


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

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**THE AUDITOR-GENERAL**

**ON**

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

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



OFFICE OF THE AUDITOR-GENERAL  
P. O. Box 2106-50200, BUNGOMA  
30 JUL 2020  
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NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - KABUCHAI CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019

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

OFFICE OF THE AUDITOR-GENERAL  
P. O. Box 2106-50200, BUNGOMA  
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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) KABUCHAI CONSTITUENCY  
Reports and Financial Statements  
For the year ended June 30, 2019**

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## I. KEY NGCDF-KABUCHAI CONSTITUENCY INFORMATION AND MANAGEMENT

### a) Background Information

The National Government Constituencies Development Fund (NG-CDF) (hereafter referred to as the Fund) formerly Constituencies Development Fund (CDF), is a fund established in 2003 through an Act of Parliament, the Constituencies Development Fund Act, 2003. The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013. The latter was subsequently succeeded by the current NG-CDF Act, 2015. At cabinet level, NG-CDF is represented by the Cabinet Secretary for Devolution, who is responsible for the general policy and strategic direction of the Fund.

### Mandate

The mandate of the Fund as derived from sec (3) of NG-CDF Act, 2015 is to:

- i. Recognize the constituency as a platform for identification, performance and implementation of national government functions;
- ii. Facilitate the performance and implementation of national government functions in all parts of the Republic pursuant to Article 6(3) of the Constitution;
- iii. Provide for the participation of the people in the determination and implementation of identified national government development projects at the constituency level pursuant to Article 10(2)(a) of the Constitution;
- iv. Promote the national values of human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination and protection of the marginalized pursuant to Article 10 (2) (b) of the Constitution;
- v. Provide for the sustainable development of all parts of the Republic pursuant to Article 10 (2) (d) of the Constitution;
- vi. Provide a legislative and policy framework pursuant to Article 21 (2) of the Constitution for the progressive realization of the economic and social rights guaranteed under Article 43 of the Constitution;
- vii. Provide mechanisms for the National Assembly to deliberate on and resolve issues of concern to the people as provided for under Article 95 (2) of the Constitution;
- viii. provide for a public finance system that promotes an equitable society and in particular expenditure that promotes equitable development of the country by making special provisions for marginalized groups and areas pursuant to Article 201 (b) (iii) of the Constitution;
- ix. Authorize withdrawal of money from the Consolidated Fund as provided ' under Article 206 (2) (c) of the Constitution;
- x. Provide mechanisms for the National Assembly to facilitate the involvement of the people in the identification and implementation of projects for funding by the national government at the constituency level; and
- xi. Provide for mechanisms for supplementing infrastructure development at the constituency level in matters falling within the functions of the national government at that level in accordance with the Constitution

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) KABUCHAI CONSTITUENCY  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**Vision**

Equitable Socio-economic development countrywide

**Mission**

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

**Core Values**

- i. **Patriotism** – we uphold the national pride of all Kenyans through our work
- ii. **Participation of the people**- We involve citizens in making decisions about programmes we fund
- iii. **Timeliness** – we adhere to prompt delivery of service
- iv. **Good governance** – we uphold high standards of transparency, accountability, equity, inclusiveness and integrity in the service of the people
- v. **Sustainable development** – we promote development activities that meet the needs of the present without compromising the ability of future generations to meet their own needs.

**b) Key Management**

The NGCDF Kabuchai Constituency day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NGCDFB)
- ii. National Government Constituency Development Fund Committee (NGCDFC)

**c) Fiduciary Management**

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

No	Designation	Name
2.	A.I.E holder	Joyce Wanjala
3.	Sub-County Accountant	Godfrey Simiyu
4.	Chairman NGCDFC	Charles Sirengo
5.	Member NGCDFC	Fredrick Mutieme

**d) Fiduciary Oversight Arrangements**

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) KABUCHAI CONSTITUENCY  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**e) NGCDF Kabuchai Constituency Headquarters**

P.O. Box 120-50202 Chwele  
Along Kanduyi – Chwele Road  
CHWELE, KENYA

**f) NGCDF Kabuchai Constituency Contacts**

Telephone: (254)722245551  
E-mail: [cdfkabuchai.go.ke](mailto:cdfkabuchai.go.ke)  
Website: [www.kabuhaicdf.go.ke](http://www.kabuhaicdf.go.ke)

**g) NGCDF Kabuchai Constituency Bankers**

Cooperative Bank (01141536140900)  
Bungoma Branch

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) KABUCHAI CONSTITUENCY  
Reports and Financial Statements  
For the year ended June 30, 2019**

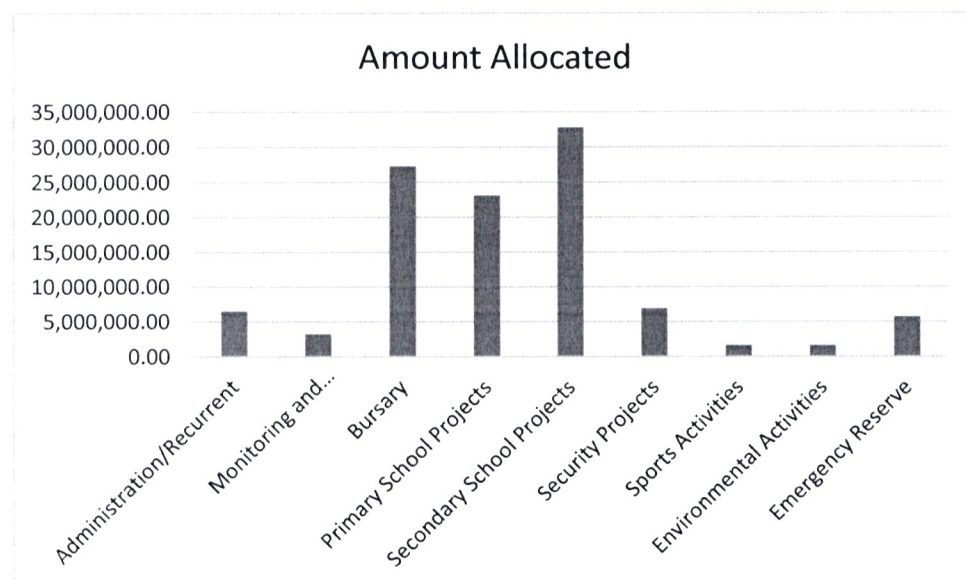
**II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE**

I feel privileged to have this opportunity of submitting our financial statement for the Financial Year 2018/2019 in line with the requirement of the NG-CDF Act 2015.

The constituency had an original budget of ksh. 109,040,875.52 (one hundred and nine million, forty thousand, eighty hundred seventy-five, fifty-two cents only), adjustments during the year were 27,430,638.60 (twenty-seven million, four hundred thirty thousand, six hundred and thirty-eight, sixty cents only) leading to a final budget of ksh. 136,471,514.12 (one hundred and thirty-six million, four hundred and seventy-one thousand, five hundred and fourteen, cents twelve only, as represented in the graph below.

