REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND SABOTI CONSTITUENCY

FOR THE YEAR ENDED 30 JUNE 2018

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND SABOTI CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2018

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

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)
SABOTI CONSTITUENCY
Reports and Financial Statements
30 June 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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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

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 SABOTI Constituency day-to-day management is under the following key organs:

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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	**Yusuf Mbuno**
2.	A.I.E holder	**John Wambui**
3.	Sub-County Accountant	**Kinuthia Guchu**
4.	Chairman NGCDFC	**Benard Wanjala**
5.	Member NGCDFC	**Catherine Chemiati**

(d) Fiduciary Oversight Arrangements

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

P.O. Box XXXXX
XXX Building/House/Plaza
XXX Avenue/Road/Highway
Nairobi, KENYA

(f) NGCDF SABOTI Constituency Contacts

Telephone: (254) XXXXXXXX
E-mail: XXXXXXXX.go.ke
Website: www.go.ke

(g) NGCDF SABOTI Constituency Bankers

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

2. Cooperative Bank (specify the constituency account banker details)
   Kitale Branch…
   Kitale
   …

(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

II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

Include among others the following:

- Mention in summary the budget performance against actual amounts for current year based on economic classification and programmes, ***(under this section, include graphs, pie charts, figures and tables)***
- Detail key achievements for the entity (***under this section use pictorials to depict successful projects undertaken during the year),***
- List emerging issues related to the entity,
- List the implementation challenges and recommended way forward. ***(Ensure that you include what the entity is doing to overcome the challenges noted).***

Sign Benard chepak

CHAIRMAN NGCDF COMMITTEE

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-SABOTI 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-SABOTI 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-SABOTI 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-SABOTI 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-SABOTI Constituency financial statements were approved and signed by the Accounting Officer on _____ 2018.

Fund Account Manager	**Sub-County Accountant**
Name: J. E. Gitonga	**Name:** F. K. Guchu
	ICPAK Member Number:

REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Saboti Constituency set out on pages 1 to 19, which comprise the statement of financial assets as at 30 June 2018, and the statements of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund-Saboti 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. Use of Goods and Services

Included in the use of goods and services figure of Kshs.6,146,878. under utilities, supplies and services figure of Kshs.1,364,035 is total of Kshs.1,074,000 which in turn includes Kshs.24,000 being payments for commuter and lunch allowances made to a student on a three months attachment that was not authorized and supported with minutes as per the requirement of Section 4(5) of the NG-CDF Act, 2015. Further, it was noted that the balance of Kshs.1,050,000 was paid through payment vouchers that were signed by only one officer on behalf of other the signatories and without monitoring and evaluation report.

In the circumstances, it was not possible to ascertain propriety of Kshs.1,074,000 included in the use of goods and services incurred during the year under review.

2. Undisbursed Receipts

The summary statement of appropriation: recurrent and development combined revealed that Kshs.21,505,085, relating to prior year, 2016/2017 was not received to finance the planned programs at the Constituency. Further, it was noted that during the year under review, the Fund received two AIEs totaling Kshs.40,850,481 as detailed below:

AIE No. and Date	Financial Year	Kshs
A855996 of 30/1/2018	Receipt relates to FY 2017/2018	5,500,000
A 892927 of 24/4/2018	Receipt relates to FY 2017/2018	35,350,481
		40,850,481

As at 30 June 2018, the Fund had a cumulative undisbursed budget funds by the NG-CDF Board of Kshs.67,464,948, comprising Kshs.21,505,085 for 2016/2017 and Kshs.45,959,863 for the year under review.

In the circumstances, the Fund failed to provide the planned services and programmes to Saboti Constituents.

