constituency level. The system has modules which includes programmes, finance, legal services, corporate planning strategy, audit, communication and procurement. The only department that is partially utilizing the system is the programmes department.

Further, an amount of Kshs.10,536,800 was spent in 2017/2018 to train fund managers on use of the project's module of the MIS in Eldoret. The basis of selection of the trainer who was different from the system implementation consultant was not availed for audit verification. The secretariat programmes and finance staff were trained in February, 2019 on use of the project's module of the CDFMIS but the details on the cost that was incurred for the training were not availed for audit verification. Despite all the investment in the cost of purchase, maintenance and training, the integrated CDFMIS largely remains underutilized since 2010 and hence the CDFMIS has not been put in proper use as intended by the Fund Board. No explanation has been provided why the system has not been fully implemented.

Consequently, there is no evidence that the Fund has received value for money in the procurement of the integrated Constituency Development Fund Management Information System. Further, no explanation has been provided on why the system has not been put to use.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that



govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. IT Weaknesses**

During the year under review, the Fund Board did not have a Disaster Recovery Plan and an automated financial management system for its operations.

#### **2. Undisclosed Information on Disposal of Assets**

The following information in regard to disposal of assets was not availed for audit verification:

- i) Appointment letters of members to the Disposal Committee
- ii) The list of unserviceable, obsolescent assets that was forwarded to the Disposal Committee.
- iii) A Disposal report that was forwarded and approved by the Accounting Officer with specific recommendations on the items to be disposed or those not to be disposed and reasons therefore.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board 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.

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**21 January, 2021**

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

Assets	Notes	2018/2019	2017/2018
		Kes	Kes
<b>Current assets</b>			
Cash and cash equivalents	11	1,711,951,774	1,502,721,471
Receivables	12	7,662,068	130,028,779
		<b>1,719,613,842</b>	<b>1,632,750,250</b>
<b>Non-current assets</b>			
Property plant equipment	13	112,203,116	97,283,759
Intangible Asset	14	1,903,029	2,718,613
		<b>114,106,145</b>	<b>100,002,372</b>
<b>Total assets</b>		<b><u>1,833,719,987</u></b>	<b><u>1,732,752,623</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	15	36,057,436	147,192,700
Employee benefit obligation	16(a)	2,710,867	4,072,867
		<b>38,768,303</b>	<b>151,265,567</b>
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	16(b)	227,799,075	143,672,256
		<b>227,799,075</b>	<b>143,672,256</b>
<b>Total liabilities</b>		<b><u>266,567,378</u></b>	<b><u>294,937,823</u></b>
<b>Net assets</b>		<b><u>1,567,152,608</u></b>	<b><u>1,437,814,800</u></b>
<b>Represented by</b>			
Accumulated Reserves		<b><u>1,567,152,608</u></b>	<b><u>1,437,814,800</u></b>

The Financial Statements set out on pages 42 to 57 were signed on behalf of the Board of Directors by:

Robert Masese  
Board Chair

Yusuf Mbuno  
Chief Executive Officer

Venazio Gachara  
Head of Finance (HQ)  
ICPAK No: 12156

Date -----

Date -----

Date -----

XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018/2019	2017/2018
Revenue from non-exchange transactions		Kes	Kes
Transfers from State Department of Planning & Statistics	3	1,547,930,000	1,325,000,000
Revenue from exchange transactions	4	39,884,497	35,047,761
<b>Total revenue</b>		<b>1,587,814,497</b>	<b>1,360,047,761</b>
<b>Expenses</b>			
Employee costs	5	838,418,350	832,559,413
Board Expenses	6	17,220,257	8,755,505
Depreciation and Amortization expense	7	30,021,048	24,906,903
Repairs and maintenance	8	16,671,681	15,153,477
Contracted services	9	41,994,585	27,699,963
General expenses	10	585,786,714	584,678,158
<b>Total expenses</b>		<b>1,530,112,635</b>	<b>1,493,753,419</b>
<b>(Deficit)/Surplus before Taxation</b>		<b>57,701,863</b>	<b>(133,705,658)</b>
Taxation ( Exempt)	21	-	-
<b>(Deficit)/Surplus for the period</b>		<b>57,701,863</b>	<b>(133,705,658)</b>

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

Revenue Reserve	2018/2019	2017/2018
	Kes	Kes
Reserves at the Beginning of the Year	1,437,814,800	1,571,520,458
(Deficit)/Surplus for the Year	57,701,863	(133,705,658)
Adjustments	71,635,946	-
Reserves at the End of the Year	1,567,152,608	1,437,814,800

Revenue reserve resulted from savings/under absorption of funds accumulated from previous year.

