

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

DATE: 07 AUG 2019

DAY:

Wednesday

TABLED  
BY:

Hon. Benjamin Wazihali  
(Majority Party Whip)  
Herlino Ahmed

CLERK-AT  
THE-TABLE

**REPORT**

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OF KENYA  
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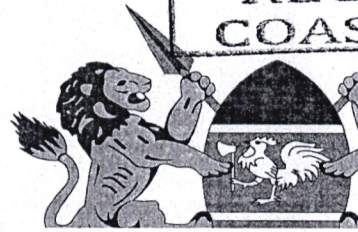
**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND  
GANZE CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE 2018**





OFFICE OF THE AUDITOR GENERAL  
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NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND GANZE  
CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018

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

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

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

**Reports and Financial Statements**

**For the year ended June 30, 2018**

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**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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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 Ganze 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 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Anthony Munyao Patterson
3.	Sub-County Accountant	Kazungu Lewa
4.	Chairman NGCDFC	Patrick K. Ngumbao
5.	Secretary NGCDFC	Philister Sauti Kahindi

**(d) Fiduciary Oversight Arrangements**

The Audit and Risk Management Committee (ARMC) of NGCDF Board provides overall fiduciary oversight on the activities of NGCDF - Ganze 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 Ganze Constituency Headquarters**

P.O. Box 489-80105, Kilifi, Kenya  
Ganze NG-CDF Office  
Ganze Sub-county Headquarters  
Kilifi, KENYA

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

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**For the year ended June 30, 2018**

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**(f) NGCDF Ganze Constituency Contacts**

Telephone: (254) 0724415689

E-mail: [cdfganze@ngcdf.go.ke](mailto:cdfganze@ngcdf.go.ke)

Website: [www.ngcdf.go.ke](http://www.ngcdf.go.ke)

**(g) NGCDF Ganze Constituency Bankers**

1. Equity Bank  
Kilifi Branch  
P.O. Box 381 - 80108  
Kilifi, Kenya  
Tel: 0736306810

**(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 CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
GANZE CONSTITUENCY**

**Reports and Financial Statements  
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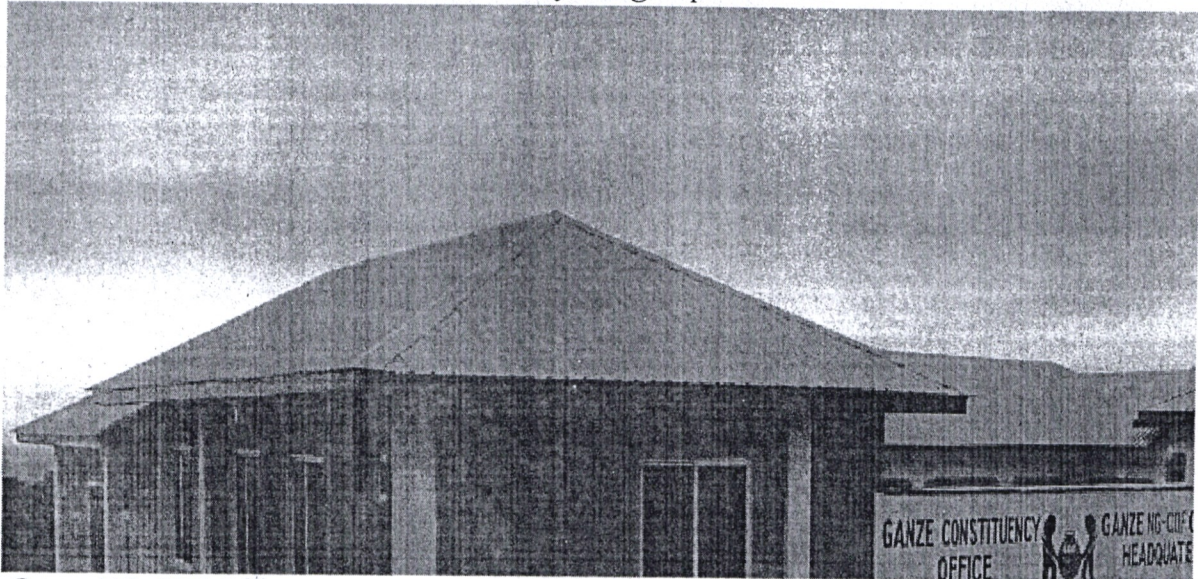
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**II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE**

I hereby present the financial statements for Ganze NG-CDF for the financial year ended 30<sup>th</sup> June 2018. During the year, the constituency was allocated Kshs. 86,810,344.82 as normal allocation, and a supplementary allocation Kshs 11,379,310.34 bringing the total allocation to Kshs 98,189,655.16.

The Constituency received a total of Kshs. 43,405,172 representing 50% of the normal allocation and an additional Ksh. 31,437,746.10 being undisbursed balances as at 30<sup>th</sup> June 2017. Hence the total allocation available for use by the constituency within the financial year was Kshs. 74,842,918.10.

Upon receipt of these funds, the constituency committee met and disbursed funds to various projects which had been earlier approved by the NGCDF Board. The bulk of the amount was spent on the Education sector with Kshs. 21,580,875 being disbursed as bursary to more than 15,000 needy students from the constituency and Kshs 3,800,000 as grants to Primary schools. Secondary Schools were also earmarked for construction of laboratories, Dormitories and classrooms; many of which are currently being implemented.



