

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

DATE: 11 SEP 2019

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KIED.

TABLED
BY:

LEADER OF MAJORITY

OF

LEAH MWAURA.

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
- LAGDERA CONSTITUENCY**

**FOR THE YEAR
ENDED 30 JUNE 2018**



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND LAGDERA
CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LAGDERA 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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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 LAGDERA 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	YUSSUF MBUNO
2.	A.I.E holder	YUSSUF KILAS ADEN
3.	Sub-County Accountant	JOSHUA M. MEME
4.	Chairman NGCDFC	ADAN ABDI MOHAMED
5.	Member NGCDFC	MARIAN ABDI IMAN

(d) Fiduciary Oversight Arrangements

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

P.O. BOX 659
SIR DIIF BUILDING
OFF KISIMAYU ROAD OPP KORA VIEW HOTEL
GARISSA, KENYA

(f) NGCDF LAGDERA Constituency Contacts

Telephone: (254) 723504365

E-mail: kyussuf@ngcdf.go.ke

Website: www.go.ke

(g) NGCDF LAGDERA Constituency Bankers

1. FIRST COMMUNITY BANK
GARISSA BRANCH
P.O. Box 34662
GARISSA, Kenya

(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



CHAIRMAN NGCDF COMMITTEE

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NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LAGDERA 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.

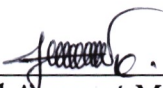
The Accounting Officer in charge of the NGCDF-LAGDERA Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 20XX. 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-LAGDERA 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, 20XX, and of the entity's financial position as at that date. The Accounting Officer charge of the NGCDF-LAGDERA 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-LAGDERA 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-LAGDERA Constituency financial statements were approved and signed by the Accounting Officer on _____ 2018.



Fund Account Manager
Name: YUAAUF KILAS ADEN



Sub-County Accountant
Name: JOSHUA M. MEME
ICPAK Member Number:

3339



REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LAGDERA 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 - Lagdera Constituency set out on pages 6 to 24, 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 -Lagdera 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. Transfer to Other Government Entities

Note 6 to the financial statements reflects Kshs.13,956,500 being transfer to other Government entities out of which Kshs.13,356,500 was allocated as grants to secondary school projects. Audit review of the expenditure and other supporting documents maintained at the Fund offices revealed that payments totaling to Kshs.2,500,160 was disbursed to Lagdera Secondary School Project Management Committee for the supply of 320 chairs and lockers for Modogashe Secondary, Modogashe Girls, Shanti Abak and Benane Secondary Schools. However, the following anomalies were noted:

- i. There was no signed agreement between project management committee and the contractor.

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

- ii. There was no evidence that the goods were inspected by the inspection committee.
- iii. The successful and unsuccessful bidders were not notified immediately after the award of the contract.

In the circumstances, the probity of the expenditure of Kshs.2,500,160 as at 30 June 2018 could not be confirmed.

2. Other Grants and Other Payments

2.1. Irregular Supply and Delivery of Sports Equipment

Included in the other grants and other payments figure of Kshs.28,983,214 under note 7 to the financial statements is an amount of Kshs.1,736,180 spent on sports equipment. Audit review of the expenditure and other supporting documents revealed that the Fund through Lagdera sports project management committees entered into a contract with a local company for the supply of sports equipment and kits for various schools amounting to Kshs.1,736,180. However, the following anomalies were noted:

- i. There was no signed agreement between project management committee and the contractor.
- ii. There were no official acknowledgements of the sports items delivered to various groups.
- iii. There was no inspection report from the inspection and acceptance committee to confirm the right items were delivered by the supplier.
- iv. The items were not labelled hence it was difficult to identify and confirm if it was the same items that were supplied by the contractor.

Consequently, the probity of the expenditure of Kshs.1,736,180 as at 30 June 2018 could not be ascertained.

