

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 07 AUG 2019

DAY

Wednesday

TABLED

Hon. Benjamin Wathai
Majority Party Whip
Halima Ahmed

REPORT

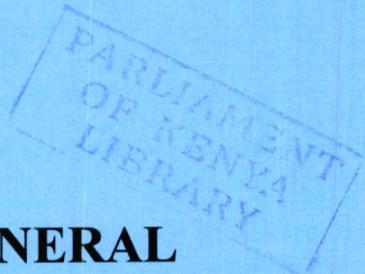
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
BUTULA CONSTITUENCY

FOR THE YEAR ENDED
30 JUNE 2018



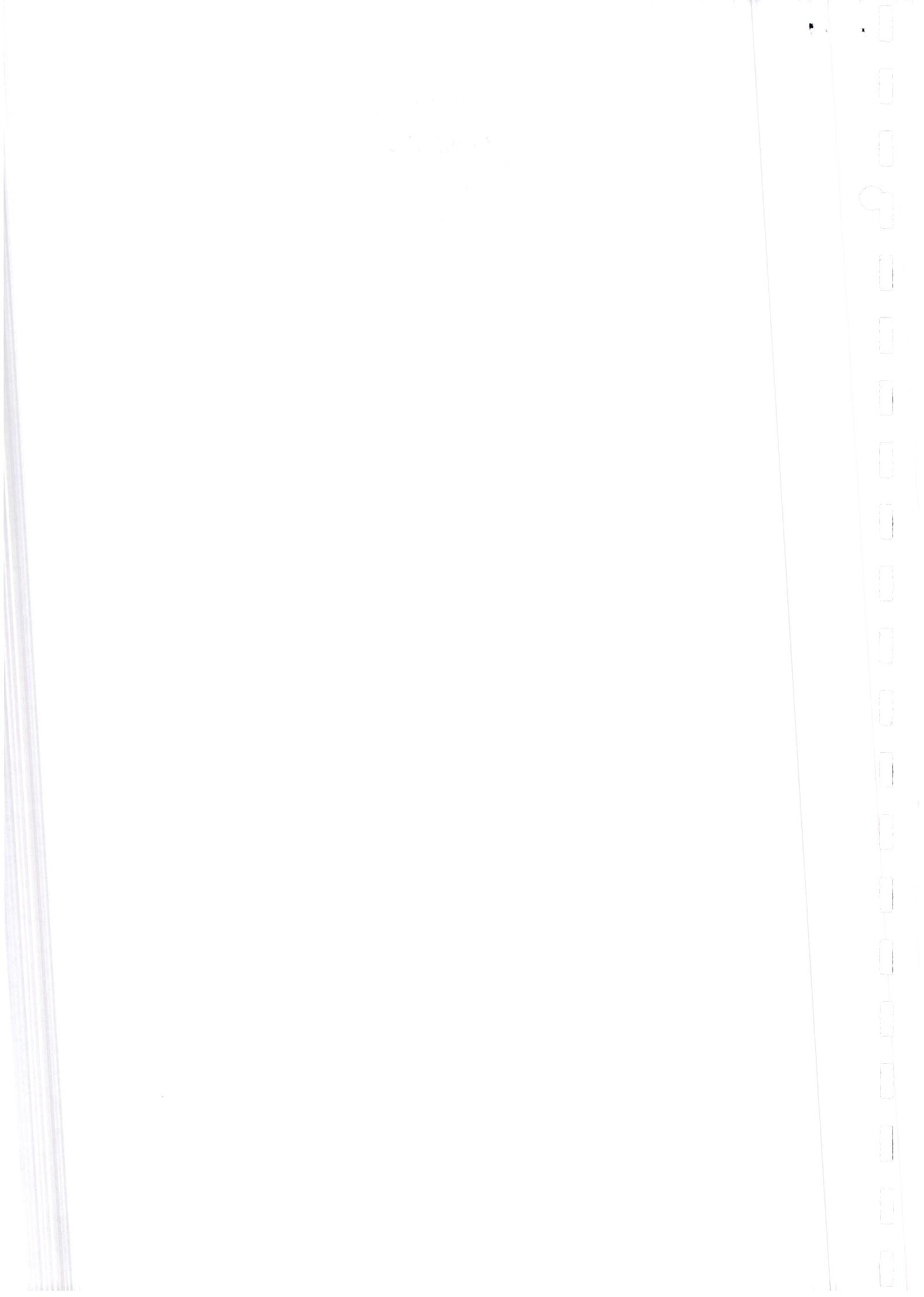


**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND BUTULA
CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
BUTULA CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018