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	Notes	2018/2019	2017/2018
		Kes	Kes
Surplus for the year		57,701,863	(133,705,658)
Add Depreciation & Amortization	7	30,021,048	24,906,903
Add Loss from Obsolete Asset	18	5,062,515	
Less profit From Sales of Asset	17	(2,471,489)	-
<b>Cash from Operating Activities</b>		<b>90,313,936</b>	<b>(108,798,755)</b>
<b>Changes in Working Capital</b>			
(Decrease)/Increase in Payables	15	(111,135,263)	16,837,381
(Decrease)/Increase in Employee benefit obligation	16(a)	(1,362,000)	(974,082)
(Decrease)/Increase in Non Current Employee obligation	16(b)	84,126,819	75,113,074
Decrease/(Increase) in Receivables	12	122,366,711	(36,638,118)
<b>Net Cash flow Used in Operating activities</b>		<b>93,996,267</b>	<b>54,338,255</b>
<b>Cash flow from Investing activities</b>			
Purchase of Property Plant Equipment	13	(49,568,243)	(7,580,140)
Proceeds from Disposal of Property Plant Equipment	17	2,852,397	-
<b>Net Cash flow Used in Investing activities</b>		<b>(46,715,846)</b>	<b>(7,580,140)</b>
<b>Net (Decrease)/Increase in Cash &amp; Cash equivalents</b>		<b>209,230,303</b>	<b>(62,040,640)</b>
<b>Cash &amp; Cash Equivalent at start of the year</b>		<b>1,502,721,470</b>	<b>1,564,762,110</b>
<b>Cash &amp; Cash Equivalent at end of the year</b>	11	<b>1,711,951,774</b>	<b>1,502,721,470</b>



NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER 2019

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FINANCIAL YEAR 2018/2019	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE
	Kes		Kes	Kes	
Revenues	1,547,930,000		1,547,930,000	1,547,930,000	(4,884,497)
Government of Kenya Grants	35,000,000		35,000,000	39,884,497	(4,884,497)
A-I-A	1,582,930,000		1,582,930,000	1,587,814,497	-
Total Income	851,342,000		851,342,000	838,418,350	12,923,650
Expenses	38,693,000		38,693,000	17,220,257	21,472,743
Employee costs	618,353,000		618,353,000	585,786,714	32,566,286
Board Expenses	56,000,000		56,000,000	41,994,585	14,005,415
General expenses	18,542,000		18,542,000	16,671,681	1,870,319
Contracted services	-		-	30,021,048	(30,021,048)
Repairs and Maintenance	1,582,930,000		1,582,930,000	1,530,112,635	52,817,365
Depreciation and Amortization expense	-		-	57,701,863	(57,701,863)
Total Expenses					
Surplus /Deficit					

**NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

<b>FINANCIAL YEAR 2017/2018</b>	<b>ORIGINAL BUDGET</b>	<b>ADJUSTMENTS</b>	<b>FINAL BUDGET</b>	<b>ACTUAL AMOUNTS</b>	<b>ANCEVARI</b>
	Kes		Kes	Kes	Kes
Revenues					
Government of Kenya Grants	1,325,000,000		1,325,000,000	1,325,000,000	
A-1-A					
Total Income	1,325,000,000		1,325,000,000	1,325,000,000	
Expenses					
Employee cost	1,325,000,000		1,325,000,000	35,047,761	
Board Expenses					
General expenses	1,060,277,298		1,060,277,298	1,360,047,761	(35,047,761)
Contracted services	53,597,500		53,597,500	832,559,413	
Repairs and Maintenance	1,293,183,548		1,293,183,548	8,755,505	227,717,885
Depreciation and Amortization expense	45,500,000		45,500,000	584,678,158	44,841,995
Total Expenses	37,900,000		37,900,000	27,699,963	708,505,390
Deficit				15,153,477	17,800,037
	2,490,458,346		2,490,458,346	24,906,903	22,746,523
	(1,165,458,346)		(1,165,458,346)	1,493,753,419	(24,906,903)
				(133,705,658)	996,704,927
					(1,031,752,688)