2.2. Un-Accounted For Bursary Expenses

Included in the other grants and other payments figure of Kshs.28,983,214 under note 7 to the financial statements is an amount of Kshs.14,544,828 representing the funds that were allocated to the tertiary institutions' bursary transfer. However, a review of the expenditure revealed that bursaries worth Kshs.630,000 had no acknowledgement letters from the beneficiary institutions indicated to have been paid. In addition, it was further noted that there were no cheque dispatch register maintained for the period under review.

In the circumstances, the probity of the expenditure of Kshs.630,000 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 – Lagdera 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 of the current year under review. Except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that there were no Key Audit Matters to communicate in my report.

Other Matter

1. Budget Control and Performance

1.1 Budgetary Performance

A review of the statement of budget appropriation revealed that during the year under review, the Fund had an approved budget of Kshs.109,531,938, out of which an amount of Kshs.11,342,283 was unspent balance from the financial year 2016/2017. Budget utilization on receipts and expenditure for the financial year under review are as follows:

Item	Budget Kshs.	Actual Kshs.	Under-utilized Funds Kshs.	Actual % of Budget
Receipts	109,531,938	43,405,172	66,126,766	40%
Expenditure	109,531,938	46,510,073	63,021,865	42%

The above analysis reflects actual receipts of Kshs.43,405,172 against budgeted amount of Kshs.109,531,938 resulting in a short fall of Kshs.66,126,766 representing 60% of undisbursed funds from the National Government Constituencies Development Fund Board. Further, the Fund spent an amount of Kshs.46,510,073 representing 42% of the approved budget of Kshs.109,531,938.

1.2 Under Expenditure on Overall Budget

The Fund recorded an overall under expenditure of 43% during the year under review as follows:

Item	Approved Budget Kshs.	Actual Expenditure Kshs.	Under Expenditure Kshs.	% of Under-Expenditure
Compensation of employees	2,483,210	771,132	1,712,078	69%
Use of goods and services	6,871,069	2,799,227	4,071,842	60%
Transfer to other Government units	53,111,000	13,956,500	39,154,500	74%
Other grants and transfers	40,715,559	28,983,214	11,732,345	29%
Acquisition of assets	0	0	0	

Item	Approved Budget Kshs.	Actual Expenditure Kshs.	Under Expenditure Kshs.	% of Under-Expenditure
Other payments	6,351,100	0	6,351,100	0%
Total	109,531,938	46,510,073	63,021,865	57%

From the analysis above, the Fund realized under expenditure in all 5 items during the year under review.

1.3 Project Implementation and Management

During the year under review, the Fund allocated Kshs.53,472,412 to twenty (26) projects in various sectors of education, sport, environment and security. Analysis as per project implementation status revealed that twenty (24) projects were completed, two (2) were on going as detailed below: -

Sector	Project Status	Project Cost (Kshs.)	No. of Projects
Education-Primary	Complete	28,900,000	16
	Ongoing	0	0
	Not started	0	0
Education-Secondary	Complete	12,000,000	4
	Ongoing	1,500,000	1
	Not started	0	0
Security	Complete	5,800,000	2
	Ongoing	1,800,000	1
	Not started	0	0
Sport	Complete	1,736,206	1
	Ongoing	0	0
	Not started	0	0
Environment	Complete	1,736,206	1
	Ongoing	0	0
	Not started	0	0
Total		53,472,412	26

24 projects representing 92 percent budgeted for the financial year were completed but two (2) projects were still ongoing by the time of the audit.

2. Lack of Permanent Asset Register

Annex 2 is a summary of fixed assets register attached to the financial statements disclosed the value of the fixed assets as Kshs.400,000. However, the Fund did not maintain a permanent fixed asset register to record the assets maintained contrary to Section 136 (i) of the Public Finance Management (National Government) Regulation, 2015. Further, it was noted that no valuation was done for the assets.