*Ganze NG-CDF Office*

Other key projects that benefitted are construction of the NG-CDF office (pictured above) which is ready for official opening and environment projects.

The committee shall continue to sponsor students for courses in tertiary institutions and secondary schools; a programme which has achieved high retention rates for bright students from low income families.

*Challenges*

The Committee has been faced with various challenges in the course of implementation of programmes. The main challenges encountered during the financial year such as delayed disbursement of funds by the NG-CDF Board which led to low budget utilisation due to funds coming in late. The committee also noted poor records management by project management committees and lack of capacity of technical officers supervising the projects.



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

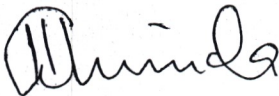
**Reports and Financial Statements  
For the year ended June 30, 2018**

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The committee shall therefore embark on capacity building programmes in the coming financial year to strengthen the project management committees and office staff as well as the NG-CDFC to improve on project implementation. We shall also be working closely with the government procurement and technical officers to ensure that quality is achieved. Other challenges are increasing school enrolment, poor infrastructure in most schools, a large number of projects left uncompleted by previous regimes and the vastness of the constituency.

The committee intends to increase the number of classrooms in addition to starting new schools to cater for increasing enrolment. A Strategic Plan is being developed by the constituency which will carve the path towards improving the infrastructure, and capturing the incomplete projects to help improve on learning conditions in the institutions.

The committee looks forward to a better performance in the next financial year, having understood the challenges ahead.

*Sign* 

**CHAIRMAN NGCDF COMMITTEE**

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)  
GANZE 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-Ganze 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-Ganze 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 charge of the NGCDF-Ganze 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-Ganze 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-Ganze Constituency financial statements were approved and signed by the Accounting Officer on 25/3/2019.



Fund Account Manager  
Name: Eunice Anubi



Sub-County Accountant  
Name: Kazungu Lewa  
ICPAK Member Number:

# REPUBLIC OF KENYA

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## OFFICE OF THE AUDITOR-GENERAL

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

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund- Ganze Constituency set out on pages 7 to 32 which comprise the statement of financial assets as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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- Ganze Constituency 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.

#### Basis for Qualified Opinion

##### 1.0 Outstanding Imprest

As reported previously, note 11 to the financial statements for the year ended 30 June 2018 reflects outstanding imprests of Kshs.3,129,360. The audit revealed that the imprests have been outstanding for more than four (4) years contrary Section 93 (5) of Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station. Although the management has explained that these imprests have since been surrendered, documentary evidence to that effect has not been provided for audit verification.

Further, as previously reported, the statement of assets as at 30 June 2016 reflects opening outstanding imprests balance of Kshs.3,129,360 while the audited balance for the year

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

2014/2015 indicated a sum of Kshs.3,270,500, resulting to a variance of Kshs.141,140 which has not been reconciled nor explained.

Consequently, the regularity and completeness of outstanding imprest amounting to Kshs.3,129,360 as at 30 June 2018 could not be confirmed.

## **2.0 Cash and bank balance**

Note 10A to the financial statements for the year ended 30 June 2018 reflects a bank balance of Kshs.37,671,347. However, the bank reconciliation statement as at 30 June 2018 reflects stale cheques amounting to Kshs.57,249 that had not been written back as at 30 June 2018. Further, cash in hand of Kshs.93,562 has remained unbanked from the previous year. The management has indicated that Kshs.74,000 had been banked leaving unbanked balance of Kshs.19,562.

In the circumstances, the accuracy and completeness of cash balance of Kshs.93,562 and bank balance of Kshs.37,671,347 as at 30 June 2018 could not be confirmed.

## **3.0 Acquisition of Assets**

### **3.1 Construction of Buildings**

As previously reported, Note 8 to the financial statements for the year ended 30 June 2018 reflects comparative acquisition of assets balance of Kshs.19,197,830 which includes construction of buildings amounting to Kshs.10,000,000. This amount was for construction of the Ganze Constituency Fund office building. However, the audit revealed that there were major changes of the design from the original plan, extension of one wing and changes of the design on windows which was done by works officer and the contractor without formal instructions on the drawing and approval from the Board. The management has not explained why the design was changed and the bill of quantities for the changed design were also not availed for audit. Further, it has not been possible to ascertain if value for money has been obtained by the citizens of Ganze.

In the circumstance, the value for money of the construction of building amounting to Kshs.10,000,000 for the year ended 30 June 2018 could not be confirmed.

### **3.2 Purchase of Vehicles and Other Transport Equipment**

As previously reported, Note 8 to the financial statements for the year ended 30 June 2018 reflects comparative purchase of vehicles and other transport equipment amounting to Kshs.8,599,350. However, this figure includes an amount of Kshs.55,000 paid for fitting the vehicle with a car tracking system that could not be verified. Further, the ownership documents of Fund's motor vehicle registration GK 036 of Kshs.8,462,382 and Tractors with registration KAV 583K of Kshs.2,270,000, KAV 579K of Kshs.2,270,000 and KAV 578K of Kshs.2,270,000 were not availed for audit verification.