Refer to note 19 for explanatory notes on material variances

## **NOTES TO THE FINANCIAL STATEMENTS**

Following discussions we held with the Public Sector Accounting Standards Board, the NGCDF Board has prepared two separate statements for the Board Secretariat (5% allocation) and the Fund Account at Central Bank of Kenya (CBK).

In effect, the Board Secretariat (5% allocation) financial statements together with the financial statements for each of the 290 constituencies (95% allocation) constitute mirror statements for the CBK Fund account financial statements.

### **Statement of compliance with IPSAS**

The NGCDF's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya Shillings (Kes), which is the functional and reporting currency of the NGCDF and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

### **1. Summary of significant accounting policies applied**

#### **a) Revenue recognition**

##### **Transfers from other government entities**

The receipts/revenue of the Fund consists of at least 2.5% of the total annual ordinary revenue the Government collects in a financial year. Revenue for the secretariat is 5% of the Fund's total allocation and the remaining 95% is disbursed to constituencies to fund various development projects and treated as grants to constituencies.

Revenue is recognized once the National Budget has been approved by Parliament.

##### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

#### **b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the NGCDF. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or NGCDF

*NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019*

differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Reducing balance method is used in calculating depreciation using the following rates:

	Asset category	Rate of depreciation/amortisation
1.	Motor vehicles	25%
2.	Computers equipment	30%
3.	Furniture, Fittings and general equipment	12.5%
4.	Intangible assets	30%

**d) Intangible assets – IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The intangible Asset is the NGCDF MIS (Management Integrated System) which is an Enterprise Resource Planning (ERP) tool developed for the Board.

**e) Employee benefits – IPSAS 25**

**Retirement benefit plans**

Employees of the Fund's Secretariat are either on secondment from various ministries or are employed on contract terms and therefore accrue pension /gratuity obligations. The pension/gratuity obligations for the staff members are calculated and paid monthly to a separate bank account opened for the purpose with Equity bank. Monthly payments are made to the Pensions department for those on secondment.

**f) Comparative figures**

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

**g) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation, uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The NGCDF based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the NGCDF. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**h) Provisions**

Provisions were raised and management determined an estimate based on the information available. These are measured at the management's best estimate of the expenditure required to settle an obligation at the reporting date.

**j) Risk Management Policies – IPSAS 30**

This standard requires disclosure of information about the nature and extent of risks arising from financial instruments which includes qualitative and monetary disclosures about exposure to each class of risk and how those risks are managed separately for liquidity, credit and market risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Board held in various banks Current account balances Kes 1,711,951,774 as at 30<sup>th</sup> June 2019 which exposes the Fund to credit risk. The Board's investment policy requires that deposits should be held in commercial banks that meet all the Central Bank of Kenya regulatory requirements. Regular financial appraisals of the banks to evaluate their strengths are carried out.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Board had payables of Kes 261,398,755 to suppliers and Kes 232,224,983 provision for Non - Current Employee benefit obligation (gratuity) for employees as at 30<sup>th</sup> June 2019. As per government financial procedures and regulations, the Board does not enter into financial commitments for which funds have not been received. Further, stringent vote

*NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019*

control procedures ensure funds committed for a particular purpose whose obligation has materialised are not utilized for any other purpose.

**k) Receivables**

Outstanding imprest at year end is recognized as sundry debtors. Imprest is managed as per government financial regulations and procedures. Receivables include the sundry debtors and prepayments.

**m) Subsequent event – IPSAS 14**

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended 30 June, 2019.

