

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 17 SEP 2019

TUESDAY

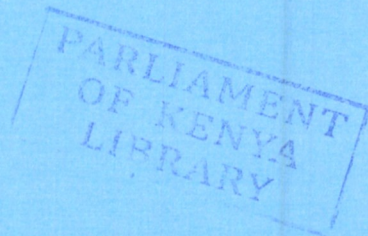
REPORT

TABLED
BY:

MAJORITY LEADER

CLERK OF
THE TABLE:

OF



THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
LIKUYANI CONSTITUENCY

FOR THE YEAR ENDED
30 JUNE 2018



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LIKUYANI
CONSTITUENCY**

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



CONSTITUENCY DEVELOPMENT FUND- LIKUYANI 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- LIKUYANI
CONSTITUENCY**

Reports and Financial Statements

For the year ended 30 June 2018

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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013 and further repealed by the NG-CDF Act 2015. The NG-*Constituencies Development Fund* is represented by the Cabinet Secretary for Devolution and Planning, who is responsible for the general policy and strategic direction of the NG-*Constituencies Development Fund*. The objective of the fund is to ensure that a portion of the national government annual fund consisting of monies of an amount of not less than 2.5% of all the National Governments share of revenue as divided by the annual Division of revenue Act enacted pursuant to Article 218 of the constitution is devoted to the constituencies for purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

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 *Likuyani Constituency's* day-to-day management is under the following key organs:

- i. National Government -Constituencies Development Fund Board (NG-CDFB)
 - ii. National Government-Constituency Development Fund Committee (NG-CDFC)
- © 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	Xystus Sifuna Musuya
3.	Sub-County Accountant	Kennedy Odongo
4.	Chairman NGCDFC	Francisca Nakhayo Munyekenye
5.	Member NGCDFC	Catherine Wangila

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LIKUYANI
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(c) Fiduciary Oversight Arrangements

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

(d) LIKUYANI NG-CDF Headquarters

P.O. Box 12-30205
Matunda,
Eldoret-Kitale Road,
Likuyani Sub County HQ-Kongoni
Matunda, KENYA

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LIKUYANI
CONSTITUENCY**

Reports and Financial Statements

For the year ended 30 June 2018

(e) LIKUYANI NG-CDF Contacts

Telephone: (254) 715-560-144
E-mail:ngcdflikuyani@ngcdf.go.ke
Website: likuyanicdf.go.ke

(f) Likuyani NG-CDF Bankers

1. Equity Bank
A/C no 0500261734009
P.O. Box 2512-50100
Kakamega
Tel: 056-30239/40

(g) Independent Auditors

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

(h) 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 CONSTITUENCY DEVELOPMENT FUND
COMMITTEE (CDFC)**

This financial year 2017/18 we had a budget of Kshs98,689,665 but the fund received Kshs 85,590,345 translating to 86.7% of utilisation. Out of this percentage of utilisation, 2.4% went towards compensation of employees, 3.9% use of goods and services, 47.8% Transfers to other Government units, 16.3% to Other Grants and transfers and 1.5% towards acquisition of assets.

The performance has been below average due to delays in disbursement of funds by the Board.

The key achievements for this financial year include:

- Launching of the Social Security Programme to vulnerable members of the constituency
- Completion of the NG CDFC building office with a chain link fence.
- Bursary distribution to needy students across the constituency
- Completion of a Multi-purpose hall at Friends Secondary School Kongoni that has the capacity to hold between 300 to 400 people
- Completion of several classrooms in both primary and secondary schools across the constituency

The committee has also embarked on construction of twin laboratories and library cum computer laboratories in several secondary schools in the constituency. These projects are expected to be complete in the next two years.

Some of the emerging issues the fund is facing include high enrolment in upcoming primary and secondary schools. Also most primary schools entirely depend on the fund on rehabilitation of toilets thus straining emergency reserve.

The major challenges faced by the fund include delays in disbursement of funds by the NG-CDF Board leading to late disbursement of funds to the PMCs hence delays in project implementations. It is also worth noting that the incomplete devolved functions projects have not been considered for completion by the county government.

On the whole the board needs to allocate funds to constituencies based on the population and poverty index rather than uniformly allocate the funds.