**ORIGINAL BUDGET**

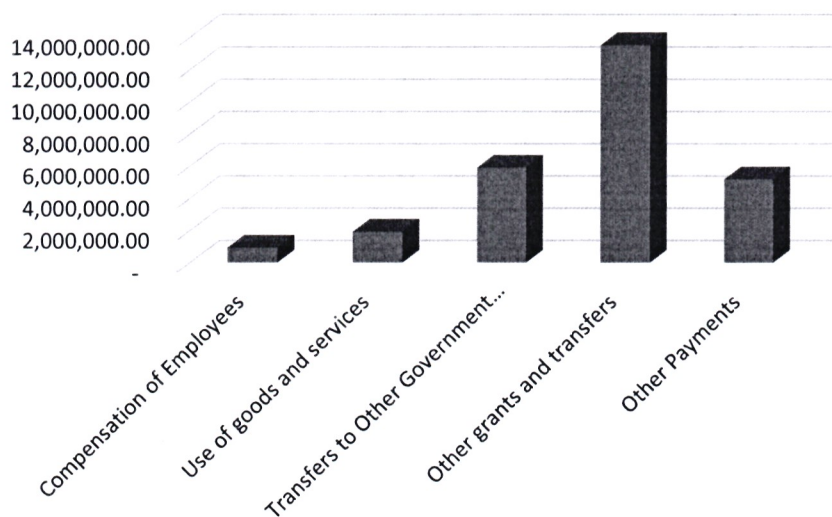
<b>Name of Project</b>	<b>Amount Allocated (Kshs)</b>
Administration/Recurrent	6,542,452
Monitoring and Evaluation/Capacity Building	3,271,226
Bursary	27,276,568
Primary School Projects	23,150,000
Secondary School Projects	32,800,000
Security Projects	6,900,000
Sports Activities	1,680,817
Environmental Activities	1,680,817
Emergency Reserve	5,738,993
<b>TOTAL</b>	<b>109,040,875</b>



NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) KABUCHAI CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2019

**ADJUSTMENTS DURING THE YEAR**

Item	Amount (Kshs)
Compensation of Employees	936,210
Use of goods and services	1,924,891
Transfers to Other Government Units	5,900,000
Other grants and transfers	13,492,510
Other Payments	5,177,027
<b>Total</b>	<b>27,430,638</b>

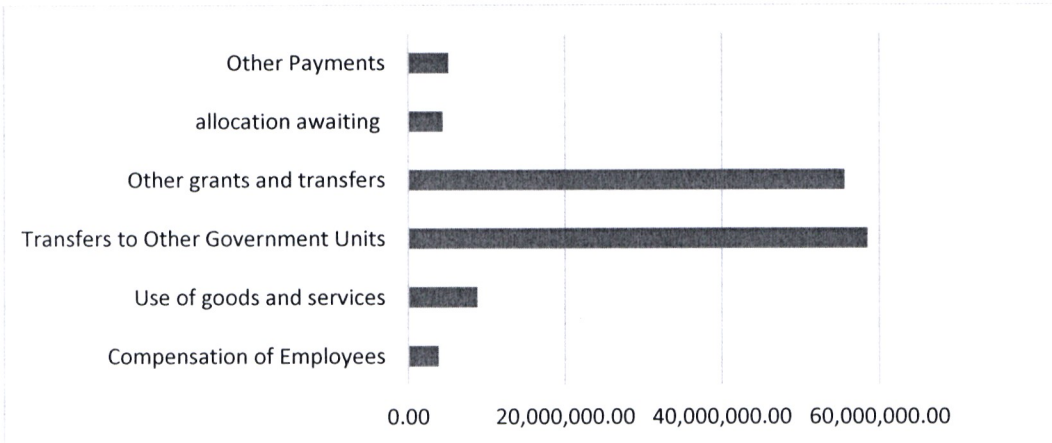


**FINAL BUDGET**

Item	Amount (Kshs)
Compensation of Employees	3,872,420
Use of goods and services	8,802,360
Transfers to Other Government Units	58,550,000
Other grants and transfers	55,613,889
allocation awaiting	4,455,817
Other Payments	5,177,027
<b>Total</b>	<b>136,471,513</b>



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) KABUCHAI CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

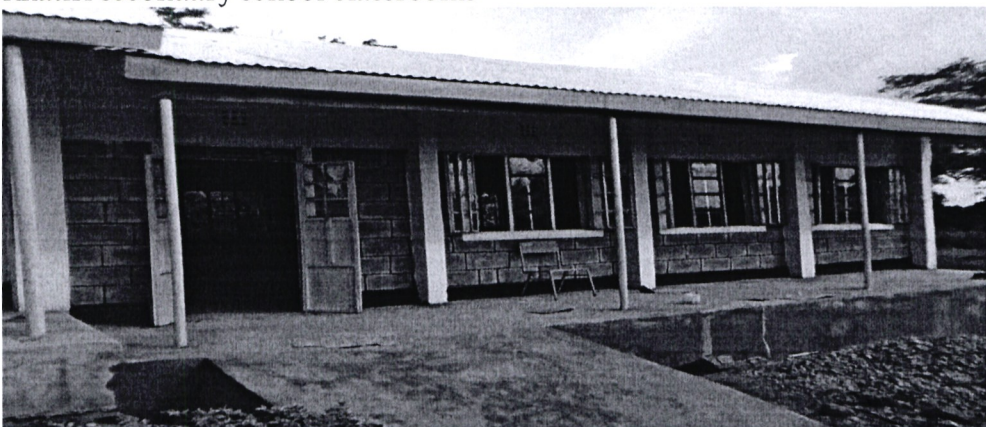


Kabuchai has success story as represented in pictorial below.



*Chebunyi secondary school classrooms*

Khatiri secondary school classrooms





Kabuchai constituency community library

Over the years, the Kabuchai NG-CDF has promptly disbursed funds to the Project Management Committee's (PMC's) for implementation of various projects. We have consequently recorded tremendous progress in various sectors as follows: -

1. Many need and vulnerable children have accessed education through the bursary schemes,
2. Construction of classrooms, laboratories, dormitories, and libraries and computer rooms has enhanced provision of quality education.
3. Promotion of environmental conservation, Aids awareness, sensitization on drug and substance abuse as well as promotion of Youth Sports,
4. The funds have also been used to provide security facilities.

However, the implementation of such projects has not gone without challenges;

1. Lack of sufficient funds as needs is limitless.
2. The problem of bit funding has slowed the period of completion of projects.
3. Lack of partners for co-funding has also been a challenge.

The entity is striving to prioritize projects and implement as stipulated in the strategic plan to ensure priority projects are funded and implemented to completion.

Finally we appreciate the role NG-CDF is playing in our development and it is my hope that it will be retained to continue serving as a vehicle for economic development of our country

Regards

Sign.....

CHAIRMAN NGCDFC- KABUCHAI

### III. STATEMENT OF NGCDF-KABUCHAI CONSTITUENCY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.


The Fund Account Manager in charge of the NGCDF-Kabuchai Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) 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 entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Fund Account Manager in charge of the NGCDF-Kabuchai Constituency accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Fund Account Manager charge of the NGCDF-Kabuchai Constituency further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

The Fund Account Manager in charge of the NGCDF-Kabuchai Constituency confirms that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Fund Account Manager confirms that the Fund's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

#### Approval of the financial statements

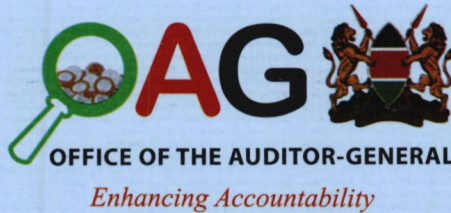
The NGCDF-Kabuchai Constituency amended financial statements were approved and signed by the Fund Account Manager and Sub-County Accountant on **20<sup>th</sup> July, 2020**.