3. Cash and Cash Equivalents

Analysis of bank reconciliation statements for the month of June 2018, revealed stale cheques totaling Kshs.59,800 which had not been reversed in the cash book as detailed below;

Date	Cheque No.	Payee	Amount Kshs.
10.2.2017	5864	Transnzoia Diocese	16,000
6.7.2017	6714	Sacho High School	3,300
6.7.2017	6728	Soti Academy	3,300
6.7.2017	6759	St. Charles Lwanga Bwake	6,600
6.7.2017	6924	Eregi TTC	3,300
6.7.2017	6937	Kenya Institute of Studies	3,300
6.7.2017	6957	King College Eldoret	3,300
31.8.2017	7117	KMTC Kwale	10,000

Date	Cheque No.	Payee	Amount Kshs.
31.8.2017	7124	St. Brendan Catering College	3,300
31.8.2017	7143	Kibabii University	6,600
29.9.2017	7148	Soil Conservation Sec. School	400
29.7.2017	7149	St. Teresa's Girls Bikeke Girls	400
			59,800

In the circumstances, it was no possible to confirm that the cash and cash equivalents balance of Kshs.9,683,900 reflected as at 30 June 2018 is fairly stated.

4. Other Grants and Transfers

4.1 Unsupported Tree Planting Exercise

Included in the other grants and transfers figure of Kshs.33,203,114 is Kshs.1,736,207 for environmental projects of which as per the CDFC Executive meeting, held on10 May 2018 vide Min 4/EXE/NG-CDFSAB resolved that 60 institutions were to benefit from tree planting fund to the tune of Kshs.28,936 for each institution. The total of Kshs.1,736,207 was released to the Environment Project Management Committee whereby the committee was to account for the amount with evidence of public participation and that planting of trees was a priority to the constituency. However, the procurement process including advertisement, request for quotations, evaluation report, tender award/acceptance, supply including delivery note, name and rubber stamp of the receiving institution and inspection report from the CDF Committee indicating that progress on the ground of which were never availed for audit verifications.

4.2 Unfair Distribution of Bursary Funds

Included in the other grants and transfers figure of Kshs.33,203,114 is Kshs.280,000 distributed to various schools for various students of which there was no official CDF committee minutes on their identification was availed for audit review. Further, in a review of 2017/2018 bursary records, it was noted that majority of the beneficiaries were allocated an average of Kshs.3,300 per student. However, twenty-one (21) beneficiaries were given varied higher figures totaling Kshs.280,000 without providing specific criteria used to identify the beneficiaries and the amount allocated to them as detailed below;

PV No. and Date	Name of School	Name of student	Cheque No.	Kshs
2 of 6/7/17	Langas Secondary School	Seni Imbiaka	6601	10,000
30 of 30/6/18	Bukembe SA Sec School	Nelson Wabwile	7320	15,000.
30 of 30/6/18	Bukembe SA Sec School	Noel N. Wabwile	7320	15,000
30 of 30/6/18	Butere Girls Sec	Lewnida Faith Mbithi	7330	20,000
30 of 30/6/18	Chewoyet Boys	Kelvin Bii Rono	7348	10,000

PV No. and Date	Name of School	Name of student	Cheque No.	Kshs
30 of 30/6/18	Kamusinde Boys	Simon Kakhaba	7418	10,000
30 of 30/6/18	Kitale School	Sinwa David	7466	10,000
30 of 30/6/18	Kitale School	Amunga Rehema	7467	15,000
31 of 30/6/18	Soil Conservation Sec.	Moses Wafula Kituyi	7620	15,000
31 of 30/6/18	St. Josephs Boys	Francis Odhiambo	7660	10,000
31 of 30/6/18	St Martins Mwibale Sec	Shadrack Sifuna	7673	20,000
31 of 30/6/18	St. Monica's Girls	Ursulah Oyugi	7690	10,000
31 of 30/6/18	St. Teresa's Bikete Boys	Simon Kimboi	9719	10,000
31 of 30/6/18	St. Trinity Michael	Cherotich Lydia	7729	10,000
31 of 30/6/18	Tuwan Girls Sec	Rose Mutonyi	7756	10,000
31 of 30/6/18	Tuwan Girls Sec	Purity Njoroge	7756	10,000
31 of 30/6/18	Tuwan Girls Sec	Patience Wasike	7756	10,000
31 of 30/6/18	Tuwan Girls Sec	Pauline Nasaka	7756	10,000
31 of 30/6/18	Tuwan Girls Sec	Mary Wambua	7756	10,000
31 of 30/6/18	Tuwan Girls Sec	Mildred Akinyi	7756	10,000
31 of 30/6/18	Tuwan Girls Sec	Lilian Ekai	7756	10,000
31 of 30/6/18	Tuwan Girls Sec	Linda Naliaka	7756	10,000
31 of 30/6/18	Tuwan Girls Sec	Faith Wairimu	7756	10,000
31 of 30/6/18	Tuwan Girls Sec	Christabel Chepkosgei	7756	10,000
				280,000