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**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
BUTULA CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2018**

I. KEY 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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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:

- a) Recognize the constituency as a platform for identification, performance and implementation of national government functions;
- b) Facilitate the performance and implementation of national government functions in all parts of the Republic pursuant to Article 6(3) of the Constitution;
- c) 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;
- d) 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;
- e) Provide for the sustainable development of all parts of the Republic pursuant to Article 10 (2) (d) of the Constitution;
- f) 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;
- g) 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;
- h) 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;
- i) Authorize withdrawal of money from the Consolidated Fund as provided ' under Article 206 (2) (c) of the Constitution;
- j) 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
- k) 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

Vision

Equitable Socio-economic development countrywide

Mission

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

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
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Core Values

1. **Patriotism** – we uphold the national pride of all Kenyans through our work
2. **Participation of the people**- We involve citizens in making decisions about programmes we fund
3. **Timeliness** – we adhere to prompt delivery of service
4. **Good governance** – we uphold high standards of transparency, accountability, equity, inclusiveness and integrity in the service of the people
5. **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 BUTULA 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 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Winston Lihanda
3.	National Sub-County Accountant	Lilian Amusolo
4.	Chairperson NGCDFC	Moses Ochowa
5.	Member NGCDFC	Colleta Ayomba

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of NGCDF –BUTULA 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.

(e) NGCDF BUTULA Constituency Headquarters

BUTULANGCDF Office Building
P. O. Box 53 - 50405
Bumala - Ejinja Road
BUTULA, Busia

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
BUTULA CONSTITUENCY
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For the year ended June 30, 2018**

(f) NGCDF BUTULA Constituency Contacts

Telephone: (254) 0 787 883 580
E-mail: cdfbutula@ngcdf.go.ke
Website: www.ngcdf.go.ke

(g) NGCDF BUTULA Constituency Bankers

National Bank of Kenya
Busia Branch
P. O. Box 264 - 50400
Busia, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II.FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

Budget Performance

The budget performance against the actual amounts achieved an average of 55.2% utilization for the economic classification and programmes. This was as a result of receipt of funding close to the financial year end that made it difficult to achieve 100% utilization. Furthermore, there was delay in release of funding by the exchequer.

Key achievements of the fund

- It has led to the initiation of development projects at the local level thereby availing financial resources at the grassroots level, thus, empowering communities economically.
- It has led to the expansion of education infrastructure through construction of new schools.
- Bursary awards have increased enrolment and retention rates education institutions.
- It has led to reduced insecurity through establishment of administration police camps and local administration offices

Emerging issues

- Piece meal funding of projects leading to its delayed benefit.
- Legal issues.

Challenges

- Increased population and poverty
- Delay in release of funds by the exchequer

Way forward

- Sensitization and awareness creation on opportunities available for socio - economic growth
- The NG CDF Board to hire registered Structural Engineers, Quality Surveyors and other staff on full-time basis.



Allan Odipo
Chairperson - NGCDFC

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
BUTULA CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2018**

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 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 Accounting Officer in charge of the NGCDF-BUTULA 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, 2018. 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 Accounting Officer in charge of the NGCDF-BUTULA 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, 2018, and of the entity's financial position as at that date. The Accounting Officer in charge of the NGCDF-BUTULA Constituency further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the NGCDF-BUTULA Constituency confirms that the entity 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 Accounting Officer confirms that the entity'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-BUTULA Constituency financial statements were approved and signed by the Accounting Officer on **25th February, 2019**.



**Fund Account Manager
Lihanda Winston**



**National Sub-County Accountant
Lilian Amusolo**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - BUTULA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund- Butula Constituency set out on pages 7 to 21, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of changes in equity, 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, the financial statements present fairly, in all material respects, the financial position of as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund – Butula Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public Resources have not been applied lawfully and in an effective way.