  
Fund Account Manager  
Name: Winston Lihanda

  
Sub-County Accountant  
Name: Godfrey Simiyu  
ICPAK Member Number:

# 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 - KABUCHAI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Kabuchai Constituency set out on pages 11 to 30, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and the summary statement of appropriation - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the 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 - Kabuchai Constituency 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 (Cash Basis) and comply with the Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

#### Basis for Qualified Opinion

##### 1. Unsupported Expenditure on Use of Goods and Services

The statement of receipts and payments reflects an amount of Kshs.6,845,184 under use of goods and services and as shown under Note 3 to the financial statements. The amount includes Kshs.452,070 spent on monitoring and evaluation of the Fund's projects. However, the relevant monitoring and evaluation reports availed for audit verification were not signed casting doubt on their authenticity.

Further, the expenditure includes Kshs.230,240 spent on two officers of the Fund and one officer from Kabuchai Sub-County Office, for attending a meeting in Mombasa. However, no explanation was provided why the Sub-County officer was paid allowances from the Fund's resources.

In addition, the use of goods and services expenditure, includes Kshs.136,600 spent on six officers of the Fund who allegedly went to Nairobi to follow up on the specifications of a bus that was to be purchased for Kimalewa Secondary School. However, no approval of the expenditure was provided for audit review. Further, it was noted that all the six officers did not have the requisite technical capacity to interrogate automobile specifications. Although it was explained that a technical officer from the Department of Mechanical Transport was already in Nairobi and was involved in the inspection of the Kimalewa Secondary School Bus, no evidence was provided to support the claim.

Finally, a senior officer of the Fund was paid Kshs.787,000 to cater for accommodation and meals for eighteen (18) persons who attended a capacity building workshop at Comfort Hotel, Busia. However, it was noted that the Fund separately paid the hotel Kshs.162,000 for accommodation and meals for the same individuals, resulting in double payment.

In the circumstances, the regularity of the allowances amounting to Kshs.1,605,910 could not be confirmed.

## **2. Unconfirmed Project Management Committee Bank Balances**

Annex 1 to the financial statements reflects PMC Bank Balances of forty-five (45) bank accounts totaling Kshs.5,301,364 as at 30 June, 2019. However, the respective cash books and bank reconciliation statements were not provided to support these balances.

Further, Annex 1 reflects 2017/2018 comparative balances totaling Kshs.4,474,111 which differs with the total of Kshs.3,542,294 shown in the audited PMC bank balances as at 30 June, 2018 by an unreconciled variance of Kshs.931,817.

In addition, the total PMC bank balance of Kshs.5,301,364 for the year include Kshs.3,351,825 relating to projects which, according to the project implementation status report, had been completed and were operational as at 30 June, 2019. However, the unutilized amount of Kshs.3,351,825 had not been returned to the constituency account as at the time of the audit, contrary to Section 12 (8) of the National Government Constituencies Development Fund Act, 2015. Management was in breach of the law by failing to transfer the un-utilized funds of Kshs.3,351,825 to the constituency account.

In view of the foregoing, the accuracy and completeness of the reported PMC bank balance of Kshs.5,301,364 for the year ended 30 June, 2019 could not be confirmed. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Kabuchai Constituency Management in accordance with ISSAI 130 on the 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 are no key audit matters to report in the year under review.

## Other Matter

### 1. Budget Control and Performance

The summary statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs. Kshs.136,471,513 and Kshs.8,430,639 respectively, resulting to an under-funding of Kshs.55,040,874 or 40% of the budget. Similarly the Fund spent Kshs.80,141,559 against a budgeted amount of Kshs.136,471,513, thereby resulting in a net budget under-absorption of Kshs.56,329,954 or 41%.

In addition, the final budget of Kshs.9,302,360 for use of goods and services, comprised the original budget of Kshs.6,877,469 and adjustments of Kshs.2,424,891. However, detailed analysis for the adjustments of Kshs.2,242,891 was not availed for audit verification.

In view of the foregoing, the Fund may not have achieved all its project completion and service provision targets, resulting in delayed benefits to the residents of Kabuchai Constituency.

### 2. Project Implementation Review

The Fund had planned to implement a total of 80 projects/programmes in security, education, sports and environment sectors during the financial year as highlighted below:

Sector	Total Project Cost Kshs.	Budgeted projects No.	Actual/Implemented Projects						% of Completed Projects
			Not Started		Ongoing		Completed		
			No.	Kshs.	No.	Kshs.	No.	Kshs.	
Bursaries	27,276,568	2	-	-	-	-	2	27,276,568	100%
Sport Projects	1,680,817	1	-	-	-	-	1	1,680,817	100%
Environment Projects	1,680,818	2	1	505,818	-	-	1	1,175,000	50%
Primary School Projects	23,650,000	36	-	-	16	12,300,000	20	11,350,000	56%
Secondary School Projects	32,800,000	28	-	-	16	15,200,000	12	17,600,000	43%
Security Projects	6,400,000	11	1	650,000	8	5,300,000	2	450,000	18%
<b>Total</b>	<b>93,488,203</b>	<b>80</b>	<b>2</b>	<b>1,155,818</b>	<b>40</b>	<b>32,800,000</b>	<b>38</b>	<b>59,532,385</b>	<b>48%</b>
<b>% of All Projects</b>			<b>3%</b>		<b>50%</b>		<b>48%</b>		

Further analysis indicated that, two (2) projects representing 3% of all projects had not started, forty (40) projects representing 50% of all projects were still ongoing and thirty-

eight (38) projects representing 48% of all projects had been completed as at 30 June, 2019.

## 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 matters 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

#### 1. Incomplete Prior Years Projects

The project implementation status report submitted for audit review indicated that several projects with a total estimated cost of Kshs.75,587,027, which were to be implemented during the 2016/2017 and 2017/2018 financial years were still ongoing as at 30 June, 2019 as detailed below:

Financial Year	Project Name	Estimated Project Cost (Kshs.)	% Completion
2016/2017	Assistant County Commissioner Residence-Nalondo	1,700,000	80%
2016/2017	Assistant County Commissioner office – Mukuyuni	3,000,000	80%
2016/2017	Lukhome Secondary School	4,500,000	90%
2016/2017	Sichei Secondary School	7,500,000	85%
2016/2017	St.Charles Lwanga Secondary School	6,700,000	80%
2016/2017	Luuya Girls High School	4,000,000	80%
2016/2017	Nangwe RC Primary school	900,000	75%
2017/2018	ICT HUB	4,677,027	Not indicated
2017/2018	Nasaka Secondary School	6,000,000	80%
2017/2018	Lukhome Secondary School	4,500,000	95%
2017/2018	Musokho Secondary School	14,500,000	95%
2017/2018	St. Charles Lwanga Secondary School –Bwake	4,260,000	80%
2017/2018	St. Annes Sirare Secondary School	3,500,000	70%
2017/2018	Luuya Girls Secondary School	2,850,000	80%
2017/2018	Chebukaka Girls Primary School	2,500,000	80%
2017/2018	Assistant County Commissioner Office Mukuyuni	4,000,000	90%
2017/2018	Assistant Chief Office North Bukusu	500,000	80%
<b>Total</b>		<b>75,587,027</b>	

Further, Management may not be prioritizing on-going projects when allocating funds as required by Section 46(2) of the National Government Constituencies Development Fund Act, 2015.