In the circumstance, the ownership of the motor vehicle and the tractors all valued at Kshs.15,272,382 as at 30 June 2018 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund- Ganze Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### Other Matter

#### 1. Budgetary Control and Performance

##### 1.1 Receipts Budget

The fund's revenue budget for the year under review was Kshs.165,144,675 against a total actual receipts of Kshs.74,892,918 resulting to budget under funding of Kshs.90,251,757 or 54.6% as summarized below:

Item	Budgeted amount Kshs.	Actual Receipts Kshs.	Under Collection Kshs.	Under Collection (%)
Transfer from CDF Board	165,144,675	74,842,918	90,301,757	52.2%
Other receipts	-	50,000	(50,000)	-
<b>Total</b>	<b>165,144,675</b>	<b>74,892,918</b>	<b>90,251,757</b>	<b>54.6%</b>

The under collection of Kshs.90,251,757 representing 54.6% of the budget is an indication that projects have not been funded as planned. However, there is unused funds at the end of the year out of the funds disbursed amounting to Kshs.34,182,934. The underutilization of funds may have impacted negatively on the delivery of goods and services to the citizens of Ganze. This may be an indication of over-budgeting by the National Government Constituencies Development Fund - Ganze Constituency.

##### 1.2 Expenditure Analysis

The fund's overall budget for the year under review was Kshs.176,523,985.54 against total actual 40,709,984 or 23% resulting to budget under absorption of Kshs.135,814,002 or 77% as summarized below:

Item	Budgeted Amount Kshs.	Actual Expenditure Kshs.	Under Absorption Kshs.	Under Absorption (%)
Compensation of employees	4,444,538	2,145,102	2,299,436	51.7%
Use of goods and services	7,797,262	6,079,351	1,717,911	22%
Transfers to Other Government Units	62,125,714	3,800,000	58,325,714	93.8%
Other grants and transfers	68,623,108	23,215,806	45,407,302	66%
Acquisition of Assets	8,800,000	5,469,725	3,330,275	37.8%
Other Payments	13,354,054	0	13,354,054	100%
Un approved projects	11,379,310	0	11,379,310	100%
<b>Total</b>	<b>176,523,986</b>	<b>40,709,984</b>	<b>135,814,002</b>	<b>77</b>

The under absorption of Kshs.135,814,002 representing 77% of the budget is an indication that projects have not been implemented as planned. The underutilization of funds may have impacted negatively on the delivery of goods and services to the citizens of Ganze or may be an indication of over-budgeting by the National Government Constituencies Development Fund- Ganze Constituency.

### 1.3 Project Implementation Status

According to project implementation status report as at 30 June 2018, thirteen (13) projects approved with a total budget of Kshs.32,348,835 had not been started as at 30 June 2018 as summarized below:

No	Project Name	Activity	Amount Kshs.	Year
1	Mwenge Pry Sch	Construction of two classrooms to completion.	3,000,000.00	2017/18
2	Palakumi Pry Sch	Face-lifting: Renovation of 8 classrooms – Roofing and painting.	3,000,000.00	2017/18
3	Ganze Pry Sch	Face-lifting: Renovation of 8 classrooms – Roofing and painting.	3,000,000.00	2017/18
4	Dodosa Pry School	Purchase of 50 desks	250,000.00	2017/18
5	Kahingoni Pry School	Purchase of 50 desks	250,000.00	2017/18
6	Silala Pry School	Purchase of 50 desks	250,000.00	2017/18
7	Mwapula Pry School	Purchase of 100 desks	500,000.00	2017/18
8	Mwangea Girls' Sec School	Completion of twin dormitory roofing, plastering, painting, doors and windows.	5,598,835.00	2017/18
9	Vitengeni Baptist Sec School	Construction of dormitory block capacity 130 students.	6,000,000.00	2017/18
10	Ganze Boys' Sec School	Construction of a laboratory block to completion.	6,000,000.00	2017/18

No	Project Name	Activity	Amount Kshs.	Year
11	Jila Secondary School	Completion of twin dormitory- Plastering, painting,	4,000,000.00	2017/18
12	Petanguo Sec. School	Purchase of 50 lockers	250,000.00	2017/18
13	Bandari Sec. School	Purchase of 50 lockers	250,000.00	2017/18
	<b>Total</b>		<b>32,348,835.00</b>	

The above state of affairs is an indication of lack of proper planning and prioritizing citizen's needs in the budget making process mechanism. Service delivery to the residents of Ganze Constituency and the intended purpose of the projects may not be realized. Further, the project status report reflected fifty-seven (57) projects with a total budget of Kshs.81,255,650 were ongoing as at 30 June 2018. Some projects were expected to be completed in 30 June 2016, others 30 June 2017 and 30 December 2017. However, as at the time of our audit in the month of February 2019, the projects had not been completed. The delay in completion of the projects affects goods and service delivery to the residents of Ganze Constituency and the intended purpose of the projects may not be realized.

#### 1.4 Project Inspection

Audit inspection of eleven (11) projects with total allocation of Kshs.4,479,412 during the month of February 2019 indicated the following state of affairs of the specific projects:

No.	Project Title	Project Activities / Detailed specifications	Verification Date	Project cost Kshs.	Observations
	<b>Primary Schools</b>				
1	Proposed Construction of 2 classroom at Mugumoni primary school	Construction of 2 classroom (substructure and superstructure)	15/2/2019	1,800,000.00	All project activities completed. Facility in use
2	Proposed Renovation (Re-Roofing) of 3 Classrooms at Jaribuni Primary School, Jaribuni Ward	Renovation (Re-Roofing) of 3 Classrooms	15/2/2019	500,000.00	All project activities completed. Facility in use
3	Proposed Construction of 1 classroom at Vitsapuni primary school	Construction of 1 classroom to completion (Substructure and superstructure)	15/2/2019	1,000,000.00	All project activities completed. Facility in use
4	Proposed Renovation (Re-Roofing) of Administration block at Palakumi Primary School	Renovation (Re-Roofing) of Administration block	15/2/2019	500,000.00	All project activities completed. Facility in use
5	Purchase and plating of seedlings		19/2/2019	97,058.82	Trees purchased and planted. Most them had dried up due to dry season
6	Purchase and plating of seedlings		19/2/2019	97,058.82	Trees purchased and planted. Most them had dried up due to dry season