Likuyani Constituency Development
Fund Committee
Sign *[Signature]* 21 MAY 2019 ★
CHAIRMAN
P. O. Box 12 Matunda

III. STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the Likuyani NG-Constituency Development Fund is responsible for the preparation and presentation of the Likuyani NG-CDF financial statements, which give a true and fair view of the state of affairs of the Likuyani NG-CDF 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 NG-CDF; (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 NG-CDF; (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 Likuyani NG-CDF accepts responsibility for the NG-CDF'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 NG-CDF's financial statements give a true and fair view of the state of NG-CDF's transactions during the financial year ended June 30, 2018, and of the NG-CDF's financial position as at that date. The Accounting Officer in charge of the Likuyani NG-CDF further confirms the completeness of the accounting records maintained for the NG-CDF, which have been relied upon in the preparation of the NG-CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Likuyani NG-CDF confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NG-CDF'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 NG-CDF'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 NG-CDF's financial statements were approved and signed by the Accounting Officer on 14 July 2018.

Fund Account Manager

Name: SIFUNA MUSUYA

Sub-County Accountant

Name: KENNEDY ODONGO

ICPAK Member Number: 11493

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LIKUYANI 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 – Likuyani Constituency set out on pages 1 to 22, which comprise the statement of 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 – Likuyani 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. Land Without Title Deeds

The Fund purchased several parcels of land for various schools during the year under review valued at Kshs.3,075,000. However, ownership of the pieces could not be authenticated since they did not have title deeds as listed below;

Name of School	Land Size	Date	Kshs	Status of Title Deed
Mapera Secondary School.	½ acre	30 June 2014	300,000	No title deed Succession is in Progress

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

Name of School	Land Size	Date	Kshs	Status of Title Deed
Mufungu Primary School	1 acre	30 June 2014	600,000	No title deed Succession is in Progress
Mwiba S.A Secondary School	2 acres	30 June 2014	1,000,000	No title deed Succession in Progress
Friends Binyenya Secondary School	1 acre	30 June 2014	600,000	No title deed To confirm with head teacher
Friends Secondary School Binyenya	$\frac{3}{4}$ acre	30 June 2015	400,000	No title deed To be issued with a lease hold letter
St. Francis Milimani Dispensary	$\frac{1}{4}$ acre	30 June 2015	175,000	No title deed To confirm whether title deed was processed
Total			3,075,000	

In the circumstances, it is not possible to confirm the ownership of the parcels of land valued at Kshs.3,075,000.

2. Prior Year Adjustments

The statement of assets reflects prior year adjustments figure of Kshs.336,720, detailed under note 10 to the financial statements, as wrong postings in the cashbook. The reversal voucher of Kshs.336,720, in favour of the District Accountant, provided for audit review indicates cancellation of double payment to a local contractor. However, the reversal documents were not supported with a copy of the cancelled cheque.

In the circumstances, it was not possible to ascertain validity of the prior year adjustment figure of Kshs.336,720 disclosed in the statement of assets as at 30 June 2018.

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

Other Matter

1. Budget Control and Performance

1.1 Budget Analysis

During the year under review, the Fund had an approved budget of Kshs.86,810,345. The Fund received Kshs.85,673,345 which includes Kshs.85,590,345 from NGCDF Board and Kshs.83,000 from other receipts resulting to an underfunding of Kshs.1,220,000. No explanation was given for the underfunding.

Also, the adjustments receipts amounted to Kshs.11,962,310 and payments totaled Kshs.18,681,715 thus leading to a deficit of Kshs.6,719,405.

Further, the Fund had a balance brought forward from 2016/2017 of Kshs.11,962,310 together with the current budget of Kshs.86,810,345, bringing the total budget to Kshs.98,772,655 compared to total expenditure of Kshs.61,564,939 or 62% as analyzed below;

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	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from CDF Board	86,810,345	11,879,310	98,689,655	85,590,345	13,099,310	87%
Other receipts	0	83,000	83,000	83,000	0	
Total	86,810,345	11,962,310	98,772,655	85,673,345	13,099,310	87%
Payments						
Compensation of Employees	2,472,621	682,759	3,155,380	2,040,153	1,115,227	65%
Use of goods and services	6,990,310	260,521	7,250,831	3,344,973	3,905,858	46%
Transfers to Other Government Units	45,325,862	7,286,454	52,612,316	40,928,835	11,683,481	78%
Other grants and transfers	31,671,552	9,544,937	41,216,489	13,951,999	27,264,490	34%
Acquisition of Assets	350,000	237,094	587,094	1,298,979	(711,885)	-221%
Other payments	0	669,950	669,950	0	669,950	
Total	86,810,345	18,681,715	105,492,060	61,564,939	43,927,121	62%

In the circumstances, the Fund management failed to provide the constituents with all the planned services.