*Report of the Auditor-General on the Financial Statements on National Government Constituencies Development Fund-
Butula Constituency for the year ended 30 June 2018*

Basis for Conclusion

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 procedures performed, except for the matters described in the 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. Project Implementation Status

During the year under review, the Fund was to implement a total of 27 projects/programs with original budget of Kshs.86,810,344 through different Project Management Committees. However, review of the projects implementation status report revealed that 14 or 52% of projects had not started, 10 or 37% were ongoing and 3 or 11% had been completed as at the time of audit as tabulated below;

Sector	Total Project Cost	Budgeted projects	Actual/Implemented Projects						
			Not Started		Ongoing		Completed		% of completed projects
Transfers to Secondary Schools	5,000,000	5	0	-	3	3,000,000	2	2,000,000	
Transfers to Tertiary Schools	8,000,000	1	0	-	1	8,000,000	0	-	-
CDF- Office	7,285,041	1	0	-	0	-	1	7,285,041	100
Security	21,000,000	8	8	21,000,000	0	-	0	-	-
Sports	1,736,207	2	2	1,736,207	0	-	0	-	-
Environment	1,736,207	1	1	1,736,207	0	-	0	-	-
Emergency Projects	4,568,966	1	0	-	1	4,568,966	0	-	-

Sector	Total Project Cost	Budgeted projects	Actual/Implemented Projects							
			Not Started		Ongoing		Completed		% of completed projects	
Monitoring, Evaluation and Capacity Building	2,604,310	3	0	-	3	2,604,310	0	-	-	-
Education Bursary, Mock Exams & CATs	21,702,586	2	0	-	2	21,702,586	0	-	-	-
Strategic Plan	3,500,000	1	1	3,500,000	0	-	0	-	-	-
Constituency Innovation Hubs	4,677,027	1	1	4,677,027	0	-	0	-	-	-
Acquisition of Assets	5,000,000	1	1	5,000,000	0	-	0	-	-	-
	86,810,344	27	14	37,649,441	10	39,875,862	3	9,285,041		11

Consequently, the Fund failed to complete and operationalize projects after investing funds in them thus denying constituent's residents access of the essential services that would have accrued therefrom.

2. Budget Performance

Review of the Fund's statement of comparison of budget and actual amounts for the year under review revealed that the Fund spent Kshs.32,595,534 against a budgeted amount of Kshs.134,637,925 resulting in under-absorption of Kshs.102,042,391 representing 76% as analyzed below:

Receipt/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
Receipts	Kshs.	Kshs.	Kshs.	
Transfers from CDF Board	134,637,925	74,473,865	60,164,060	55
Total	134,637,925	74,473,865	60,164,060	55
Payments				
Compensation of Employees	2,722,000	657,816	2,064,184	76
Use of goods and services	6,115,069	2,375,088	3,739,981	61
Transfers to Other Government Units	35,000,000	12,000,000	23,000,000	66
Other grants and transfers	75,547,408	17,562,630	57,984,778	77

Receipt/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
Receipts	Kshs.	Kshs.	Kshs.	
Acquisition of Assets	7,076,421	0	7,076,421	100
Other Payments	8,177,027	0	8,177,027	100
Total	134,637,925	32,595,534	102,042,391	76%

Consequently, the Fund failed to implement projects and programmes amounting to Kshs.102,042,391 translating to 76% of the budget, thus denying the citizens the benefits they would derive from the projects.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 (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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the Fund's 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 on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order 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 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 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 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

17 May 2019

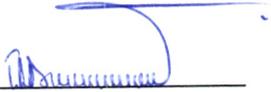
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
 BUTULA CONSTITUENCY
 Reports and Financial Statements
 For the year ended June 30, 2018**

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017 - 2018	2016 - 2017
		Kes	Kes
RECEIPTS			
Transfers from NG CDF board-AIE's Received	1	74,353,447	108,579,493
TOTAL RECEIPTS		74,353,447	108,579,493
PAYMENTS			
Compensation of employees	2	657,816	2,419,121
Use of goods and services	3	2,375,088	15,992,558
Transfers to Other Government Units	4	12,000,000	30,501,775
Other grants and transfers	5	17,562,630	59,172,000
Acquisition of Assets	6	-	2,100,000
TOTAL PAYMENTS		32,595,534	110,185,454
SURPLUS/DEFICIT		41,757,913	(1,605,962)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NG CDF-BUTULA Constituency financial statements were approved on **25th February, 2019** and signed by:


 Fund Account Manager
 Lihanda Winston


 National Sub-County Accountant
 Lilian Amusolo

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
 BUTULA CONSTITUENCY
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VI. STATEMENT OF ASSETS & LIABILITIES