In the absence of the fixed asset register it was not possible to ascertain the validity, completeness and accuracy of the fixed assets balance of Kshs.400,000 as at 30 June, 2018.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 1315. The standard requires that I plan and perform the review so as to obtain limited assurance as to whether effective processes and systems of internal control, risk management and governance was maintained 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 its services, disclosing, as applicable, matters related to sustainability of services and using the going concern 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 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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities 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

29 July 2019

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LAGDERA CONSTITUENCY

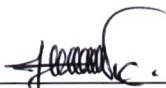
Reports and Financial Statements

For the year ended June 30, 2018

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017 - 2018 Kshs	2016 - 2017 Kshs
RECEIPTS			
Transfers from NGCDF board	1	43,405,172	81,896,551
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		43,405,172	81,896,551
PAYMENTS			
Compensation of employees	4	771,132	3,227,122
Use of goods and services	5	2,799,227	11,015,674
Transfers to Other Government Units	6	13,956,500	77,718,935
Other grants and transfers	7	28,983,214	37,983,981
Acquisition of Assets	8	-	-
Other Payments	9	-	-
TOTAL PAYMENTS		46,510,073	129,945,712
SURPLUS/(DEFICIT)		(3,104,901)	(48,049,161)

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



Fund Account Manager
Name: YUSSUF KILAS A



Sub-County Accountant
Name: JOSHUA M. MEME
ICPAK Member Number:



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LAGDERA CONSTITUENCY

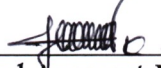
Reports and Financial Statements

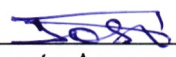
For the year ended June 30, 2018

V. STATEMENT OF FINANCIAL ASSETS

	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	8,237,382	11,342,283
Cash Balances (cash at hand)	10B	—	—
Outstanding Imprests	11	—	—
TOTAL FINANCIAL ASSETS		8,237,382	11,342,283
REPRESENTED BY			
Retention	12	—	—
Fund balance b/fwd 1st July 2017	13	11,342,283	59,391,144
Surplus/Deficit for the year		(3,104,901)	(48,049,161)
Prior year adjustments	14	—	—
NET LIABILITIES		8,237,382	11,342,283

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


Fund Account Manager
Name: YUSSUF KILAS ADEN


Sub-County Accountant
Name: JOSHUA M MEME
ICPAK Member Number:

7739

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LAGDERA CONSTITUENCY

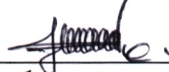
Reports and Financial Statements


For the year ended June 30, 2018

VI. STATEMENT OF CASHFLOW

		2017 - 2018	2016 - 2017
Receipts for operating income			
Transfers from NGCDF Board	1	43,405,172	81,896,551
Other Receipts	3	-	-
		43,405,172	81,896,551
Payments for operating expenses			
Compensation of Employees	4	771,132	3,227,122
Use of goods and services	5	2,799,227	11,015,674
Transfers to Other Government Units	6	13,965,500	77,718,934
Other grants and transfers	7	28,983,214	37,983,981
Other Payments	9	-	-
		46,510,073	129,945,712
Adjusted for:			
Adjustments during the year	14	-	-
Net cash flow from operating activities		(3,104,901)	(48,049,161)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	-	-
Net cash flows from Investing Activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(3,104,901)	(48,049,161)
Cash and cash equivalent at BEGINNING of the year	13	11,342,283	59,391,444
Cash and cash equivalent at END of the year		8,237,382	11,342,283

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


Fund Account Manager
Name: YUSSUF KILAS ADEN


Sub-County Accountant
Name: JOSHUA M. MEME
ICPAK Member Number:
7739

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LAGDERA CONSTITUENCY


**Reports and Financial Statements
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VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Transfers from NGCDF Board	86,810,345	22,721,593	109,531,938	43,405,172	66,126,766	40%
Proceeds from Sale of Assets	-	-	-	-	-	
Other Receipts	-	-	-	-	-	
TOTAL RECEIPTS	86,810,345	22,721,593	109,531,938	43,405,172	66,126,766	
PAYMENTS						
Compensation of Employees	2,266,000	217,210	2,483,210	771,132	1,712,078	31.1%
Use of goods and services	5,546,931	1,324,138	6,871,069	2,799,227	4,071,842	40.7%
Transfers to Other Government Units	35,900,000	17,211,000	53,111,000	13,956,500	39,154,500	26.3%
Other grants and transfers	38,420,387	2,295,172	40,715,559	28,983,214	11,732,345	71.2%
Acquisition of Assets	-	-	-	-	-	
Other Payments	4,677,027	1,674,073	6,351,100		6,351,100	
TOTALS	86,810,345	22,721,593	109,531,938	46,510,073	63,021,865	42.5%