1.2 Project Implementation and Management

The Fund Committee budgeted to undertake 117 projects or programmes in different sectors during the year under review. However, analysis of the project status report indicates that 67 projects or 57% of the projects were complete and 44 projects representing 37.6% were still on going. In addition, 6 representing 5.4% of the projects were re-allocated. The Fund did not therefore fully meet the budget target hence denying the constituents effective service delivery. Below is the summary of project status;

Sector	Total Project Cost Kshs.	Reallocations	Ongoing	Completed	Total	% of Complete Projects
Administration	7,360,082	0	1	10	11	91%
Bursary	24,702,588	0	0	6	6	100%
CDF Offices	5,027,027.00	1	0	1	2	50%
Education	47,435,040	0	41	22	63	35%
Emergency	5,129,000	0	0	26	26	100%
Environment	500,000.00	5	0	0	5	0%
Security	2,300,000	0	1	1	2	50%
Social security	2,100,000	0	0	1	1	100%
Sports	500,000	0	1	0	1	0%
Total	95,053,737	6	44	67	117	57%

Non-implementation of planned projects may have impacted negatively on service delivery.

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

Poor Implementation of Projects

Included in the figure of transfer to other Government units of Kshs.40,928,835 is an amount of Kshs.4,900,000 incurred on various projects in the Constituency. Review of

documentation availed for projects scrutiny and physical verification revealed that no certificates of work done were being raised towards payments. Besides, there were no engineer's estimates and the projects were recorded as completed in the project implementation status report and yet they were incomplete. In addition, the projects were poorly done as detailed below;

Project	Description	Amount Kshs.	Remarks
Mafungu Primary School-Twin Class	Construction of twin classroom	800,000	<ul style="list-style-type: none"> No additional course/layer of blocks on the lintel exposing the roof to effects of the wind. No wood preservatives on the roof as provided for in the Bills of Quantities
St.Micheal Nzoia Primary School	Construction of twin classroom	800,000	<ul style="list-style-type: none"> No additional course/layer of blocks on the lintel exposing the roof to effects of the wind. No wood preservatives on the roof as provided for in the Bills of Quantities
St.Teresa Secondary School-Twin Lab	Construction of a twin laboratory	1,200,000	<ul style="list-style-type: none"> No additional course/layer of blocks on the lintel exposing the roof to effects of the wind. No wood preservatives on the roof as provided for in the Bills of Quantities
Nangili Girls Sec.School	Construction of a twin laboratory	0	<ul style="list-style-type: none"> Building almost 90% complete however the floor is cracked in several places
Lurende Primary School	Construction of twin classroom	800,000	<ul style="list-style-type: none"> No additional course/layer of blocks on the lintel exposing the roof to effects of the wind. No wood preservatives on the roof as provided for in the Bills of Quantities Single column pillars in walls instead of two columns as provided in the Bill of Quantities therefore compromising the strength of the wall.
Kisagame Sec School	Construction of a twin laboratory	1,300,000	<ul style="list-style-type: none"> No additional course/layer of blocks on the lintel exposing the roof to effects of the wind. No wood preservatives on the roof as provided for in the Bills of Quantities Single column pillars in walls instead of two column as provided in the Bill of Quantities therefore compromising the strength of the wall

Project	Description	Amount Kshs.	Remarks
			<ul style="list-style-type: none"> • Roof structure not strapped on the lintel • Stuncheons not the correct sizes as per bills of quantities
Total		4,900,000	

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to 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 Basis on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis of Conclusion

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

08 August 2019


**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LIKUYANI
CONSTITUENCY**

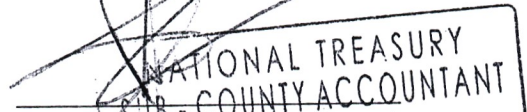
**Reports and Financial Statements
For the year ended 30 June 2018**