Consequently, the Fund may not have achieved its project completion targets and could therefore not provide its constituents with the anticipated services.

## 2.0 Irregularities in Implementation of Schools Projects

The statement of receipts and payments reflects an amount of Kshs.32,910,720 in respect of transfers to other government units. The amount includes Kshs.7,300,000 and Kshs.25,610,720 for primary and secondary schools respectively. However, the following anomalies were noted;

### 2.1 Sikulu Friends Secondary School

During the year under review, Sikulu Friends Secondary School received Kshs.700,000 to construct one classroom. The PMC awarded the contract to a local firm, and as at 30 June, 2019, Kshs.468,966 had been spent. However, field verification conducted revealed that gauge 30 iron sheets were used for roofing, instead of the harder pre-painted G.C.L., gauge 28 iron sheets specified in the Bill of Quantities (BQs). Further, the constructed building had five (5) windows instead of seven (7) windows specified in the approved drawings and design.

### 2.2 Baraki Secondary School

The Baraki Secondary School received and spent Kshs.1,400,000 for construction of two (2) classrooms with the Fund Management having awarded the project to a local contractor. Project records and PMC minutes for a meeting held on 19 June, 2019 indicate that, a resolution was made for the BQs from the State Department for Public Works be domesticated for this project. However, the modified BQs was not availed for audit review.

## 3. Purchase of Parcels of Land for Schools

During the year under review, ten (10) schools received a total of Kshs.6,600,000 from the Fund for the purchase of 9.75 acres of land as tabulated below:

No.	Project Name	Acres	Cost (Kshs.)
1	Chemwa Secondary School	0.75	700,000
2	Kasosi Secondary School	0.75	600,000
3	Sirare Secondary School	0.75	600,000
4	St. Joseph's Nalondo Girls Secondary School	0.75	800,000
5	Sanandiki Girls Secondary School	3.00	700,000
6	St. Kizito Girls Secondary School	1.00	700,000
7	Nangwe Secondary School	0.75	800,000
8	Pongola Secondary School	0.75	700,000
9	Kabuchai Special Primary School	0.50	400,000
10	Luucho Primary School	0.75	600,000
	<b>Total</b>	<b>9.75</b>	<b>6,600,000</b>

However, at the time of the audit, ownership documents were not provided for audit verification. Management indicated that the process of acquiring title deeds for the parcels of land was ongoing.



In the circumstances, it was not possible to confirm the regularity of the expenditure Kshs.6,600,000.

#### **4. Uninsured Fixed Assets**

Annex 2, a summary of fixed assets register to the financial statements for the year under review reflects total fixed assets of Kshs.19,979,043, which have not been insured, contrary to Section 36 (3) of the National Government Constituencies Development Fund Act, 2015.

The Fund Management was therefore in breach of the law.

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 comply, 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, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management, and overall governance were not effective.

##### **Basis for Conclusion**

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 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 (Cash 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 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 effectively.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 based on 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 comply with the authorities that govern them and that public resources are applied effectively, 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 to give an assurance on the effectiveness of internal controls, risk management and 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 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 non-compliance. 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 scepticism 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**


**01 October, 2021**


**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) KABUCHAI CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**V. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2018-2019	2017-2018
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from other government entities	1	64,580,259	86,874,138
<b>TOTAL RECEIPTS</b>		<b>64,580,259</b>	<b>86,874,138</b>
<b>PAYMENTS</b>			
Compensation of employees	2	2,313,870	2,657,234
Use of goods and services	3	6,845,184	4,000,705
Transfers to other government units	4	32,910,720	34,586,250
Other grants and transfers	5	35,733,272	26,032,205
Acquisition of assets	6	-	2,940,000
Other payments	7	2,338,514	2,000,000
<b>TOTAL PAYMENTS</b>		<b>80,141,559</b>	<b>72,216,394</b>
<b>SURPLUS/DEFICIT</b>		<b>(15,561,300)</b>	<b>14,657,744</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Kabuchai Constituency amended financial statements were approved on **20<sup>th</sup> July, 2020** and signed by:

  
**Fund Account Manager**  
**Name: Winston Lihanda**


  
**Sub-County Accountant**  
**Name: Godfrey Simiyu**  
**ICPAK Member Number:**

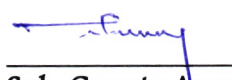
NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) KABUCHAI CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2019

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2018-2019	2017-2018
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and cash equivalents</b>			
Bank balance	8	1,289,080	16,802,880
<b>Total cash and cash equivalents</b>		<b>1,289,080</b>	<b>16,802,880</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>1,289,080</b>	<b>16,802,880</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	9	16,802,880	2,145,136
Prior year adjustment	10	47,500	-
Surplus/Deficit for the year		-15,561,300	14,657,744
<b>NET FINANCIAL POSITION</b>		<b>1,289,080</b>	<b>16,802,880</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Kabuchai Constituency amended financial statements were approved on **20<sup>th</sup> July, 2020** and signed by:

  
 Fund Account Manager  
 Name: Winston Lihanda

  
 Sub-County Accountant  
 Name: Godfrey Simiyu  
 ICPAK Member Number:





NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) KABUCHAI CONSTITUENCY  
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VII. STATEMENT OF CASH FLOWS

	Note	2018-2019	2017-2018
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from other government entities	1	64,580,259	86,874,138
<b>Payments for operating expenses</b>			
Compensation of Employees	2	(2,313,870)	(2,657,234)
Use of goods and services	3	(6,845,184)	(4,000,705)
Transfers to Other Government Units	4	(32,910,720)	(34,586,250)
Other grants and transfers	5	(35,733,272)	(26,032,206)
Other Payments	7	(2,338,514)	(2,000,000)
<b>Adjustment for:</b>			
Prior year adjustment	10	47,500	-
<b>Net cash flow from operating activities</b>		<b>(15,513,800)</b>	<b>17,597,744</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	6	-	(2,940,000)
<b>Net cash flows from Investing Activities</b>		<b>-</b>	<b>(2,940,000)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
<b>Cash and cash equivalent at BEGINNING of the year</b>	9	<b>16,802,880</b>	<b>2,145,136</b>
<b>Cash and cash equivalent at END of the year</b>		<b>1,289,079</b>	<b>16,802,880</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Kabuchai Constituency amended financial statements were approved on 20<sup>th</sup> July, 2020 and signed by:

  
 Fund Account Manager  
 Name: Winston Lihanda

  
 Sub-County Accountant  
 Name: Godfrey Simiyu  
 ICPAK Member Number:

20 JUL 2020

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) – KABUCHAI CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

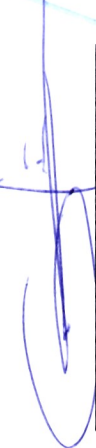
**VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