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


Fund Account Manager
Name: YUSSUF KILAS ADEN


Sub-County Accountant
Name: JOSHUA M. MEME
ICPAK Member Number:

***NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
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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-LAGDERA 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.

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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

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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.

SIGNIFICANT ACCOUNTING POLICIES

5. In-kind contributions

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

6. Cash and Cash Equivalents

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

7. Accounts Receivable

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

8. Accounts Payable

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

9. Pending Bills

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

10. Unutilized Funds

Unutilized funds consist of bank balances in the constituency account and previous year(s) balances not yet disbursed by the Board to the constituency at the beginning of the financial year.

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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.

SIGNIFICANT ACCOUNTING POLICIES

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2017 for the period 1st July 2017 to 30th June 2018 as required by Law and there was one supplementary adjustment to the original budget during the year. Included in the adjustments are the unutilized funds.

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

12. Comparative Figures

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

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2018.

14. Errors

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

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

15. Related Party Transactions

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

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
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IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2017-2018	2016-2017
		Kshs	Kshs
NGCDF Board			
AIE NO.855893	1	5,500,000	
AIE NO.892959	2	37,905,172	
AIE NO.A829635	3		4,094,827
AIE NO.A855047	1		36,853,449
AIE NO.A855723	2		40,948,275
AIE NO	3		
TOTAL		43,405,172	81,896,551

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	xxx	xxx
Receipts from sale of office and general equipment	xxx	xxx
Receipts from the Sale Plant Machinery and Equipment	xxx	xxx
Total	xxx	xxx

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

	2017- 2018 Kshs	2016-2017 Kshs
Interest Received	xxx	xxx
Rents	xxx	xxx
Receipts from Sale of tender documents	xxx	xxx
Other Receipts Not Classified Elsewhere	xxx	xxx
Total	xxx	xxx

4. COMPENSATION OF EMPLOYEES

Description	2017-2018 Kshs	2016-2017 Kshs
Basic wages of contractual employees	758,332	2,184,491
Basic wages of casual labour	-	15,000
Personal allowances paid as part of salary		
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Gratuity	-	998,831
Employer contribution to NSSF		
Other personnel payments	12,800	28,800
Total	771,132	3,227,122

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 .USE OF GOODS AND SERVICES		
Description	2017 - 2018	2016 - 2017
	Kshs	Kshs
Utilities, supplies and services	18,587.00	-
Electricity	63,785.00	-
Water & sewerage charges	-	-
Office rent	700,000.00	150,000.00
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Printing, advertising and information supplies & services	-	-
Rentals of produced assets	-	-
Training expenses	-	-
Hospitality supplies and services	-	-
Other committee expenses	-	3,487,752.00
Committee allowance	1,993,605.00	5,366,796.00
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	-	2,011,126.00
Fuel , oil & lubricants	-	-
Other operating expenses	-	-
Bank service commission and charges	23,250.00	-
Security operations	-	-
Routine maintenance - vehicles and other transport equipment	-	-
Routine maintenance- other assets	-	-
TOTAL	2,799,227.00	11,015,674.00