	Note	2017 - 2018	2016 - 2017
		Kes	Kes
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	7	41,878,331	120,418
Total		41,878,331	120,418
TOTAL FINANCIAL ASSETS		41,878,331	120,418
NET FINANCIAL ASSETS		41,878,331	120,418
REPRESENTED BY			
Fund balance b/fwd 1st July, 2017	8	120,418	1,726,380
Surplus/Deficit for the year		41,757,913	(1,605,962)
NET FINANCIAL POSITION		41,878,331	120,418

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NG CDF-BUTULA Constituency financial statements were approved on **25th February, 2019** and signed by:


 Fund Account Manager
 Lihanda Winston

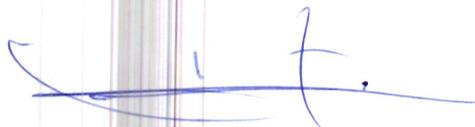

 National Sub-County Accountant
 Lilian Amusolo

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
 BUTULA CONSTITUENCY
 Reports and Financial Statements
 For the year ended June 30, 2018**

VII. STATEMENT OF CASHFLOW

Receipts for operating income		2017 - 2018	2016 - 2017
		Kes	Kes
Transfers from NG CDF Board	1	74,353,447	108,579,493
		74,353,447	108,579,493
Payments for operating expenses			
Compensation of Employees	2	657,816	2,419,121
Use of goods and services	3	2,375,088	15,992,558
Transfers to Other Government Units	4	12,000,000	30,501,775
Other grants and transfers	5	17,562,630	59,172,000
		32,595,534	108,085,454
Adjusted for:			
Net cash flow from operating activities		41,757,913	494,039
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	-	(2,100,000)
Net cash flows from Investing Activities		-	(2,100,000)
NET INCREASE IN CASH AND CASH EQUIVALENT		41,757,913	(1,605,962)
Cash and cash equivalent at BEGINNING of the year	8	120,418	1,726,380
Cash and cash equivalent at END of the year		41,878,331	120,418

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-BUTULA Constituency financial statements were approved on **25th February, 2019** and signed by:



**Fund Account Manager
 Lihanda Winston**



**National Sub-County Accountant
 Lilian Amusolo**

Reports and Financial Statements

For the year ended June 30, 2018

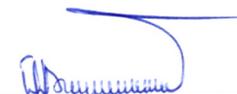
VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from NG CDF Board	86,810,345	47,827,580	134,637,925	74,473,865	60,164,060	55.3%
Proceeds from Sale of Assets		-	-	-	-	-
Other Receipts	-	-	-	-	-	-
TOTAL	86,810,345	47,827,580	134,637,925	74,353,447	60,164,060	55.2%
PAYMENTS						
Compensation of Employees	2,722,000		2,722,000	657,816	2,064,184	24.2%
Use of goods and services	5,090,931	1,024,138	6,115,069	2,375,088	3,739,981	38.8%
Transfers to Other Government Units	13,000,000	22,000,000	35,000,000	12,000,000	23,000,000	34.3%
Other grants and transfers	50,743,966	24,803,442	75,547,408	17,562,630	57,984,778	23.2%
Acquisition of Assets	7,076,421	-	7,076,421	-	7,076,421	0.0%
Other Payments	8,177,027	-	8,177,027	-	8,177,027	0.0%
TOTAL	86,810,345	47,827,580	134,637,925	32,595,534	102,042,391	24.2%

The NGCDF-BUTULA Constituency financial statements were approved on 25th February, 2019 and signed by:



Fund Account Manager
Lihanda Winston



National Sub-County Accountant
Lilian Amusolo

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 NGCDF-BUTULA Constituency. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012

3. Reporting Currency

The financial statements are presented in Kenya Shillings (Kes), 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 Entity for all the years presented.

a) Recognition of Receipts

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

Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

Transfers from the Exchequer

Transfers from the exchequer 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 entity.

SIGNIFICANT ACCOUNTING POLICIES

External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criterion is applied for loans received in the form of a direct payment.

During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

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 Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

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.

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SIGNIFICANT ACCOUNTING POLICIES

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 the Central Bank of Kenya and 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 authorised 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.

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 Funds

Unutilized funds consist of bank balances in the constituency account and previous year(s) balances not yet disbursed by the Board to the constituency at the beginning of the financial year. These balances are available for use in the year under review to fund projects approved in the respective prior financial years consistent with sec 6(2) and sec 7(1) of NGCDF Act, 2015.

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SIGNIFICANT ACCOUNTING POLICIES

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 2017 for the period 1st July 2017 to 30th June 2018 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 30th June 2018.