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

No.	Project Title	Project Activities / Detailed specifications	Verification Date	Project cost Kshs.	Observations
7	Purchase and issue of seedlings to Sokoke Primary School		19/2/2019	97,058.82	Trees purchased and planted. Most them had dried up due to dry season
8	Purchase and issue of seedlings to Migujuni Primary Sch		19/2/2019	97,058.82	Trees purchased and planted. Most them had dried up due to dry season
9	Purchase and issue of seedlings to Jila Primary Sch		19/2/2019	97,058.82	Trees purchased and planted. Most them had dried up due to dry season
10	Purchase and issue of seedlings to Mabirikani Primary Sch.		19/2/2019	97,058.82	Trees purchased and planted. Most them had dried up due to dry season
11	Purchase and issue of seedlings to Mariani Pry School		19/2/2019	97,058.82	Trees purchased and planted. Most them had dried up due to dry season
	<b>Total</b>			<b>4,479,411.74</b>	

The above observations are indication of poor project supervision with no value for money for public funds as a result of lack of tender care on the planted trees.

## 2.0. Project Management Committee Bank Balances

### 2.1 Unutilized Funds

Annex 5 to the financial statements for the year ended 30 June 2018 reflects project management committee bank balances amounting to Kshs.1,990,470 out of which funds totaling to Kshs.427,871 were lying idle in the bank accounts without being used and were not returned to the constituency account contrary to NGCDF Act Section 12(8) which states that all unutilized funds of the Project Management Committee shall be returned to the constituency account. The details of the idle funds are summarized below:

No	Project Management Committee	Bank	Account number	Amount in Kshs.
1	Katandewa Primary School	National Bank	1224068227500	149,206
2	Sosoni Secondary School	National Bank	1281101248600	1,001
3	Chinyume Primary School	National Bank	12241229706200	1,000
4	Mugumoni Primary School	KCB	1226649785	1,084
5	Kagombani Primary School	National Bank	1224115720000	20,224
6	Marere Primary School	National Bank	1224115757000	18,963
7	Nasoro Primary School	National Bank	1224129760600	5,090



8	Ambassador Kithi Memorial Sec. School	National Bank	1285068270800	103,102
9	Shakahola Secondary School	National Bank	1285129759400	125,428
10	Darajani Primary School	National Bank	1224115717800	965
11	St. Peter's Primary School	National Bank	1224115791300	1,390
12	Maya Primary School	National Bank	1221291757100	418.00
	<b>Total</b>			<b>427,871</b>

The idle funds held by the project management committees in the bank accounts are denying the Ganze residents provision of goods and service delivery. This is an indication of lack of proper planning and prioritizing citizen's needs in the budget making process mechanism.

## 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 Report on Lawfulness and Effectiveness in use of Public Resources/Basis for Qualified Opinion 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

#### 1.0 Unremitted Taxes

As previously reported, Note 8 to the financial statements for the year ended 30 June 2018 reflects comparative construction of buildings amounting to Kshs.10,000,000. However, the management did not withhold tax on the payments made to the contractor contrary to Section 42A (4-C) of the Tax Procedures Act, 2015. As a result, the management did not comply with the income tax requirements and possible fines and penalties accruing due to non-compliance was not provided for in these financial statements.

#### 2.0 Pending Bills Accounts Payables

Note 15.1 to the financial statements for the year ended 30 June 2018 reflects pending accounts payable of Kshs.2,530,275. However, supporting schedules and respective invoices were not availed for audit verification.

In the circumstances, the propriety, accuracy and completeness of pending bills accounts payables amounting to Kshs.2,530,275 for the year ended 30 June 2018 could not be confirmed.

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

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

statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion sections of my report, 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.

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 (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 the National Government 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 fund's 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 fund's financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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 audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 National Government Constituencies Development Fund – Ganze Constituency ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the National Government Constituencies Development Fund – Ganze Constituency 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 National Government Constituencies Development Fund – Ganze Constituency 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**

**6 May 2019**

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

**Reports and Financial Statements**

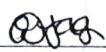
**For the year ended June 30, 2018**

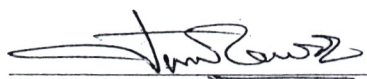
**IV. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2017-2018 Kshs	2016-2017 Kshs
<b>RECEIPTS</b>			
Transfers from CDF board-AIEs' Received	1	74,842,918	112,235,852
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	50,000	44,000
<b>TOTAL RECEIPTS</b>		<b>74,892,918</b>	<b>112,279,852</b>
<b>PAYMENTS</b>			
Compensation of employees	4	2,145,102	1,614,174
Use of goods and services	5	6,079,351	11,826,963
Transfers to Other Government Units	6	3,800,000	69,187,647
Other grants and transfers	7	23,215,806	49,004,733
Acquisition of Assets	8	5,469,725	19,197,830
Other Payments	9	-	1,500,000
<b>TOTAL PAYMENTS</b>		<b>40,709,984</b>	<b>152,331,347</b>
<b>SURPLUS/DEFICIT</b>		<b>34,182,934</b>	<b>(40,051,495)</b>