**3. Revenue from non-exchange transactions**

	Date Received	2018/2019	Date Received	2017/2018
Transfers from State Department of Planning & Statistics	21/03/2019	200,000,000	30/01/2018	132,220,000
	30/04/2019	600,000,000	16/05/2018	513,300,000
	14/05/2019	747,930,000	16/06/2019	679,480,000
<b>Total</b>		<b>1,547,930,000</b>		<b>1,325,000,000</b>

**4. Revenue from Exchange Transactions**

	2018/2019	2017/2018		
Interest Earnings	37,333,008	35,045,761		
Sales of Tender	-	2,000		
Commissions and Other	80,000	-		
Profit from Sales of Asset	2,471,489	-		
<b>Total</b>	<b>39,884,497</b>	<b>35,047,761</b>		

**5. Employee Costs**

	2018/2019	2017/2018
Personnel Emoluments (Basic salary)	346,088,788	349,594,535
Other Personnel Emoluments	366,559,400	357,210,569
Temporary Employees	11,415,767	19,237,414
NSSF paid by employer	896,200	875,000
Non - Current Employee Obligation	113,458,199	105,641,895
<b>Total</b>	<b>838,418,350</b>	<b>832,559,413</b>

**6. Board Expenses**

	2018/2019	2017/2018
Allowances	9,904,017	8,361,650
Other Expenses	7,316,240	393,855
<b>Total</b>	<b>17,220,257</b>	<b>8,755,505</b>

**7. Depreciation and Amortization**

	2018/2019	2017/2018
Property Plant Equipment	29,205,464	23,741,783
Intangible Asset	815,584	1,165,120
<b>Total</b>	<b>30,021,048</b>	<b>24,906,903</b>

**8. Repairs and Maintenance**

	2018/2019	2017/2018
Computer & Equipment	12,474,588	1,426,137
Vehicles	5,720,871	8,239,067
Furniture	722	5,488,272
Buildings	475,500	
<b>Total</b>	<b>16,671,681</b>	<b>15,153,477</b>

**9. Contracted Services**

	2018/2019	2017/2018
Contracted Services	41,994,585	27,699,963
<b>Total</b>	<b>41,994,585</b>	<b>27,699,963</b>

**10. General Expenses**

	2018/2019	2017/2018
Telephone, Electricity, internet & courier	9,129,985	8,231,094
Travel cost	26,430,440	11,365,457
Daily Subsistence Allowance	115,400,521	112,444,116
Publishing and Printing	13,671,608	14,389,505
Newspapers	558,230	925,795
Advertising, awareness and publicity	31,889,879	16,002,040
Corporate Social Responsibilities	51,133,810	217,617,644
Trade shows and exhibitions	18,408,179	13,286,800
Rent	16,213,160	14,976,136
Training expenses	171,271,349	57,778,746
Catering Services	9,677,716	9,206,950
Insurance	76,019,820	64,220,012
General Office Suppliers	19,733,753	15,583,175
Fuel, Oils & Lubricants	7,834,903	6,456,152
Medical, Cleaning, membership, legal, parking	18,413,360	22,194,537
<b>Total</b>	<b>585,786,714</b>	<b>584,678,158</b>

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

11. Cash and cash equivalent

	2018/2019	2017/2018
KCB	38,022,921	5,435,664
KCB (ESP)	32,504,840	32,506,625
Coop Bank	1,198,503,695	1,018,531,056
ABC (Current)	371	371
EQUITY	415	415
EQUITY-Gratuity	104,541,042	110,786,072
SBM -CHASE	335,454,989	332,522,667
ECO (current)	2,923,501	2,938,601
<b>Total</b>	<b>1,711,951,774</b>	<b>1,502,721,471</b>

12. Receivables

	2018/2019	2017/2018
Sundry debtors	2,368,262	20,722,842
Kenyatta National Hospital	250,000	250,000
Mater Hospital	300,000	300,000
Toyota Kenya Ltd	-	37,544,600
Amolo & Gachoka Advocates	845,478	845,478
Insurance	3,898,328	70,365,859
<b>Total</b>	<b>7,662,068</b>	<b>130,028,779</b>