In the circumstances, it was not possible to ascertain fairness and equity in awarding bursaries to needy students during the year under review.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund – Saboti 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 of my report, I have determined that there are no key audit matters to communicate in my report.

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, except for the matter described in the Report on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Budgetary Management

1.1 Late Submission of the Budget Proposals

The Fund submitted its budget a year later by February 2018 instead of February 2017 for it to be included in the Annual Government budget for the financial year 2017/ 2018. Further, the project proposals were also submitted almost a year later in February 2018. Therefore, project proposal of Kshs.86,310,344 for financial year 2017/2018 was not approved by the Board.

1.2 Late Remittance of Funds from the NGCDF Board/ National Treasury

Scrutiny of the Project GFS Code-list (list of approved projects) shows that out of project proposal of Kshs.86,810,344 for the financial year 2017/2018, the NGCDF Board approved Kshs.5,500,000 on 30 January 2018 and released the same on 5 February, 2018 and next tranche of Kshs.75,845,945 was approved on 24 April 2018 and only Kshs.35,350,481 was disbursed from the Board and received on 19 April 2018. This implies the first portion of the budget of Kshs.5,500,000 was approved after six months and received eight months after commencement of the financial year 2017/2018. As at 30 June 2018, over Kshs.45,959863 had not been released by the NGCDF Board/ Treasury.

1.3 Statement of Appropriation: Recurrent and Development

Comparison of the budget against actual expenditure for the year under review revealed the following position;

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	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from CDF Board	86,810,344	21,505,085	108,315,429	50,976,256	57,339,173	47.1%
Total Receipts	**86,810,344**	**21,505,085**	**108,315,429**	**50,976,256**	**57,339,173**	**47.1%**
Payments			-		-	

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	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Compensation of Employees	1,739,039	312,960	2,051,999	1,447,364	604,635	70.5%
Use of goods and services	6,041,433	1,132,759	7,174,192	6,146,878	1,027,314	85.7%
Transfers to Other Government Units	34,177,413	5,348,277	39,525,690	0	39,525,690	0.0%
Other grants and Transfers	33,856,034	13,450,744	47,306,778	33,203,114	14,103,664	70.2%
Acquisition of Assets	723,838	0	723,838	495,000	228,838	68.4%
Other Payments	10,272,587	1,260,345	11,532,932	0	11,532,932	0.0%
Total	**86,810,344**	**21,505,085**	**108,315,429**	**41,292,356**	**67,023,073**	**38.1%**

The under-utilization of Kshs.67,023,073 is an indication that the Fund did not implement the planned programs for the benefit of the constituents.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Report on Effectiveness 0f 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

IT Internal controls

The Fund did not have the Information Technology Strategic policy nor strategic plan, active IT steering committee either at the constituency level or at the Board level, formally approved IT Security policy to ensure data confidentiality, documented and approved processes to manage upgrades, formally documented and approved process to manage

upgrades, environmental controls such as fire suppression systems, fire extinguishers and air conditioning systems. However, the Fund manager is trained on IT in the Constituency and such training has not been extended to other staff members.

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 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 resources are applied in an effective way.

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.