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
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6 .TRANSFER TO OTHER GOVERNMENT ENTITIES		
Description	2017- 2018	2016 - 2017
	Kshs	Kshs
Transfers to Primary schools	13,356,500.00	57,062,039.00
Transfers to Secondary schools	600,000.00	10,656,896.00
Transfers to Tertiary institutions	-	10,000,000.00
Transfers to Health institutions	-	-
TOTAL	13,956,500.00	77,718,935.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 .OTHER GRANTS AND OTHER PAYMENTS		
Description	2017 - 2018	2016 - 2017
	Kshs	Kshs
Bursary -Secondary	5,901,000.00	8,667,873.00
Bursary -Tertiary	14,544,828.00	22,642,000.00
Bursary-Special schools	-	-
Mocks & CAT	-	379,310.00
Water	-	-
Food security	-	-
Electricity	-	-
Security	765,000.00	2,200,000.00
Roads and Bridges	-	-
Sports	1,736,180.00	-
Environment	1,736,206.90	-
Cultural Projects	-	-
Agriculture	-	-
Emergency Projects	4,300,000.00	4,094,798.00
TOTAL	28,983,214.00	37,983,981.00

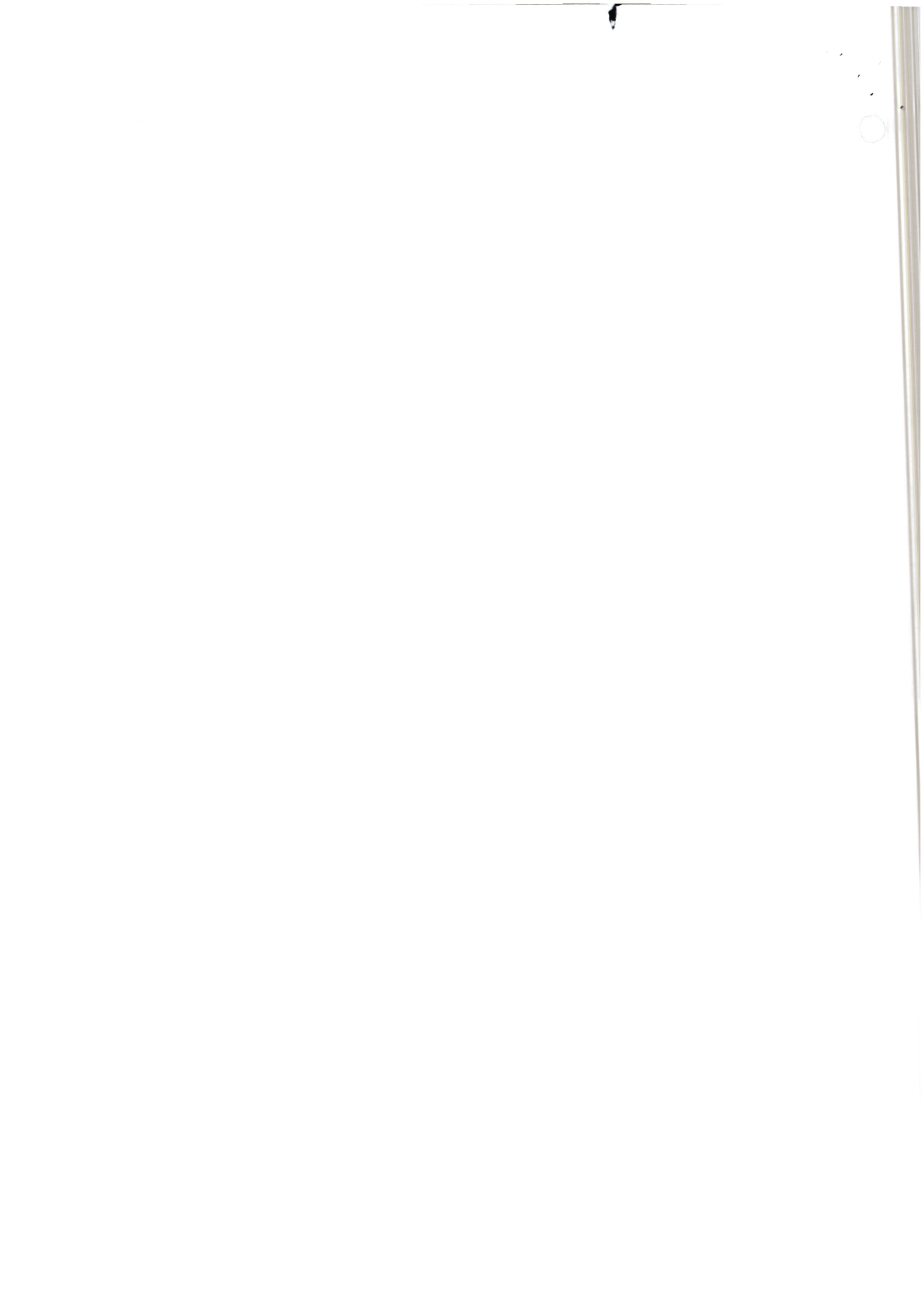
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 .ACQUISITION OF ASSETS		
Non Financial Assets	2017 - 2018	2016 - 2017
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	-	-
Purchase of Vehicles	-	-
Purchase of Bicycles & Motorcycles	-	-
Overhaul of Vehicles	-	-
Purchase of office furniture and fittings	-	-
Purchase of computers ,printers and other IT equipments	-	-
Purchase of photocopier	-	-
Purchase of other office equipments	-	-
Purchase of soft ware	-	-
Acquisition of Land	-	-
TOTAL	-	-