13. Property, plant and equipment 2018/2019	Motor Vehicles	Computer Equipment	Furniture, Fittings & General Equipment	Total
COST	Kes	Kes	Kes	Kes
1.07.2018	123,638,356	143,176,079	103,146,604	369,961,039
Additions	37,544,600	8,855,643	3,168,000	49,568,243
(Disposals)	(16,704,394)	(67,891,128)	-	(84,595,522)
<b>Total</b>	<b>144,478,562</b>	<b>84,140,594</b>	<b>106,314,604</b>	<b>334,933,760</b>
ACCUMULATED DEPRECIATION	-	-	-	-
01.07.18 Accumulated depreciation b/f	84,440,585	61,142,625	47,941,969	193,525,179
Charge for the year	15,009,494	6,899,390	7,296,579	29,205,464
Accumulated Depreciation 30.06.19	99,450,079	68,042,016	55,238,548	222,730,644
NBV 30.06.2019	45,028,483	16,098,578	51,076,056	112,203,116
NBV 30.06.2018	22,874,285	19,204,839	55,204,635	97,283,759
<b>13. Property, plant and equipment 2017/2018</b>	<b>Motor Vehicles</b>	<b>Computer Equipment</b>	<b>Furniture, Fittings &amp; General Equipment</b>	<b>Total</b>



NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

COST	Kes	Kes	Kes	Kes
1.07.2017	123,638,356	141,172,939	97,569,604	362,380,899
Additions	-	2,003,140	5,577,000	7,580,140
(Disposals)	-	-	-	-
Total	123,638,356	143,176,079	103,146,604	369,961,039
ACCUMULATED DEPRECIATION	-	-	-	-
01.07.17 Accumulated depreciation b/f	93,139,310	115,740,594	40,055,593	248,935,496
Charge for the year	7,624,762	8,230,645	7,886,376	23,741,783
Accumulated Depreciation 30.06.18	100,764,071	123,971,239	47,941,969	272,677,280
NBV 30.06.2018	22,874,285	19,204,839	55,204,635	97,283,759
NBV 30.06.2017	30,499,046	25,432,345	57,514,011	113,445,403

14. INTANGIBLE ASSET- NGCDF MIS

Financial Year	2018/2019
COST	Kes
1.07.2018	11,322,835
Additions	-
(Disposals)	-
Total	11,322,835
Accumulated amortization	
01.07.18 Accumulated amortization b/f	8,604,222
Charge for the year	815,584
Accumulated amortization 30.06.19	9,419,806
NBV 30.06.2019	1,903,029
NBV 30.06.2018	2,718,613
Financial Year	2017/2018
COST	Kes
1.07.2017	11,322,835
Additions	-
(Disposals)	-

**NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

Total	11,322,835
Accumulated amortization	
01.07.17 Accumulated amortization b/f	7,439,102
Charge for the year	1,165,120
Accumulated amortization 30.06.18	8,604,222
NBV 30.06.2018	2,718,613
NBV 30.06.2017	3,883,733

**15. Payables**

	2018/2019	2017/2018
Accounts Payable	16,758,745	9,083,478
Corporate Social Responsibilities	(0)	124,392,964
Corporate Social Responsibilities Retention	19,298,691	13,716,257
Total	36,057,436	147,192,700

**16. Employee Benefits**

16(a). Employee Benefit Obligation	2018/2019	2017/2018
Balance at the beginning of year	4,072,867	5,046,949
Provisions utilized	(1,362,000)	(974,082)
Balance at end of year	2,710,867	4,072,867
16(b). Non - Current Employee benefit obligation	2018/2019	2017/2018
Balance at the beginning of year	143,672,256	68,559,182
Additional provisions raised	111,573,904	105,641,895
Provisions utilized	(27,447,085)	(30,528,821)
Balance at end of year	227,799,075	143,672,256

17. Disposal of Property Plant Equipment FY 2018/2019

Registration Number	Historical Cost	NBV as at 30.06.2018	Accumulated Depreciation	Disposal Amount	Profit / (Loss)
GKA 481K	2,684,394	47,830	2,636,564	151,111	103,281
GKA 986L	3,505,000	83,270	3,421,731	710,000	626,731
GKA 984L	3,505,000	83,270	3,421,731	625,786	542,517
GKA 987L	3,505,000	83,270	3,421,731	690,000	606,731
GKA 985L	3,505,000	83,270	3,421,731	675,500	592,231
Total	16,704,394	380,908	16,323,486	2,852,397	2,471,489