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

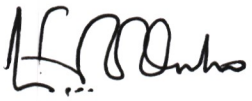
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude 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 cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 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

09 July 2019

I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	40,850,481	83,896,551
TOTAL RECEIPTS		**40,850,481**	**83,896,551**
PAYMENTS			
Compensation of employees	2	1,447,364	1,465,174
Use of goods and services	3	6,146,878	5,240,144
Transfers to Other Government Units	4	-	63,781,034
Other grants and transfers	5	33,203,114	41,131,174
Acquisition of Assets	6	495,000	
TOTAL PAYMENTS		**41,292,356**	**111,617,526**
SURPLUS/DEFICIT		**(441,875)**	**(27,720,975)**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-SABOTI Constituency financial statements were approved on _____ 2018 and signed by:

Fund Account Manager
Name: J.E. Gitonga

Sub-County Accountant
Name: F.H. Gucitu
ICPAK Member Number:

II. STATEMENT OF ASSETS

	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	7	9,683,900	10,125,775
TOTAL FINANCIAL ASSETS		9,683,900	10,125,775
REPRESENTED BY			
Fund balance b/fwd 1st July...	8	10,125,775	50,679,919
Surplus/Defict for the year		(441,875)	(27,720,975)
Prior year adjustments	9	-	11,090,724
NET LIABILITIES		9,683,900	34,049,668

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-SABOTI Constituency financial statements were approved on _____ 2018 and signed by:

Fund Account Manager
Name: J-E-Galonga

Sub-County Accountant
Name: F.K-GUCHU
ICPAK Member Number:

III. STATEMENT OF CASHFLOW

		2017 - 2018	2016 - 2017
Receipts for operating income			
Transfers from CDF Board	1	40,850,481	83,896,551
		40,850,481	**83,896,551**
Payments for operating expenses			
Compensation of Employees	2	1,447,364	1,465,174
Use of goods and services	3	6,146,878	5,240,144
Transfers to Other Government Units	4	-	63,781,034
Other grants and transfers	5	33,203,114	41,131,174
		40,797,356	**111,617,526**
Net cash flow from operating activities		**53,125**	**(27,720,975)**
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	495,000	
Net cash flows from Investing Activities		495,000	-
NET INCREASE IN CASH AND CASH EQUIVALENT		**(441,875)**	**(27,720,975)**
Cash and cash equivalent at BEGINNING of the year	7	**10,125,775**	**50,679,919**
Cash and cash equivalent at END of the year		**9,683,900**	**22,958,944**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-SABOTI Constituency financial statements were approved on _____ 2018 and signed by:

Fund Account Manager
Name: J. G. Galonga

Sub-County Accountant
Name: F. K. Guchu
ICPAK Member Number:

IV. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	86,810,344	21,505,085	108,315,429	50,976,256	57,339,173	47.1%
TOTAL RECEIPTS	86,810,344	21,505,085	108,315,429	50,976,256	57,339,173	47.1%
PAYMENTS			-		-	
Compensation of Employees	1,739,039	312,960	2,051,999	1,447,364	604,635	70.5%
Use of goods and services	6,041,433	1,132,759	7,174,192	6,146,878	1,027,314	85.7%
Transfers to Other Government Units	34,177,413	5,348,277	39,525,690	-	39,525,690	0.0%
Other grants and transfers	33,856,034	13,450,744	47,306,778	33,203,114	14,103,664	70.2%
Acquisition of Assets	723,838		723,838	495,000	228,838	68.4%
Other Payments	10,272,587	1,260,345	11,532,932		11,532,932	0.0%
TOTAL	86,810,344	21,505,085	108,315,429	41,292,356	67,023,073	38.1%

i. ***The office expected to higher new staff which did not happen thus compensation of employees was highly underutilized***

The NGCDF-SABOTI Constituency financial statements were approved on _____ 2018 and signed by:

Fund Account Manager
Name: O. E. Gitonga

Sub-County Accountant
Name: F. K. Gucitu
ICPAK Member Number:

V. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Ccompliance 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-SABOTI 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.