VI. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018	2016-2017
		Kshs.	Kshs.
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	85,590,345	81,896,552
Other Receipts	2	83,000	320,150
TOTAL RECEIPTS		85,673,345	82,216,702
PAYMENTS			
Compensation of employees	3	2,040,153	1,964,852
Use of goods and services	4	3,344,973	12,254,516
Transfers to Other Government Units	5	40,928,835	40,979,828
Other grants and transfers	6	13,951,999	39,894,749
Acquisition of Assets	7	1,298,979	2,564,636
TOTAL PAYMENTS		61,564,939	97,658,581
SURPLUS/DEFICIT		24,108,406	(15,441,879)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Likuyani NG-CDF financial statements were approved on 13 July 2018 and signed by:


Fund Account Manager
Name: SIFUNA MUSUYA


Sub-County Accountant
Name: KENNEDY ODONGO
ICPAK Member Number: 11493

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LIKUYANI CONSTITUENCY

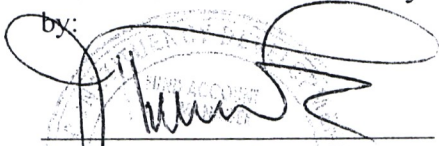
Reports and Financial Statements

For the year ended 30 June 2018

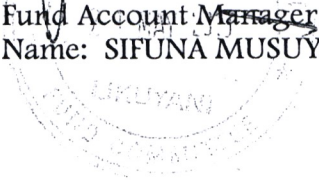
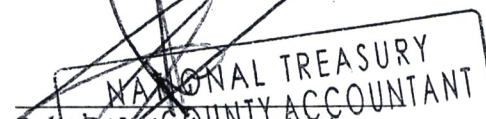
VII. STATEMENT OF ASSETS

	Note	2017-2018 ^a	2016-2017
			Kshs.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	8	30,827,810	6,382,684
TOTAL FINANCIAL ASSETS		30,827,810	6,382,684
REPRESENTED BY			
Retention	9		743,134
Fund balance b/fwd 1st July...		6,382,684	21,081,429
Surplus/Deficit for the year		24,108,406	(15,441,879)
Prior year adjustments	10	336,720	
NET LIABILITIES		30,827,810	6,382,684

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Likuyani NG-CDF financial statements were approved on 13 July, 2018 and signed by:



Fund Account Manager
Name: SIFUNA MUSUYA

NATIONAL TREASURY
SUB-COUNTY ACCOUNTANT
Name: KENNEDY ODONG
ICPAK Member Number: 11493

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LIKUYANI
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For the year ended 30 June 2018

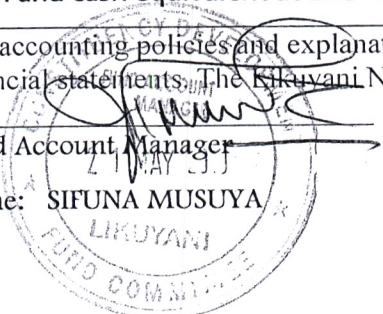
VIII. STATEMENT OF CASHFLOW

Receipts for operating income		2017-2018	2016-2017
Transfers from CDF Board	1	85,590,345	81,896,552
Other Receipts	2	83,000	320,150
		85,673,345	82,216,702
Payments for operating expenses			
Compensation of Employees	3	(2,040,153)	(1,964,852)
Use of goods and services	4	(3,344,973)	(12,254,516)
Transfers to Other Government Units	5	(40,928,835)	(40,979,828)
Other grants and transfers	6	(13,951,999)	(39,894,749)
		(60,265,960)	(95,093,945)
Adjusted for:			
Adjustments during the year	10	336,720	743,134
Net cash flow from operating activities		25,744,105	(12,134,109)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	7	(1,298,979)	(2,564,636)
Net cash flows from Investing Activities			(2,564,636)
NET INCREASE IN CASH AND CASH EQUIVALENT		24,445,126	(14,698,745)
Cash and cash equivalent at beginning of the year	8	6,382,684	21,081,429
Cash and cash equivalent at END of the year		30,827,810	6,382,684