18. Obsolete Asset

Name	COST	Charge Value	Accumulated Depreciation as at 30.06.2018	NBV As at 30.06.2018
CDFMIS Software	31,219,426	539,921	29,419,688	1,799,738
CDFMIS Software	35,934,202	887,800	32,974,866	2,959,335
Hard disk	200,000	20,580	131,400	68,600
Software	360,000	52,920	183,600	176,400
Computer System	107,500	15,802	54,825	52,675
20 Flash disk	70,000	1,729	64,235	5,765
Totals	67,891,128	1,518,752	62,828,614	5,062,515

Other Disclosures

19) Contingent Loss/Asset – IPSAS 19

Some fraudulent transaction of Kes 13,391,130 and Kes 26,170,836 occurred in the Financial Years 2011/2012 and 2012/2013 through electronic fund transfer to various accounts opened in the names of parties unknown to the Board.

The matter was reported to the Banking Fraud Investigating unit of Kenya Police and investigations carried out resulting to arrest of some suspects who have since been charged in court with stealing under SEC 275 of the penal code. However, the bank (KCB) initiated fraud recovery measures where to date Kes.5.6 million has been credited back to the account while Kes.1.4 million bounced back to the account. The resultant loss is Kes.32, 551,152.

The financial statement are prepared basing on the best accounting estimates therefore the recognition of this contingent loss is dependent upon the outcome of the proceedings in court and/or on-going discussions with KCB bank arising from breach of duty of care.

20) Statement of Comparison of Budget and Actual Amounts IPSAS 24.

Employee cost – the board utilized Kes 838,418,350 of the budgeted amount of Kshs. 838,418,350 the underutilization of Kes was 12,923,650 as result of the Board not being able fill the vacant position

**NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

budgeted for due to freezing of employment by the National government. The board also budgeted for staff salary increment after the approval by the board of directors. However, this could not be implemented as the letter of authority was not received within the financial year from Salary Remuneration Commission.

Board Expenses- the Board utilized Kes 17,220,257 of the budgeted amount of Kes 38,693,000. The balance of Kes 21,472,743 could not be utilized due to delay in fully constituting the board of directors.

**21). Related Party Disclosures – IPSAS 20**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. The following are related party transactions that took place during the year:

Related party	Number	Nature	Transaction type	Amount (Kes)	Balances as at 30 <sup>th</sup> June 2019 (Kes)
Board members	5	Governing body	Allowances	9,904,017	Nil
Constituencies	290	Sub-entities	Funds transferred	31,928,050,741	12,712,723,208

NB: the amounts disclosed under constituencies as a related party are recognised in separate Central Bank of Kenya (CBK) Fund Account financial statements for the year ended 30<sup>th</sup> June 2019.

**22). Events after the reporting Period**

There were no material events that are either adjusting or non-adjusting after the reporting date.

**23). Taxation**

The Fund is tax exempt from corporate tax since it's funded through government exchequer.

The interest earned from Commercial Banks is classified as qualifying interest hence withholding tax of Kes 6,436,811 is final and reported net of Kes 37,333,008 in the financial statements.

1. PROGRESS ON FOLLOW UP OF AUDITORS 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.

Ref No.	Issue / observation from Auditor	Management Comments	Focal point person to resolve the issue	Status (Resolved/Not Resolved)
1.1	<p><b>Unsupported Corporate Social Responsibilities</b></p> <p>Expenditure amounting to Kshs. 78,132,400 not supported.</p>	<p><i>Reconciliation done on the status report done marked CSRB RC1.</i></p>	Chief Manager Programs & senior Accountant	Resolved
1.2	<p><b>Unsupported Adjustments</b></p> <p>Movement of balances in some components of submitted Financial Statements on 26 February 2019 comprising of general office supplies ,medical, cleaning, membership, legal, parking, Coop bank and insurance not supported by documents or supported adjustments.</p>	<p>Movement of balances supported as follows</p> <ul style="list-style-type: none"> <li>• General office supplies corrected through pv number 565 by Kshs. 14,007 from Kshs.40,297 to 26,290,</li> <li>• Medical, cleaning, membership, legal, parking corrected through pv number PV 585 by Kshs, 1,453,815 corrected from Kshs.1,192,700 to Kshs.1,573,084;</li> <li>• Coo-operative bank cashbook</li> </ul>	Senior Accountant	Resolved