**Note: The deficit is due to balances brought forward from the previous financial year**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Ganze Constituency financial statements were approved on 25/3/2019 and signed by:

  
\_\_\_\_\_  
Fund Account Manager  
Name: Eunice Anubi

  
\_\_\_\_\_  
Sub-County Accountant  
Name: Kazungu Lewa  
ICPAK Member Number:


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

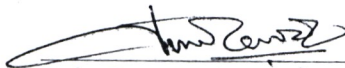
**V. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2018**

	Note	2017 - 2018	Restated 2016 - 2017
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	10A	37,671,347	3,488,413
Cash Balances (cash at hand)	10B	93,562	93,562
<b>Total cash and cash Equivalent</b>			
Accounts receivable - Outstanding Imprests	11	3,129,360	3,129,360
<b>TOTAL FINANCIAL ASSETS</b>		<b>40,894,269</b>	<b>6,711,335</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts payable -Retention	12	-	-
<b>NET FINANCIAL ASSETS</b>		<b>40,894,269</b>	<b>6,711,335</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July...	13	6,711,335	46,762,830
Surplus/Deficit for the year		34,182,934	(40,051,495)
Prior year adjustments	14	-	-
<b>NET LIABILITIES</b>		<b>40,894,269</b>	<b>6,711,335</b>

Note: In the financial statement for 2014/2015, the cash and cash equivalent as at the end of the financial year in the cash flow statement was over casted by Kshs. 3,000. The balance was stated as Kshs. 24,084,464 instead of Kshs. 24,081,464. The statements have been restated to correct the error.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Ganze Constituency financial statements were approved on 25/3/2019 and signed by:

  
Fund Account Manager  
Name: Eunice Anubi

  
Sub-County Accountant  
Name: Kazungu Lewa  
ICPAK Member Number:

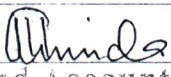
**GANZE CONSTITUENCY**

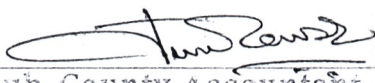
**Reports and Financial Statements  
For the year ended June 30, 2018**

**VI. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2018**

Receipts for operating income		2017 - 2018	2016 - 2017
Transfers from CDF Board	1	74,842,918	112,235,852
Other Receipts	3	50,000	44,000
Total		74,892,918	112,279,852
<b>Payments for operating expenses</b>			
Compensation of Employees	4	2,145,102	1,514,174
Use of goods and services	5	6,079,351	11,826,963
Transfers to Other Government Units	6	3,800,000	69,187,647
Other grants and transfers	7	23,215,806	49,004,733
Other payments	9		1,500,000
		35,240,259	133,133,517
<b>Adjusted for:</b>			
Retention	12	-	-
Adjustments during the year	14	-	-
<b>Net cash flow from operating activities</b>		39,652,659	(20,853,665)
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	5,469,725	19,197,830
<b>Net cash flows from Investing Activities</b>		(5,469,725)	(19,197,830)
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		34,182,934	(40,051,495)
Cash and cash equivalent at BEGINNING of the year	13	6,711,335	46,762,830
Cash and cash equivalent at END of the year		40,894,269	6,711,335

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-GANZE Constituency financial statements were approved on \_\_\_\_\_ and signed by:

  
 Fund Account Manager  
 Name: Eunice Anubi  
 Number: \_\_\_\_\_

  
 Sub-County Accountant  
 Name: Kazungu Lewa  
 ICPAK Member

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – GANZE CONSTITUENCY**

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

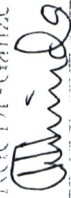
**VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED FOR THE YEAR  
ENDED 30 JUNE 2018**


Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
<b>RECEIPTS</b>						
Transfers from NGCDF Board	86,810,345	78,331,330	165,141,675	74,842,918	90,301,757	45
Proceeds from Sale of Assets	-	-	-	-	-	0
Other Receipts	-	-	-	50,000	(50,000)	0
<b>PAYMENTS</b>						
Compensation of Employees	1,904,829	2,539,709	4,444,538	2,145,102	2,299,436	48
Use of goods and services	5,908,103	1,889,159	7,797,262	6,079,351	1,717,911	78
Transfers to Other Government Units	32,348,834	29,776,880	62,125,714	3,800,000	58,325,714	6
Other grants and transfers	33,571,552	35,051,556	68,623,108	23,215,806	45,407,302	34
Acquisition of Assets	4,100,000	4,400,000	8,500,000	5,469,725	3,030,275	62
Other Payments	8,677,027	4,677,027	13,354,054	-	13,354,054	0
Allocation awaiting approval	-	11,379,310	11,379,310	-	11,379,310	0
<b>TOTALS</b>	<b>86,810,345</b>	<b>89,718,641</b>	<b>176,528,986</b>	<b>40,709,984</b>	<b>135,814,002</b>	<b>23</b>

Note:

1. Allocation awaiting approval of Kshs 11,379,310 refers to funds budgeted for but which are awaiting NGCDF Board approval
2. The adjustments under RECEIPTS refers to balances brought forward from previous financial years, supplementary budget of Kshs 11,379,310 and balances expected from the NG-CDF Board
3. During the financial year, the major receipts comprised of transfers from the NG-CDF Board vide A/c's, totalling Kshs. 74,842,918. Ganze NG-CDFC was able to raise Kshs. 50,000 as A/c through the sale of tender documents.
4. There is underutilization on the items due to a delay in disbursement of funding relating to the financial year. By close of the financial year, only half the expected funding had been received. Most of the funds utilised relate to the FY 2016/2017.