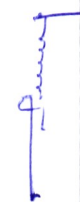
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a Kshs	b Kshs	c=a+b Kshs	d Kshs	e=c-d Kshs	f=d/c %
<b>RECEIPTS</b>						
Transfers from other government entities	109,040,875	27,430,638	136,471,513	81,430,639	55,040,874	60%
<b>TOTAL RECEIPTS</b>	<b>109,040,875</b>	<b>27,430,638</b>	<b>136,471,513</b>	<b>81,430,639</b>	<b>55,040,874</b>	<b>60%</b>
<b>PAYMENTS</b>						
Compensation of employees	2,936,210	936,210	3,872,420	2,313,870	1,558,550	60%
Use of goods and services	6,877,469	2,424,891	9,302,360	6,845,184	2,457,176	74%
Transfers to other government units	56,450,000	5,900,000	62,350,000	32,910,720	29,439,280	53%
Other grants and transfers	42,777,196	13,492,510	56,269,706	35,733,272	20,536,435	64%
Other payments	-	4,677,027	4,677,027	2,338,514	2,338,513	50%
<b>TOTAL PAYMENTS</b>	<b>109,040,875</b>	<b>27,430,638</b>	<b>136,471,513</b>	<b>80,141,559</b>	<b>56,329,954</b>	<b>59%</b>
<b>SURPLUS/DEFICIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,289,080</b>	<b>(1,289,080)</b>	

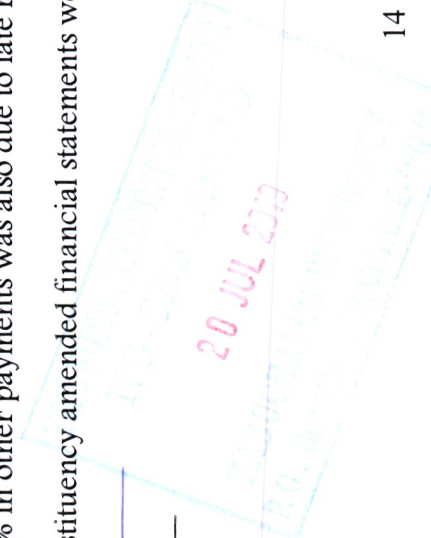
**Notes:**

- Under receipt in transfers from other government entities of 60% was as a result of failure by the NGCDF Board to disburse all the budgeted funds.
- Underutilization in compensation of employees of 60% was as a result of delayed disbursement of funds by the NG CDF Board.
- Underutilization in use of goods and services of 74% was as a result of late remission of funds in the previous financial year which caused more office services to pile up to the current financial period.
- Underutilization in transfer to other government units of 53% was due to late remission of funds by NG CDF Board.
- Underutilization in other grants and transfers of 64% was also as a result of late remission of funds by NG CDF Board.
- Underutilization of 48% in other payments was also due to late remission of funds by the NGCDF Board.

The NGCDF-Kabuchai Constituency amended financial statements were approved on **20<sup>th</sup> July, 2020** and signed by

  
**Fund Account Manager**  
**Name: Winston Lihanda**

  
**Sub-County Accountant**  
**Name: Godfrey Simiyu**  
**ICPAK Member Number**

  
 20 JUL 2020





NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) – KABUCHAI CONSTITUENCY  
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IX. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub/Programme	Original budget 2018/2019		Adjustments		Final budget 2018/2019		actual on comparable 2018/2019		budget utilization difference	
	Kshs		Kshs		Kshs		Kshs		Kshs	
<b>Administrative and Recurrent Services</b>	<b>6,541,453</b>		<b>2,029,652</b>		<b>8,571,105</b>		<b>5,517,499</b>		<b>3,053,606</b>	
Compensation of Employees	2,936,210		936,210		3,872,420		2,313,870		1,558,550	
Committee Activities	1,248,000		522,600		1,770,600		1,766,000		4,600	
Purchase of Goods and Services	2,357,243		570,842		2,928,085		1,437,629		1,490,456	
<b>Monitoring and Evaluation Services</b>	<b>3,272,226</b>		<b>1,331,450</b>		<b>4,603,676</b>		<b>3,641,555</b>		<b>962,121</b>	
Committee Activities	1,030,000		496,070		1,526,070		1,526,070		-	
Capacity Building	1,637,072		215,380		1,852,452		985,000		867,452	
Purchase of Goods and Services	605,154		120,000		725,154		630,485		94,669	
Strategic Plan	-		500,000		500,000		500,000		-	
<b>Primary Schools Projects</b>	<b>23,650,000</b>		<b>250,000</b>		<b>23,900,000</b>		<b>7,300,000</b>		<b>16,600,000</b>	
Sango Primary School	600,000				600,000		-		600,000	
Chekulo Fym Primary School	1,000,000				1,000,000		1,000,000		-	
Samita Primary School	500,000				500,000		-		500,000	
Makhonge S.A Primary School	700,000				700,000		-		700,000	
Chekwanda Primary School	1,700,000				1,700,000		-		1,700,000	
Chebukaka Boys Primary	700,000				700,000		-		700,000	
Lukhuna Primary School	500,000				500,000		-		500,000	
Kuywa Special School	400,000				400,000		400,000		-	
Kabuchai Special Primary School	400,000				400,000		-		400,000	
Lumbebe Primary School	1,000,000				1,000,000		400,000		600,000	
Sirwa Primary School	1,000,000				1,000,000		400,000		600,000	
Lufutu Primary School	600,000				600,000		-		600,000	
Sawali Primary School	900,000				900,000		-		900,000	
Matibo Primary School	700,000				700,000		-		700,000	
Namakhele Primary School	300,000				300,000		-		300,000	
Madisi Primary School	300,000				300,000		-		300,000	
Kimalewa Primary School	400,000				400,000		400,000		-	
Chebukaka Girls Primary	700,000				700,000		700,000		-	

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) - KABUCHAI CONSTITUENCY**  
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Programme/Sub/Programme	Original budget	Adjustments	Final budget	actual on	budget
	2018/2019	Kshs	2018/2019	comparable	utilization
	Kshs	Kshs	Kshs	2018/2019	difference
Teremi Primary School	300,000		300,000	-	300,000
Chepsitati Primary School	800,000		800,000	-	800,000
Sanandiki Sa Primary School	850,000		850,000	850,000	-
Chebunyinyi Primary School	600,000		600,000	400,000	200,000
Nairumbi Primary School	700,000		700,000	-	700,000
Nalondo B Primary School	700,000		700,000	-	700,000
Namilama Primary School	700,000		700,000	700,000	-
Luucho Primary School	600,000		600,000	600,000	-
Khalaba Primary School	300,000		300,000	300,000	-
Chemwa Primary School	600,000		600,000	600,000	-
Sikata Primary School	400,000		400,000	-	400,000
Nalondo Rc Primary School	500,000	250,000	750,000	250,000	500,000
Kuywa Primary School	600,000		600,000	-	600,000
Sirare Primary School	300,000		300,000	300,000	-
Lawanda Pefa Primary School.	1,000,000		1,000,000	-	1,000,000
Namikelo Primary School.	900,000		900,000	-	900,000
Nangubo Primary	900,000		900,000	-	900,000
Sikata Primary School	500,000		500,000	-	500,000
<b>Secondary Schools Projects</b>	<b>32,800,000</b>	<b>5,650,000</b>	<b>38,450,000</b>	<b>25,610,720</b>	<b>12,839,280</b>
Luuya Girls Secondary School	900,000	800,000	1,700,000	800,000	900,000
Nasaka Secondary School	2,000,000		2,000,000	-	2,000,000
Cardinal Otunga Secondary School - Sichei	500,000		500,000	500,000	-
Chekulo Baptist Secondary School	1,000,000		1,000,000	1,000,000	-
Musokho Secondary School	1,500,000	250,000	1,750,000	250,000	1,500,000
St. Charles Lwanga Secondary School - Bwake	800,000		800,000	800,000	-
St. Kizito Girls Secondary School	700,000		700,000	-	700,000
Nangwe Secondary School	800,000		800,000	-	800,000
Pongola Secondary School	700,000		700,000	700,000	-
Marobo Secondary School	3,500,000		3,500,000	3,500,000	-
Kibichori Secondary School	700,000		700,000	-	700,000