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

		<p>adjusted by Kshs.61,026 and</p> <ul style="list-style-type: none"> <li>• Payment voucher number 1002 and 1003 amounting to Kshs. 1,324,198 payable to Amaco Insurance company cancelled.</li> </ul>		
1.3	<p><b>Unsupported Contracted Services</b></p> <p>Expenditure amounting to Kshs. 341,975 not availed for audit</p>	<p><i>Payment Voucher number 855 of kshs.341, 975 payable to AMC Group Africa Ltd availed marked PVA 002.</i></p>	Cashier	Resolved
1.4	<p><b>Unsupported Board Expenses</b></p> <p>Expenses amounting to Kshs.649,200 not supported with payment vouchers. Board members wrongly paid Kshs.160,000 instead of Kshs.40,000.</p>	<p><i>The total expenditure Kshs. 649,200 was spent on payment for sitting allowance. Payment voucher number 532,173 and 776 availed marked PVS 3(I),PVS(II) &amp; PVS(III) .</i></p> <p><i>There was an error in data capture under the line item with a wrong figure of Ksh. 160,000</i></p>	Senior Accountant	Resolved

		<p><i>which was corrected.</i></p> <p><i>The underpayment to directors who undertook project field visits in Turkana, Nyeri and Laikipia was corrected through payment voucher number 643 having a total of Ksh. 40,000 marked PVS 06 availed.</i></p>		
2	<p>Cash and Cash Equivalents</p> <p>The statement of financial position as at 30 June 2019 reflects cash and cash equivalent balance of Kshs.1,502,721,471.</p> <p>However, the following unsatisfactory issues have been observed:</p> <p>(i) Cooperative Bank Account</p> <p>Cheques totalling Kshs. 55,747,834.60 cancelled</p>	<p><i>The Cheques totalling to Kshs. 55,747,834 remained un presented for more than six months and thus had expired. These cheques were cancelled and reversed in the</i></p>	<p><i>Senior Accountant</i></p>	<p><i>Resolved</i></p>

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

<p>and reversed without proper explanation.</p>	<p><i>cashbook CBC V.</i> <i>The Kshs, 32,617,184 were fraudulent withdrawals from the bank. A copy of communication from KCB is herewith attached and marked KCB 4. The case is still on-going as per bond to attend court marked BTC3.</i></p>	<p><i>Corporation Secretary</i></p>	<p><i>Not resolved</i></p>
<p>(ii) Kenya Commercial Bank (KCB) Account  Fraudulent transfer of  Kshs. .32,617,184.</p>	<p><i>Gratuity liability is accrued on a monthly basis and transferred to the account. The Kshs, .60,598,759 was payment of accrued gratuity liability.</i></p>	<p><i>Senior Manager Human resource</i></p> <p><i>Senior Accountant</i></p>	<p><i>Resolved</i></p> <p><i>Resolved</i></p>
<p>(iii) Dormant Bank accounts  KCB(ESP);ABC(current); Equity; SBM- Chase;Eco(Current) remained dormant and</p>	<p><i>The said bank accounts were reactivated and Letters to close sent to ABC Bank, Equity bank and Ecobank marked ABC1, Eq2 and Ec3 availed.</i></p>		



	not closed.			
3	<p>Wrong Charge and Misclassification of Expenses Responsibilities</p> <p>3.1 Amounts were charged wrongly to repairs and maintenance of furniture instead of repairs and maintenance of computers.</p>	<p><i>The corrected adjustments and journal entries have been provided to correct the mis-classification and marked JE 1</i></p>	<p><i>Senior Accountant</i></p>	<p><i>Resolved</i></p>
4	<p>Employee costs</p> <p>4.1 Variances between the Ledger and Financial statements</p> <p>Un-reconciled variance of Kshs.1,845,434 which has not been explained and payroll arrears.</p>	<p><i>The breakdown of the salary arrears to different personnel on monthly basis from (IPPD) has been generated and softcopy availed for verification.</i></p>	<p><i>Senior Manager Human resource</i></p>	<p><i>Resolved</i></p>
5	<p>Property, Plant and Equipment</p> <p>Contract fo partitioning offices in 6<sup>th</sup> floor Kshs. 3,913086</p>	<p><i>The expenditure of Kshs. 3,913,086 were included in the financial statements as repairs and maintenance of furniture and fittings.</i></p>	<p><i>Senior Manager Human Resource and administration</i></p>	<p><i>Resolved</i></p>