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 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.

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.

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.

VI. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2017-2018	2016-2017
		Kshs	Kshs
NGCDF Board			
AIE NO	A855996	5,500,000.00	
AIE NO	A892927	35,350,481.00	
AIE NO			83,896,551.00
TOTAL		**40,850,481**	**83,896,551**

2. COMPENSATION OF EMPLOYEES

	2017-2018	2016-2017
	Kshs	Kshs
Basic wages of contractual employees	1,447,364	1,465,174.00
Total	**1,447,364.00**	**1,465,174.00**

3. USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Committee Expenses	4,782,843	
Utilities, supplies and services	1,364,035	5,240,144.00
Total	**6,146,878**	**5,240,144**

1. **TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to primary schools (see attached list)	-	30,100,000
Transfers to secondary schools (see attached list)	-	33,681,034
TOTAL	-	**63,781,034**

2. **OTHER GRANTS AND OTHER PAYMENTS**

	2017-2018	2016- 2017
	Kshs	Kshs
Bursary – secondary schools (see attached list)	11,405,400	22,755,310
Bursary – tertiary institutions (see attached list)	14,325,300	-
Security projects (see attached list)	4,000,000	13,000,000
Sports projects (see attached list)	1,736,207	1,637,932
Environment projects (see attached list)	1,736,207	1,637,932
Emergency projects (see attached list)		2,100,000
Total	33,203,114	41,131,174

3. **ACQUISITION OF ASSETS**

Non Financial Assets	2017-2018	2016-2017
	Kshs	Kshs
Purchase of ICT Equipment, Software and Other ICT Assets	495,000	-
Total	495,000	-

7: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2017-2018	2016-2017
	Kshs	Kshs
Cooperative Bank of Kenya, Kitale Branch . Saboti NG-CDFA/C no.01141599096300	**9,683,900**	**10,125,775**
Total	**9,683,900**	**10,125,775**

13. BALANCES BROUGHT FORWARD

	2017-2018	2016-2017
	Kshs	Kshs
Bank accounts	10,125,775	50,679,919
Total	**10,125,775**	**50,679,919**

[Provide short appropriate explanations as necessary]

15.4: PMC account balances (See Annex 5)

	2017- 2018	2016-2017
	Kshs	Kshs
PMC account Balances (see attached list)	18,282	-
	18,282	-

ANNEX 1 – UNUTILIZED FUNDS

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Compensation of employees		604,635	-	
Use of goods & services		1,027,314	-	
Amounts due to other Government entities		39,525,690	-	
Sub-Total		**41,157,639**	-	
Amounts due to other grants and other transfers		14,103,664	-	
Sub-Total		**14,103,664**	-	
Sub-Total				
Acquisition of assets		228,838	-	
Others (*specify*)		11,532,932	-	
Sub-Total		**11,761,770**	-	
Grand Total		**67,023,073**	-	

ANNEX 2 – 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
Office equipment, furniture and fittings	99,300			99,300
ICT Equipment, Software and Other ICT Assets	49,225			49,225
Other Machinery and Equipment	484,950			484,950
Total	**633,475**			**633,475**