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) – KABUCHAI CONSTITUENCY  
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Programme/Sub/Programme	Original budget 2018/2019		Adjustments		Final budget 2018/2019		actual on comparable 2018/2019		budget utilization difference	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Kabuchai S.A Girls Secondary School	500,000				500,000		-		500,000	
Baraki Secondary School	1,400,000				1,400,000		1,400,000		-	
Milembe Secondary School	500,000				500,000		-		500,000	
Sikulu Secondary School	700,000				700,000		-		700,000	
Sichei Secondary School	600,000				600,000		600,000		-	
Sanandiki Girls Secondary School	700,000		800,000		1,500,000		1,500,000		-	
Namilama Secondary School	1,300,000				1,300,000		1,300,000		-	
Sikusi Secondary School	700,000				700,000		-		700,000	
Chemwa Secondary School	700,000		700,000		1,400,000		1,400,000		-	
Kasosi Secondary School	600,000				600,000		600,000		-	
Sirare Secondary School	600,000				600,000		-		600,000	
St. Joseph's Nalondo Girls Secondary School	800,000		700,000		1,500,000		700,000		800,000	
Lurende Secondary School	700,000				700,000		-		700,000	
Khatiri Secondary School	700,000		700,000		1,400,000		700,000		700,000	
Hon. Wetangula Mikayu	700,000				700,000		-		700,000	
Khachonge Girs Secondary School	1,000,000				1,000,000		1,000,000		-	
Kimalewa Secondary School	7,500,000				7,500,000		7,160,720		339,280	
Cherjeni Secondary School			700,000		700,000		700,000		-	
Lukhome Secondary School			500,000		500,000		500,000		-	
Madisi Secondary School			500,000		500,000		500,000		-	
<b>Emergency Projects</b>	<b>5,738,993</b>		<b>3,137,931</b>		<b>8,876,924</b>		<b>5,638,966</b>		<b>3,237,958</b>	
Emergency Projects	5,738,993		3,137,931		8,876,924		-		8,876,924	
Pongola Primary School	-		-		-		300,000		(300,000)	
Sikulu Primary School	-		-		-		468,966		(468,966)	
Nasaka Primary School	-		-		-		300,000		(300,000)	
Sawali Primary School	-		-		-		100,000		(100,000)	
Chemwa Primary School	-		-		-		150,000		(150,000)	
Kabuchai Sa Girls Secondary School	-		-		-		200,000		(200,000)	
Bungoma Central District Headquarters	-		-		-		450,000		(450,000)	
Nalondo Primary School	-		-		-		150,000		(150,000)	

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NG CDF) – KABUCHAI CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

Programme/Sub/Programme	Original budget	Adjustments	Final budget	actual on	budget
	2018/2019		2018/2019	comparable	utilization
	Kshs	Kshs	Kshs	2018/2019	difference
Nakitumba Primary School	-	-	-	150,000	(150,000)
Sikulu Secondary School	-	-	-	150,000	(150,000)
Marobo Secondary School	-	-	-	100,000	(100,000)
Musokho Secondary School	-	-	-	150,000	(150,000)
Luuya Primary School	-	-	-	150,000	(150,000)
Luucho Primary	-	-	-	120,000	(120,000)
S.A Wabukhonyi Primary School	-	-	-	200,000	(200,000)
Nena Business Venture Ltd	-	-	-	300,000	(300,000)
Kiboochi Primary School	-	-	-	500,000	(500,000)
Makhonge Fym Primary	-	-	-	200,000	(200,000)
Nasaka Primary School	-	-	-	200,000	(200,000)
Busakala Primary School	-	-	-	300,000	(300,000)
Teremi High School	-	-	-	1,000,000	(1,000,000)
<b>Environment Projects</b>	<b>1,680,818</b>	-	<b>1,680,818</b>	<b>700,000</b>	<b>980,818</b>
Landscaping, Tree Planting and Installation of Water Tanks	1,680,818		1,680,818	700,000	980,818
<b>Sports Projects</b>	<b>1,680,818</b>	<b>227,586</b>	<b>1,908,404</b>	<b>927,586</b>	<b>980,818</b>
Kabuchai Constituency Sport Activities	1,680,818	227,586	1,908,404	927,586	980,818
<b>Bursaries</b>	<b>27,276,567</b>	<b>10,126,992</b>	<b>37,403,559</b>	<b>27,116,720</b>	<b>10,286,839</b>
Bursary Secondary Schools	12,514,306	4,000,000	16,514,306	16,302,620	211,686
Bursary Tertiary Schools	14,762,261	6,126,992	20,889,253	10,814,100	10,075,153
<b>Security Projects</b>	<b>6,400,000</b>	-	<b>6,400,000</b>	<b>1,350,000</b>	<b>5,050,000</b>
Bungoma Central Subcounty	250,000		250,000	250,000	-
Bungoma Central Subcounty	200,000		200,000	200,000	-
Bungoma Central Subcounty	650,000		650,000		650,000
Assistant County Commissioner office Mukuyuni	1,000,000		1,000,000	-	1,000,000
Assistant County Commissioner Nalondo	700,000		700,000	-	700,000
Chwele Police	1,700,000		1,700,000	-	1,700,000
Assistant Chief office Sikusi	400,000		400,000	-	400,000

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Programme/Sub/Programme	Original budget	Adjustments	Final budget	actual on	budget
	2018/2019	Kshs	2018/2019	comparable	utilization
	Kshs	Kshs	Kshs	2018/2019	difference
Assistant Chief office Kabuchai	400,000		400,000	-	400,000
Assistant Chief office North Bukusu	100,000		100,000	100,000	-
Acc office Kabuchai	700,000		700,000	500,000	200,000
Kososi Assistant Chief office	300,000		300,000	300,000	-
<b>Other Programmes</b>	-	<b>4,677,027</b>	<b>4,677,027</b>	<b>2,338,514</b>	<b>2,338,513</b>
Acquisition of ICT Hub	-	4,677,027	4,677,027	2,338,514	2,338,513
<b>Grand Total</b>	<b>109,040,875</b>	<b>27,430,638</b>	<b>136,471,513</b>	<b>80,141,559</b>	<b>56,329,954</b>

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**Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

**Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

**5. In-Kind Contributions**

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**6. Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

**7. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**8. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

## IX. SIGNIFICANT ACCOUNTING POLICIES

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

### 1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### 2. Reporting Entity

The financial statements are for the National Government Constituencies Development Fund (NGCDF)-Kabuchai Constituency (Fund). The financial statements encompass the reporting entity as specified under section 81 of the Public Finance Management (PFM) Act, 2012.