9.OTHER PAYMENTTS		
	2017 - 2018	2016 - 2017
	Kshs	Kshs
Strategic plan	-	-
ICT Hub	-	-
TIVET	-	-
TOTAL	-	-

10A: Bank Balances (cash book bank balance)			
Name of Bank, Account No. & currency	Account Number	2017 - 2018	2016 - 2017
		Kshs (30/7/2018)	Kshs (30/6/2017)
<i>FIRST COMMUNITY BANK GARISSA BRANCH</i>	<i>A/C no.00095767</i>	8,237,382.35	11,342,282.80



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10B: CASH IN HAND		
	2017 - 2018	2016 - 2017
	Kshs (30/7/2018)	Kshs (30/6/2017)
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other receipts (specify)	-	-
TOTAL	-	-

12 Retention			
Supplier/Contractor	PV No.	2017 - 2018	2016 - 2017
TOTAL			

13 .BALANCES BROUGHT FORWARD		
	2017 - 2018	2016 - 2017
	Kshs (1/7/2018)	Kshs (1/7/2017)
Bank accounts	8,237,382.00	11,342,282.80
Cash in hand	-	-
Imprest	-	-
TOTAL	8,237,382.00	11,342,282.80

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. OTHER IMPORTANT DISCLOSURES

15.3: UNUTILIZED FUNDS		
	2017 - 2018	2016 - 2017
	Kshs	Kshs
Compensation of employees	1,015,486.00	-
Use of goods and services	3,031,393.00	-
Amounts due to other Government entities (see attached list)	1,839,261.00	8,211,000.00
Amounts due to other grants and other transfers (see attached list)	2,351,242.00	940,000.00
Others (specify)	-	2,191,283.00
TOTAL	8,237,382.00	11,342,283.00

15.4: PMC ACCOUNT BALANCES		
	2017 - 2018	2016 - 2017
	Kshs	Kshs
PMC account balances(see the attached list)	-	-
TOTAL	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANNEX 1 – UNUTILIZED FUNDS

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Compensation of employees		1,015,486		
Use of goods & services		3,031,393		
Amounts due to other Government entities		1,839,261	8,211,000.00	
	Sub-Total	5,886,140		
Amounts due to other grants and other transfers		2,351,242	940,000.00	
	Sub-Total	2,351,242		
Acquisition of assets				
Others (<i>specify</i>)			2,191,283.00	
	Sub-Total	-		
	Grand Total	8,237,382	11,342,283.00	

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
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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
Land				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings	300,000			300,000
ICT Equipment, Software and Other ICT Assets	79,000			79,000
Other Machinery and Equipment	21,000			21,000
Heritage and cultural assets				
Intangible assets				
Total	400,000			400,000



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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)