The NGCDF-Ganze Constituency financial statements were approved on \_\_\_\_\_ and signed by:

  
Fund Account Manager  
Name: Justice Anubi

  
Sub-County Accountant  
Name: Kazungu Lewa  
ICFAR Member Number: \_\_\_\_\_



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –  
GANZE CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2018**

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**VIII. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The financial statements have been prepared in accordance with 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-Ganze 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 (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 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.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) – GANZE  
CONSTITUENCY**

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

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**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 criteria is applied for loans received in the form of a direct payment.

During the year ended 30<sup>th</sup> 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.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) – GANZE CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2018**

**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 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.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) – GANZE CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2018**

**SIGNIFICANT ACCOUNTING POLICIES**

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**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 1<sup>st</sup> July 2017 to 30<sup>th</sup> 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 30<sup>th</sup> 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.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) – GANZE CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2018**

**IX. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description		2017-2018	2016-2017
		Kshs	Kshs
NGCDF Board			
AIE NO A839547	1		71,287,576
AIE NO A829547	2		4,094,827
AIE NO A855613	3		36,853,449
AIE NO A855803	1	5,500,000	
AIE NO A892553	2	31,437,746	
AIE NO. A896811	3	37,905,172	
<b>TOTAL</b>		<b>74,842,918</b>	<b>112,235,852</b>

**2. PROCEEDS FROM SALE OF ASSETS**

	2017-2018	2016-2017
	Kshs	Kshs
Receipts from sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from sale of office and general equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) – GANZE  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2018**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**3. OTHER RECEIPTS**

	2017- 2018 Kshs	2016-2017 Kshs
Interest Received	-	-
Rents	-	-
Receipts from Sale of tender documents	50,000	44,000
Other Receipts Not Classified Elsewhere	-	-
<b>Total</b>	<b>50,000</b>	<b>44,000</b>

**4. COMPENSATION OF EMPLOYEES**

	2017-2018 Kshs	2016-2017 Kshs
Basic wages of contractual employees	1,145,986	1,614,174
Basic wages of casual labour	-	-
<b>Personal allowances paid as part of salary</b>		
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Employer's Contribution to NSSF	46,260	-
Gratuity	952,856	-
<b>Total</b>	<b>2,145,102</b>	<b>1,614,174</b>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**5. USE OF GOODS AND SERVICES**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Committee expenses	1,184,000	5,955,110
Utilities, supplies and services	66,000	15,000
Communication, supplies and services	76,310	-
Domestic travel and subsistence	137,960	-
Printing, advertising and information supplies & services	-	-
Rentals of produced assets	-	160,000
Training expenses	1,619,000	1,928,000
Hospitality supplies and services	506,550	-
Insurance costs	-	297,557
Specialised materials and services	-	-
Office and general supplies and services	1,030,504	580,893
Fuel , oil & lubricants	408,000	-
Other operating expenses	478,732	2,377,435
Routine maintenance – vehicles and other transport equipment	374,495	512,968
Routine maintenance – other assets	197,800	-
<b>Total</b>	<b>6,079,351</b>	<b>11,826,963</b>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**6. TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to National Government entities		
Transfers to Primary Schools (see attached list)	3,800,000	45,525,000
Transfers to Secondary Schools (see attached list)	-	23,162,647
Transfers to Tertiary Institutions (see attached list)	-	-
Transfers to Health Institutions (see attached list)	-	500,000
<b>TOTAL</b>	<b>3,800,000</b>	<b>69,187,647</b>

**7. OTHER GRANTS AND OTHER PAYMENTS**

	2017-2018	2016- 2017
	Kshs	Kshs
Bursary – secondary schools (see attached list)	11,627,500	14,627,712
Bursary – tertiary institutions (see attached list)	9,950,375	15,829,000
Bursary – special schools (see attached list)	-	3,000,000
Mock & CAT (see attached list)	-	690,173
Security projects (see attached list)	-	1,000,000
Roads Projects	-	1,660,650
Sports projects (see attached list)	-	3,943,682
Environment projects (see attached list)	1,637,931	2,825,751
Emergency projects (see attached list)	-	5,427,765
<b>Total</b>	<b>23,215,806</b>	<b>49,004,733</b>



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**8. ACQUISITION OF ASSETS**

**Non-Financial Assets**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Buildings	-	-
Construction of Buildings	5,469,725	10,000,000
Refurbishment of Buildings	-	-
Purchase of Vehicles and Other Transport Equipment	-	8,599,350
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	-	353,480
Purchase of ICT Equipment, Software and Other ICT Assets	-	245,000
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equipment	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
<b>Total</b>	<b>5,469,725</b>	<b>19,197,830</b>

**9. OTHER PAYMENTS**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
LIMEC ENTREPRISE-Partitioning of Ganze District Treasury	-	1,500,000
ICT Hub	0	-
<b>TOTAL</b>	<b>-</b>	<b>1,500,000</b>

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**10A: Bank Accounts (cash book bank balance)**

Name of Bank, Account No. & currency	2017-2018	2016-2017
		Kshs (30/6/2018)
<i>EQUITY BANK, Kilifi Branch A/C no. 1060298195611</i>	37,671,347	3,488,413
		-
		-
<b>Total</b>	<b>37,671,347</b>	<b>3,488,413</b>
<b>10B: CASH IN HAND</b>		
Location 1	93,562	93,562
Location 2		-
Location 3		-
Other Locations ( <i>specify</i> )		-
<b>Total</b>	<b>93,562</b>	<b>93,562</b>
<i>[Provide cash count certificates for each]</i>		