### 3. Reporting Currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

### 4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Fund for all the years presented.

#### a) Recognition of receipts

The Fund recognizes all receipts from the various sources when the event occurs and the related cash has actually been received by the Fund.

##### **Transfers from the NGCDF Board**

Transfers from the NGCDF Board are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving Fund.

##### **Other Receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

#### b) Recognition of Payments

The Fund recognizes all payments when the event occurs and the related cash has actually been paid out by the Fund.



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**9. Pending Bills**

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

**10. Unutilized Fund**

Unutilized funds consist of bank balances in the constituency account and funds not yet disbursed by the Board to the constituency at the end of the financial year. These balances are available for use in the subsequent financial year to fund projects approved in the respective prior financial years consistent with sec 6(2) and sec 7(2) of NGCDF Act, 2015.

**11. Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2018 for the period 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019 as required by Law and there was one supplementary adjustment to the original budget during the year. Included in the adjustments are the unutilized funds.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

**12. Comparative Figures**

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

**13. Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2019.

**14. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 14 explaining the nature and amounts.

**15. Related Party Transactions**

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

**X. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description	AIE No	2018-2019	2017-2018
		Kshs	Kshs
Transfers from National Government Entities			
AIE NO	B005036	10,080,259	
AIE NO	B030007	500,000	
AIE NO	B030177	10,000,000	
AIE NO	B030410	12,000,000	
AIE NO	B006352	8,000,000	
AIE NO	A699111	11,000,000	
AIE NO	B042891	13,000,000	
			5,500,000
			37,905,172
			1,600,000
			41,868,966
<b>Total</b>		<b>64,580,259</b>	<b>86,874,138</b>

**2. COMPENSATION OF EMPLOYEES**

Description	2018-2019	2017-2018
	Kshs	Kshs
Employee salaries and allowances	2,201,670	2,338,795
Employer contribution to National Social Security Fund (NSSF)	66,000	78,000
Contribution to National Health Insurance Fund (NIHF)	46,200	42,350
Gratuity-Paid	-	198,089
<b>Total</b>	<b>2,313,870</b>	<b>2,657,234</b>

**3. USE OF GOODS AND SERVICES**

Description	2018-2019	2017-2018
	Kshs	Kshs
Utilities, supplies and services	106,000	10,960
Communication, supplies and services	67,200	220,000
Domestic travel and subsistence	666,535	104,000
Printing, advertising and information supplies & services	214,037	200,500
Training expenses	985,000	1,219,820
Hospitality supplies and services	150,855	342,800
Other committee expenses	154,000	-
Committee allowance	3,292,070	1,098,630
Office and general supplies and services	239,200	420,000
Fuel oil & lubricants	100,000	200,000
Bank service commission and charges	39,854	-
Routine maintenance - vehicles and other transport equipment	182,260	45,600
Routine maintenance- other assets	148,173	138,395
Other operating expenses - Strategic Plan	500,000	-
<b>Total</b>	<b>6,845,184</b>	<b>4,000,705</b>

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4. TRANSFERS TO OTHER GOVERNMENT UNITS

Description	2018-2019	2017-2018
	Kshs	Kshs
Transfers to primary schools	7,300,000	15,186,250
Transfers to secondary schools	25,610,720	19,400,000
<b>Total</b>	<b>32,910,720</b>	<b>34,586,250</b>

5. OTHER GRANTS AND TRANSFERS

Description	2018-2019	2017-2018
	Kshs	Kshs
Bursaries – secondary/special schools	16,302,620	6,305,000
Bursaries – tertiary institutions	10,814,100	9,601,000
Security projects	1,350,000	6,590,000
Sports projects	927,586	1,536,205
Environment projects	700,000	-
Emergency projects*	5,638,966	2,000,000
<b>Total</b>	<b>35,733,272</b>	<b>26,032,205</b>

\*The emergency projects were paid from the emergency allocation approved by the NG CDF Board. The projects, which include construction of toilets, renovation of classrooms, kitchens, construction of new classrooms and purchase of land for playgrounds, were required urgently and could not wait for the allocations for the 2019/2020 FY.

6. ACQUISITION OF ASSETS

Non-Financial Assets	2018-2019	2017-2018
	Kshs	Kshs
Refurbishment of Buildings	-	2,500,000
Purchase of Specialized Plant, Equipment and Machinery	-	440,000
<b>Total</b>	<b>-</b>	<b>2,940,000</b>

7. OTHER PAYMENTS

Description	2018-2019	2017-2018
	Kshs	Kshs
Strategic plan	-	2,000,000
ICT Hub	2,338,514	-
<b>Total</b>	<b>2,338,514</b>	<b>2,000,000</b>

8. BANK ACCOUNTS

Name of Bank, Account No. & currency	2018-2019	2017-2018
	Kshs	Kshs
Cooperative Bank of Kenya, 01141536140900, Kshs	1,289,080	16,850,380
<b>Total</b>	<b>1,289,080</b>	<b>16,850,880</b>

**9. FUND BALANCE BROUGHT FORWARD**

Description	2018-2019	2017-2018
	Kshs	Kshs
Bank account	16,802,880	2,145,136
<b>Total</b>	<b>16,802,880</b>	<b>2,145,136</b>

**10. PRIOR YEAR ADJUSTMENT**

Description	2018-2019	2017-2018
	Kshs	Kshs
Adjustment on bank balance	47,500	-
<b>Total</b>	<b>47,500</b>	<b>-</b>

This relates to payments appearing in bank statement which had not been recorded in cashbook as at 30 June 2018.

**11. OTHER IMPORTANT DISCLOSURES**

**11.1: UNUTILIZED FUND**

Description	2018-2019	2017-2018
	Kshs	Kshs
Compensation of Employees	1,558,550	1,450,257
Use of goods and services	2,457,176	1,788,009
Transfers to Other Government Units	29,439,280	6,486,207
Other grants and transfers	20,536,435	13,280,690
Other Payments	2,338,513	5,177,027
<b>Total</b>	<b>56,329,954</b>	<b>28,182,190</b>

**11.2: PMC ACCOUNT BALANCES (See Annex 1)**

	2018-2019	2017-2018
	Kshs	Kshs
PMC account Balances (see attached list)	5,301,364	3,542,294
<b>Total</b>	<b>5,301,364</b>	<b>3,542,294</b>

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12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<b>REPORT ON FINANCIAL STATEMENTS</b>					
<b>Basis for Qualified Opinion</b>					
1	Transfer to Other Government Entities  Included in the transfer to other government units figure of Kshs.34,586,250 are payments totaling Kshs.900,000 for purchase of various parcels of lands as detailed below:				
	a) The Fund transferred Kshs.700,000 to the PMCs account for purchase of 1.25 acres of land valued at Kshs.1,200,000 for Nangwe Primary School. However, the title deed for the parcel of land and the sale agreement were not availed for audit verification.	The processing of the land title deed is still under way. Copies of the land sale agreement and valuation reports have been availed for audit review.	Winston Lihanda – Fund Account Manager	Not Resolved	31/12/20
	b) The Fund contributed Kshs.400,000 towards purchase of land for Lwanda Primary School with total cost of Kshs.1,000,000. However, title deed for the parcel of land was not availed for audit verification.	The processing of the land title deed is still under way. Copies of the land sale agreement and valuation reports have been availed for audit review.	Winston Lihanda – Fund Account Manager	Not resolved	30/06/21