ANNEX 3
–PMC BANK BALANCES AS AT 30TH JUNE 2018

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
Kaloleni Annex Primary School	Co-operative	01139694832200	41,582	41,582
Makhele Primary School	Co-operative	01139695291300	2,722	2,722
Gituamba Primary School	Co-operative	01139694065200	19,177	19,177
Maeni Primary School	Co-operative	01139694772400	3,595	3,595
Panacol Primary School	Co-operative	01139695289300	1,072	1,072
Cheptumbelio Primary School	Co-operative	01139694841500	1,022	1,022
Lukesi Primary School	Co-operative	01139695271900	1,473	1,473
Saboti CDF Security Project	Co-operative	01141599175900	1,569	1,569
Central Primary School	Co-operative	0113969484300	1,822	1,822
Mengo Primary School	Co-operative	01139694885500	1,632	1,632
Masinde Muliro Primary School	Co-operative	01139694844800	1,572	1,572
Kitale Farm Prison Primary School	Co-operative	01139694831700	1,172	1,172
Sikiniwa Secondary School	Co-operative	01139694461100	3,577	3,577
Farm Prison Primary School	Co-operative	01139085630500	9,572	9,572
Lukhome Primary School	Co-operative	01141695288200	325	325
Sukwo Primary School	Co-operative	01139694932600	1,572	1,572
Tuwan Primary School	Co-operative	01139694825800	1,267	1,267
St.James Bondeni Primary School	Co-operative	01139694772800	1,618	1,618
Lagemet Primary School	Co-operative	01139694839900	3,172	3,172
Lukhuna Primary School	Co-operative	01139694821300	4,462	4,462
St. Philp's ACK Tuyookoony Sec School	Co-operative	01139096523302	102	102
Saboti CDF Sports PMC	Co-operative	01141599175800	8,931	8,931
Kinyoro Sec School	Co-operative	01139694837500	49,572	49,572
St. Andrews Sec school Sukwo	Co-operative	01139694805900	5,572	5,572

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
Pango Primary School	Co-operative	01139695022100	1,572	1,572
Sikiniwa Primary School	Co-operative	01139695022200	1,022	1,022
Sango Sec School	Co-operative	01139694810400	5,812	5,812
Teldet Secondary School	Co-operative	01139694833800	1,572	1,572
St.Joseph's Primary School	Co-operative	01139694892100	1,572	1,572
Chebukaka Primary School	Co-operative	01139694856200	1,972	1,972
Trans-Nzoia Sec School	Co-operative	01139268342202	5,662	5,662
BISHOP Crowely Sec School Lukkesi	Co-operative	01159268942803	1,022	1,022
Muroki AP Camp	Co-operative	01141694855400	462	462
Koykoy AP Camp	Co-operative	01141694855500	2,962	2,962
Mt.Elgon Primary School	Co-operative	01139694821200	782	782
CDF Saboti School Buses Project	Co-operative	01141694082100	3,362	3,362
Township Primary School	Co-operative	01139694848200	362	362
Grassland AP Camp	Co-operative	01141694855600	1,450	1,450
BOMA Boys High School	Co-operative	01139694831900	1,022	1,022
Kisawai AP Camp	Co-operative	01141694855700	1,450	1,450
St.Athanas Kisawai Sec School	Co-operative	01139694782100	1,572	1,572
Friends Day Sec Sch Lukhome	Co-operative	01139599613702	4,622	4,622
Saboti Environment PMC	Co-operative	01141599175700	4,658	4,658
Mung;oma Primary School	Co-operative	01139599134400	538	538
Sikulu Sec School	Co-operative	01139694422100	1,572	1,572
CDF Saboti Electrification Project	Co-operative	01141694082000	1,462	1,462
Matisi Girls Secondary School	Co-operative	01139694446600	1,592	1,592
Kipsagam Primary School	Co-operative	01139694461000	1,200	1,200
Kapretwa Primary School	Co-operative	01139694266200	1,950	1,950
CDF Saboti Prefabricated PMC	Co-operative	01141599619400	1,000	1,000

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
Sikiniwa Cattle Dip	Co-operative	01134599138400	184	184
St.Thomas Aquinas Kapretwa Sec School	Co-operative	01139599924300	2,912	2,912
CDF Saboti Water PMC	Co-operative	01141599619500	600	600
Matisi Primary School	Sidian Bank	01026030004239	870	870
St. Columbans Sec School	Sidian Bank	01026030008751	5,045	5,045
Muroki Friends Sec School	Sidian Bank	01026030000942	2,300	2,300
Chetoto Primary School	Sidian Bank	01026030005383	1,001,200	-
			1,233,487	**232,287**