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.

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X. NOTES TO THE FINANCIAL STATEMENTS

1) Transfers from other government entities

Description		2017 - 2018	2016 - 2017
NG CDF Board	AIE NO.	Kes	Kes
	825900		20,000,000
	825948		37,631,211
	A829520		4,094,833
	855163		36,853,449
	839666		10,000,000
	A855777	5,500,000	
	A892807	30,948,275	
	A892936	37,905,172	
Total		74,353,447	108,579,493

2) Compensation of Employees

Description	2017 – 2018	2016 - 2017
	Kes	Kes
Basic wages of contractual employees	657,816	2,419,121
Total	657,816	2,419,121

3) Use of goods and services

Description	2017 – 2018	2016 – 2017
	Kes	Kes
Committee Expenses	1,364,800	7,010,000
Communication, supplies and services	-	400,000
Printing, advertising and information supplies & services	-	4,200,000
Hospitality supplies and services	915,630	750,000
Office and general supplies and services	-	3,395,000
Fuel ,oil & lubricants	86,000	100,000
Other operating expenses	8,658	17,558
Routine maintenance - other assets	-	120,000
Total	2,375,088	15,992,558



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4) Transfers to Other Government Units

Description	2017 – 2018	2016 – 2017
	Kes	Kes
Transfers to primary schools (see attached list)	-	3,700,000
Transfers to secondary schools (see attached list)	7,500,000	9,600,000
Transfers to tertiary institutions (see attached list)	4,500,000	11,875,000
Transfers to health institutions (see attached list)	-	5,326,775
Total	12,000,000	30,501,775

5) Other grants and other payments

Description	2017 – 2018	2016 - 2017
	Kes	Kes
Bursary - secondary schools (see attached list)	9,787,260	15,957,000
Bursary - tertiary institutions (see attached list)	2,220,150	-
Mock & CAT (see attached list)	-	500,000
Water (see attached list)	-	11,665,000
Security projects (see attached list)	5,000,000	3,000,000
Roads (see attached list)	-	10,500,000
Sports projects (see attached list)	-	5,000,000
Environment projects (see attached list)	-	2,400,000
Emergency projects (see attached list)	555,220	10,150,000
Total	17,562,630	59,172,000

6) Acquisition of Assets

Description	2017 - 2018	2016 - 2017
	Kes	Kes
Refurbishment of buildings	-	2,100,000
Total	-	2,100,000

7) Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2017 - 2018	2016 - 2017
	Kes	Kes
National Bank of Kenya - Busia Branch, 1021037115600, Kes	41,878,331	120,418
Total	41,878,331	120,418



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
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Annex 3 - Summary of fixed asset register

Asset class	Historical Cost (Kes) b/f 2016 – 17	Additions during the year (Kes)	Disposals during the year (Kes)	Historical Cost (Kes) 2017 – 18
Land	250,000	-	-	250,000
Buildings and structures	4,200,654	-	-	6,300,654
Transport equipment	4,565,000	-	-	4,565,000
Office equipment, furniture and fittings	487,387	-	-	487,387
ICT Equipment, Software and Other ICT Assets	1,228,129	-	-	1,228,129
Other Machinery and Equipment	18,005,520	-	-	18,005,520
Total	28,736,690	-	-	30,836,690

Annex 4 - Trial Balance as at 30th June, 2018

		DR	CR
Cash and Cash equivalents			
	Bank Balances	41,878,331	
Payments			
	Compensation of Employees	657,816	
	Use of goods and services	2,375,088	
	Transfers to Other Government Units	12,000,000	
	Other grants and transfers	17,562,630	
Receipts			
	Transfers from the Board		74,353,447
Fund Balance b/f			120,418
TOTAL		74,473,865	74,473,865

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XII. 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)
1.0	Transfers to Other Government Units	The PMC requested for the change of use.	Winston Lihanda - FAM	Resolved	Immediately
2.0	Stalled Projects	NG CDFC is allocating funds towards completion of the project.	Winston Lihanda - FAM	Resolved	Immediately
3.0	Budgetary Performance	Under-expenditure of Kes.36,568,689 equivalent to 25% relates to funds that were yet to be received. The funds have since been received with the projects at different levels of implementation.	Winston Lihanda - FAM	Resolved	Immediately
4.0	Project Performance	The projects have since been implemented.	Winston Lihanda - FAM	Resolved	Immediately