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, it was not possible to ascertain ownership of the parcels of land purchased by the management.				
2	<p><b>Other Grants and transfers</b></p> <p>Included in the other grants and other transfers figure of Kshs.26,032,206 is an amount of Kshs.6,590,000 in respect of security expenditure which in turn includes Kshs.1,300,000 incurred on renovation and purchase of furniture for the Bungoma Central DCIO office. However, scrutiny of the relevant records revealed that the furniture was not purchased and renovation works not done to completion.</p> <p>In the circumstances, it was not possible to ascertain accuracy of the expenditure on other grants and transfers figure incurred during the year under review.</p>	<p>The Bungoma Central DCIO office project is complete &amp; in use.</p> <p>The Project Implementation Status Report for 2018-19 &amp; complete project photos has been provided for audit review.</p>	Joyce N. Wanjala Previous Fund Account Manager	Resolved	N/A
<b>Other Matter</b>					
1	<p><b>Budgetary Control and Performance</b></p> <p>During the year under review, the Fund spent Kshs.72,216,395 against a budgeted amount of Kshs.101,934,791, resulting in under-absorption of Kshs.29,718,396 representing 29 %.</p> <p>Consequently, the Fund did not fully achieve its planned programmes this may have led to the constituents not receiving the much-needed services.</p>	<p>The management agrees with the audit observation.</p> <p>This was a result of delayed disbursement of funds by exchequer that made it difficult to achieve 100% absorption.</p> <p>However, the projects have been completed. The AIE's and extracts of the bank statements</p>	Joyce N. Wanjala – Previous Fund Account Manager	Resolved - but not yet submitted the Special Fund Accounts Committee	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		have been availed for audit verification.			
2	<p><b>Project Implementation Status</b></p> <p>The Fund was to implement a total of 72 projects/programmes under security, Education, Sports, and Environment sectors during the year under review. However, further analysis conducted on the performance records revealed that 4 representing 11% of the projects had started, 21 representing 37% were still on going and 47 representing 52% had been completed as at the time of audit.</p> <p>Consequently, the Fund did not achieve its projects completion targets and could therefore not provide its constituents with the planned service delivery.</p>	<p>The management agrees with the audit observation. The delayed disbursement by the exchequer resulted in delays in implementation of the projects. However, the projects have since been completed. The current project implementation status report for the 2018/19 FY and completed project photos has been attached for audit verification</p>	Joyce N. Wanjala – Previous Fund Account Manager	Resolved -but not yet submitted the Special Fund Accounts Committee	N/A

Fund Account Manager  
Name: Winston Lihanda

Sub-County Accountant  
Name: Godfrey Simiyu  
ICPAK Member Number

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ANNEX 1 –PMC BANK BALANCES AS AT 30 JUNE 2019

Sn	PMC	Bank	Account Number	Bank Balance 2018/2019 (Kshs)	Bank Balance 2017/2018 (Kshs)
1	Acc Nalondo	Cooperative	01141669956500	504,719	1,280
2	Baraki Secondary School	Cooperative	01141178289750	1,328,975	216,235
3	Busakala Primary School	Cooperative	01141049329600	3,485	3,485
4	Cardinal Otunga Sichei Sec School	Cooperative	01141536989600	4,743	4,742
5	Chebukaka Girls Primary School	Cooperative	01141011500400	2,160	-
6	Chebunyinyi Primary School	Cooperative	01141669294400	405,303	322,402
7	Chekulo Baptist Secondary School	Cooperative	01141536393800	150	150
8	Chekulo Fym Primary	Cooperative	01141011497600	1,569	1,569
9	Chemwa Primary School	Cooperative	01141011500400	575	-0
10	Chemwa Secondary School	Cooperative	01141668233300	703,563	1,462
11	Chenjeni Secondary School	Cooperative	01141426491600	1,552	1,552
12	Kabuchai Const. Sports Committee	Cooperative	01141668565600	2,955	308
13	Kabuchai Constituency Env.	Cooperative	01141668506200	1,498	497
14	Kabuchai SA Girls Sec School	Cooperative	01139049932902	27,280	11,279
15	Kasosi Secondary School	Cooperative	01141049673300	5,285	5,302
16	Khachonge Girls Sec School	Cooperative	01141049633300	-	1,000,000
17	Khatiri Secondary School	Cooperative	01141049730010	67,129	70,870
18	Kiboochi Primary School	Cooperative	01141049257201	2,053	1,626
19	Kimalewa Primary	Cooperative	01149049932902	85,672	2,150
20	Kuywa Special Primary School	Cooperative	01141668517800	4,325	-
21	Lubembe Primary School	Cooperative	01141669899400	2,425	325
22	Lukhome Secondary School	Cooperative	01141049933900	7,758	334,882
23	Luucho Primary School	Cooperative	01141536267000	5,471	343,771
24	Luuya Girls Secondary School	Cooperative	01140493373000	11,023	5,970
25	Luuya Primary School	Cooperative	01140493373004	-	980
26	Madisi Secondary School	Cooperative	01140493373002	53,111	117
27	Makhonge Fym Primary	Cooperative	01141668244200	384	679,552
28	Marobo Boys Secondary School	Cooperative	01141049953000	8,675	1,209
29	Musokho Secondary School	Cooperative	01141782897500	2,063	1,328,975
30	Nakitumba Primary School	Cooperative	01141011501300	-	9
31	Nalondo Primary School	Cooperative	01141668243800	2,213	3,212
32	Namilama Primary School	Cooperative	01141011510401	-	99
33	Namilama Secondary School	Cooperative	01141011500401	3,704	1,320
34	Nasaka Primary School	Cooperative	01141669816700	1,278	9,325
35	Sanandiki Girls Secondary School	Cooperative	01141669227900	288,738	1,412
36	Sanandiki SA Primary	Cooperative	01141668503200	367,367	1,462
37	Sawali Primary School	Cooperative	01141535778500	38,159	73,998
38	Sichei Secondary School	Cooperative	01139049937002	22,962	20,961
39	Sikulu Primary School	Cooperative	01141049310500	4,073	1,669
40	Sikulu Secondary School	Cooperative	01141050275900	-	3,922
41	Sirare Primary School	Cooperative	01141049449300	300,200	-
42	Sirwa Primary School	Cooperative	01141669786400	1,325	14,325
43	St. Charles Bwake Sec School	Cooperative	01139049932902	-	-
44	St. Joseph's girls Sec School	Cooperative	01139409229502	1,563	1,562
45	Teremi High School	Cooperative	0114049331700	1,025,890	145
	<b>Total</b>			<b>5,301,364</b>	<b>4,474,111</b>



ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f 2017/18	Additions during the year	Disposals during the year	Historical Cost 2018/19
	Kshs	Kshs	Kshs	Kshs
Land	800,000	-	-	800,000
Buildings and structures	9,500,000	-	-	9,500,000
Transport equipment	6,158,843	-	-	6,158,843
office equipment, furniture and fittings	2,762,000	-	-	2,762,000
ICT Equipment, Software and Other ICT Assets	758,200	-	-	758,200
<b>Total</b>	<b>19,979,043</b>	<b>-</b>	<b>-</b>	<b>19,979,043</b>