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**11: OUTSTANDING IMPRESTS**

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>CHRISTOPHER NYERERE</i>	24.02.2014	1,598,760	-	1,598,760
<i>CHRISTOPHER NYERERE</i>	05.08.2014	1,240,000	-	1,240,000
<i>TIMA S AHMED</i>	04.07.2011	240,600	-	240,600
<i>MWARUNGU MWANDOE</i>	08.06.2009	50,000	-	50,000
<b>Total</b>				<b>3,129,360</b>

**12. RETENTION**

	<b>2017 - 2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Supplier 1	-	-
Supplier 2	-	-
Supplier 3	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*[Provide short appropriate explanations as necessary]*

**13. BALANCES BROUGHT FORWARD**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	3,488,413	43,539,908
Cash in hand	93,562	93,562
Imprest	3,129,360	3,129,360
<b>Total</b>	<b>6,711,335</b>	<b>46,762,830</b>

*[Provide short appropriate explanations as necessary]*

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**14. PRIOR YEAR ADJUSTMENTS**

	2017- 2018 Kshs	2016-2017 Kshs
Bank accounts	-	-
Cash in hand	-	-
Imprest	-	-
<b>Total</b>	-	-

**15. OTHER IMPORTANT DISCLOSURES**

**15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

	2017- 2018 Kshs	2016-2017 Kshs
Construction of buildings	2,530,275	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
	2,530,275	-

**15.2: PENDING STAFF PAYABLES (See Annex 2)**

	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others ( <i>contractual employees</i> )	144,000	-
	144,000	-

**15.3: UNUTILIZED FUNDS (See Annex 3)**

	Kshs	Kshs
Compensation of employees	2,144,630	-
Use of goods and services	1,780,652	-
Amounts due to other government entities	16,825,714	-
Amounts due to other grants	10,299,077	-
Acquisition of assets	2,530,275	-
Others ( <i>Strategic Plan</i> )	4,000,000	-
Revenue - AIA	94,000	-
	37,674,347	-

Note: This refers to amounts not received from the Board for previous financial years and funds not utilised within the Financial Year

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**15.4: PMC Account Balances (See Annex 5)**

	2017- 2018	2016-2017
	Kshs	Kshs
PMC account Balances (see attached list)	1,990,470	980,982
	<b>1,990,470</b>	<b>980,982</b>

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
	A	b	c	d=a-c		
Construction of buildings						
Recall Enterprises	18,000,000		15,469,725	2,530,275		to be paid once certified
<b>Sub-Total</b>	<b>18,000,000</b>		<b>15,469,725</b>	<b>2,530,275</b>		
Construction of civil works						
<b>Sub-Total</b>						
Supply of goods						
<b>Sub-Total</b>						
Supply of services						
<b>Sub-Total</b>						
<b>Grand Total</b>	<b>18,000,000</b>		<b>15,469,725</b>	<b>2,530,275</b>		

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**ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2014	Comments
		a	b	c	d=a-c		
<b>Senior Management</b>							
1.							
2.							
3.							
	<b>Sub-Total</b>						
<b>Middle Management</b>							
4.							
5.							
6.							
	<b>Sub-Total</b>						
<b>Unionisable Employees</b>							
7.							
8.							
9.							
	<b>Sub-Total</b>						
<b>Others (contractual employees)</b>							
Several NG-CDFC staff	Various	144,000	43,160		-	-	June Salaries
	<b>Sub-Total</b>	<b>144,000</b>					
	<b>Grand Total</b>	<b>144,000</b>					

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**ANNEX 3 – UNUTILIZED FUNDS**

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Compensation of employees		2,144,630		
Use of goods & services				
Goods & Services		736,341		
Committee Expenses		1,044,310		
		1,780,652		
<b>Transfers to National Government Entities</b>				
Transfer to DEO's Office - Printing machine		1,000,000		
Transfers to Primary schools - Chapungu Pry		3,226,880		
Ganze Primary School		3,000,000		
Mitangoni Primary School		1,000,000		
Mwenge Primary School		3,000,000		
Secondary Institutions - Mwangea Girls Sec		5,598,834		
	<b>Sub-Total</b>	<b>16,825,714</b>		
<b>Amounts due to other grants and other transfers</b>				
Bursary - Tertiary		4,193,404		
Security Projects - Bamba Police Station		3,000,000		
Vyambani Chief's Office		863,576		
Sports		240,000		
Emergency		2,002,097		
	<b>Sub-Total</b>	<b>10,299,077</b>		
<b>Acquisition of assets</b>				
Construction of Building		2,530,275		
	<b>Sub-Total</b>	<b>2,530,275</b>		
<b>Others (specify)</b>				
Strategic Plan		4,000,000		
Revenue - AIA		94,000		
	<b>Sub-Total</b>			
<b>Grand Total</b>		<b>37,674,347</b>		



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**ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost b/f (Kshs) 2016/17	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2017/18
Land	-	-	-	-
Buildings and structures	10,000,000	5,469,725	-	15,469,725
Transport equipment	8,462,382	-	-	8,462,382
Office equipment, furniture and fittings	313,595	-	-	313,595
ICT Equipment, Software and Other ICT Assets	272,000	-	-	272,000
Other Machinery and Equipment	9,560,000	-	-	9,560,000
Heritage and cultural assets	-	-	-	-
Intangible assets	-	-	-	-
<b>Total</b>	<b>28,607,977</b>			<b>34,077,702</b>