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

6	<p>Intangible Assets</p> <p>Utilization of National Government Constituency Development Management Information System Fund</p> <p>Utilization of CDFMIS</p>	<p><i>The NGCDFMIS was initiated in 2010 as an enterprise system and it was not until 2016 that it reached user utilization stage. Due to issues arising from users experience and the statutory requirement of reviewing the NGCDF ACT every two years the system had to undergo a number of changes that delayed utilization. In the financial year 2018/2019, the Board started using the system through a parallel run mechanism where both the manual and automated processes run concurrently in order to compare accuracy of results. The CEO issued a circular to all FAMs requiring them to submit and process projects through the Management Information System, copy of the circular attached and marked CDFMS C1</i></p>	<p>Chief Officer</p> <p>ICT</p>	<p>Not resolved /On going</p>
7	<p>General Expenses -</p>			

	<p><b>Training</b></p> <p>The basis of selection of the trainer who was different from the system implementation consultant was not availed for audit verification.</p> <p>Also why the system has not been fully put into use.</p>	<p><i>The former trainer on CDFMIS was an employee of the company that was contracted for the provision of the software who passed on. The company hired another trainer who was introduced to the Board to be the one to continue with the training programmes. The system is currently fully operational on all the modules and is available for verification.</i></p>	<p><i>Chief Officer</i></p> <p><i>ICT</i></p>	<p><i>Not resolved /On going</i></p>
8.1	<p><b>Cash and Cash Equivalentents</b></p> <ul style="list-style-type: none"> <li>• Bank reconciliation error of Kshs. 3,522.45</li> <li>• An amount of Kshs. 332,537,617 held at Chase Bank Limited in</li> </ul>	<p><i>The bank reconciliation error of Kshs.3, 522.45 has been corrected and adjusted in the cashbook.</i></p> <p><i>The bank was put out of receivership on 15<sup>th</sup> August, 2018 and is now fully operational under the name SBM bank. Hence, no funds</i></p>	<p><i>Senior Accountant</i></p> <p><i>Corporation Secretary/Senior Accountant</i></p>	<p><i>Resolved</i></p> <p><i>Not resolved /On going</i></p>

NGCDF BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	<p>receivership</p> <ul style="list-style-type: none"> <li>Outstanding amount of Kshs. 32,589,080.60 in KCB not reflected in the cashbook.</li> </ul>	<p><i>shall be lost and all the cash amounting to Kshs.332.537 will be fully paid by both SBM bank and Kenya Deposit Insurance Corporation (KDIC).</i></p> <p><i>The Kshs, 32,589,080.60 were fraudulent withdrawals from the bank. A copy of communication from KCB is herewith attached and marked KCB 4.</i></p> <p><i>The case is still on going as per bond to attend court marked BTC3.</i></p>	<p><i>Corporation Secretary</i></p>	<p><i>Not resolved /On going</i></p>
8.2	<p><b>Trade Payables</b></p> <p>Liability of Kshs. 14,917,200 in respect of Stimulus Project Management Committee (SPMCs) and Constituency Project Tender Committee (CPTCs)</p>	<p><i>The ESP program lapsed and the committees were disbanded making it difficult to locate the beneficiaries since no claim has been made to date and is unlikely to happen. Such claims were based on submission of expenditure returns which was the criteria for reimbursement</i></p>	<p><i>Chief Manager Programs</i></p>	<p><i>Resolved</i></p>

		<i>without which there was no justification for payment. The funds are in the hands of the Board and can be used on monitoring and stock taking of ESP projects for which they were meant</i>		
--	--	---	--	--