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**ANNEX 5 –PMC BANK BALANCES AS AT 30<sup>TH</sup> JUNE 2018**

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
Katandewa Primary School	National Bank	1224068227500	149,206	149,206
Sosoni Secondary School	National Bank	1281101248600	1,001	1,001
Mwangea Primary School	National Bank	1224115748400	290	30,556
Chinyume Primary School	National Bank	12241229706200	1,000	1,000
Mugumoni Primary School	Kenya Commercial Bank	1226649785	1,084	1,084
Kagombani Primary School	National Bank	1224115720000	20,224	20,224
Marere Primary School	National Bank	1224115757000	18,963	18,963
Bamba Primary School	National Bank	1224068218900	59,604	27,195
Matolani Primary School	National Bank	1224068217400	27,195	495,360
Nasoro Primary School	National Bank	1224129760600	5,090	5,090
Ambassador Kithi Memorial Sec. School	National Bank	1285068270800	103,102	103,102
Shakahola Secondary School	National Bank	1285129759400	125,428	125,428
Darajani Primary School	National Bank	1224115717800	965	965
St. Peter's Primary School	National Bank	1224115791300	1,390	1,390
Maya Primary School	National Bank	1221291757100	418	418
Jaribuni Primary School	National Bank	01522206655800	950	-
Vitsapuni Primary School	Equity Bank	1060277102558	974,560	-
Palakumi Primary School	National Bank	01224129771500	500,000	-
Katandewa Primary School	National Bank	1224068227500	149,206	149,206
<b>Total</b>			<b>1,990,470</b>	<b>980,982</b>



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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 & designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.	Outstanding Imprest	receipts were not availed for audit review. Un-surrendered outstanding imprest	Fund Account Manager	Not resolved as imprest still outstanding/un-surrendered	
5.	Emergency Projects	Emergency projects are indicated as amounting to Kshs. 5,427,765. However, the management has not availed for audit payment vouchers totaling Kshs. 3,504,679. Further, payment vouchers totaling Kshs. 498,086 were paid for servicing, fueling of vehicles and car hire.	Fund Account Manager	Not Resolved	2 weeks
6.	Use of goods and services	Use of goods and services balance of Kshs. 11,826,963 includes other operating expenses amounting to Kshs. 2,377,435. However, this amount includes Kshs. 200,000 whose surrender documents were for persons who were not officers of the Ganze CDF.	Fund Account Manager	Not Resolved	1 month
7.	Acquisition of Assets				
7.1	Construction of buildings	The Acquisition of assets balance of Kshs. 19,197,830 includes construction of buildings amounting to Kshs. 10,000,000 for construction of Ganze Constituency Fund office building. There were major changes of design from the original plan, extension of one wing which was done by the works officer and the contractor without formal instructions on the drawing approval from the Board. The management has not explained why the design was changed nor availed the bills	Clerk of Works, Fund Account Manager	Not Resolved	1 month

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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 & designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7.2	Purchase of vehicle and Other Transport Equipment	of quantities for the changed design for audit. Purchase of vehicle and other transport equipment amounting to Kshs. 8,599,350 includes an amount of Kshs. 55,000 paid for fitting the vehicle with a tracking system that could not be verified. Ownership documents of Fund's motor vehicle registration GK 036R, and tractors registration KAV 583K, KAV 579K, and KAV 578 K were not availed for audit verification	Fund Account Manager	Not Resolved	1 month
7.3	Unremitted taxes	Management did not withhold tax on the payments amounting to Kshs. 10,000,000 made to the contractor thereby failing to comply with the income tax requirements. Possible fines and penalties accruing due to non-compliance were not catered for.	Fund Account Manager	Not Resolved	
8.	Other Grants and other Payments	Grants and other payments of Kshs. 49,004,733 includes roads projects amounting to Kshs. 1,660,650. The funds were paid in respect to bush clearing, grading and gravelling of Mnango wa Dola Jira road project which is a devolved function contrary to the NG-CDF Act. Management did not avail tender minutes to show how the contractor was procured for the project.	Fund Account Manager	Not Resolved	3 weeks
9.	Transfers from Other Government Entities	The comparative statement of receipts and payments for the year ended 30th June 2017 reflects transfers from other	Fund Account Manager	Not Resolved	3 weeks

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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 & designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10.	Budgetary Controls and Performance	government entities of Kshs. 103,281,441 while records maintained by the NG-CDFB reflects a figure of Kshs. 70,000,000 resulting to a variance of Kshs. 33,281,441 which has not been reconciled or explained. The Summary Statement of appropriation indicates that the Fund has a final balance of Kshs. 169,610,749 and spent Kshs. 152,331,347 or 90% resulting to under absorption of Kshs. 17,279,402 Or 10% of the budget.	Fund Account Manager	Not Resolved	
11.	Project Status				
11.1	Complete Projects but not Operational	The fund spent Kshs. 10,075,000 on ten projects which since completion have never been put to use, indicating possible lack of public participation before projects were implemented.	Fund Account Manager		
11.2	Project verification	Nine projects with a total cost of Kshs. 13,550,000 had stalled at various levels. The projects were to be implemented within the financial year but management has not explained why the projects were abandoned.	Fund Account Manager		