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Likuyani NG- CDF financial statements were approved on 13th July, 2018 and signed by:

Fund Account Manager

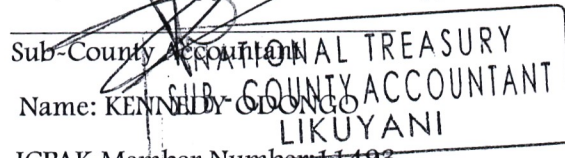
Name: SIFUNA MUSUYA



Sub-County Accountant

Name: KENNEDY ODONGO

ICPAK Member Number: 11493



NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LIKUYANI CONSTITUENCY

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

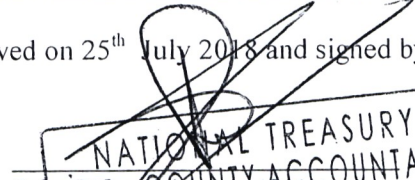
IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

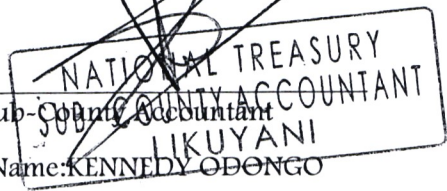
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	86,810,345	11,879,310	98,689,655	85,590,345	13,099,310	87%
Other Receipts		83,000	83,000	83,000	0	
TOTAL RECEIPTS	86,810,345	11,962,310	98,772,655	85,673,345	13,099,310	87%
PAYMENTS			0			
Compensation of Employees	2,472,621	682,759	3,155,380	2,040,153	1,115,227	65%
Use of goods and services	6,990,310	260,521	7,250,831	3,344,973	3,905,858	46%
Transfers to Other Government Units	45,325,862	7,286,454	52,612,316	40,928,835	11,683,481	78%
Other grants and transfers	31,671,552	9,544,937	41,216,489	13,951,999	27,264,490	34%
Acquisition of Assets	350,000	237,094	587,094	1,298,979	-711,885	221%
Other Payments(A.I.A)		669,950	669,950		669,950	
TOTAL	86,810,345	18,681,715	105,492,060	61,564,939	43,927,121	58%

The Likuyani NG-CDF financial statements were approved on 25th July 2018 and signed by:


Fund Account Manager
Name: SIFUNA MUSUYA




NATIONAL TREASURY
Sub-County Accountant
Name: KENNEDY ODONGO



ICPAK Member Number: 11493

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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X. 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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *NG-CDF* and all values are rounded to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *NG-CDF*.

2. Recognition of revenue and expenses

The *NG-CDF* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *NG-CDF*. In addition, the *NG-CDF* recognises all expenses when the event occurs and the related cash has actually been paid out by the *NG-CDF*.

3. In-kind contributions

In-kind contributions are donations that are made to the *NG-CDF* 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 *NG-CDF* includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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4. 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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For the year ended 30 June 2018

SIGNIFICANT ACCOUNTING POLICIES (continued)

5. 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 *CDF* 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.

6. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *CDF's* budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the *CDF's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7. Comparative figures

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

8. 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 July 30th June, 2018.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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For the year ended 30 June 2018

XI. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM NG-CDF BOARD

1 TRANSFERS FROM OTHER GOVERNMENT AGENCIES			
Description		2017-2018	2016-2017
		Kshs	Kshs
	Normal Allocation		
	AIE A829645		4,094,827
	AIE A839689		36,853,449
	AIE A8555587		40,948,275
31/01/2018	AIE A855903	5,500,000	
16/03/2018	AIE A892670	500,000	
30/04/2018	AIE A896763	17,216,500	
	AIE A892961	20,688,672	
28/06/2018	AIE A896942	41,685,173	
Total		85,590,345	81,896,551
2 OTHER RECEIPTS			
Description		2017-2018	2016-2017
		Kshs	Kshs
Rents		40,000	0.00
Sale of Tender Documents		43,000	320,150
TOTAL		83,000	320,150

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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3 COMPENSATION OF EMPLOYEES			
Description		2017-2018	2016-2017
		Kshs	Kshs
Basic wages of contractual employees		1,518,498	1,451,950
House allowance		228,000	228,000
Employer contribution to NSSF		71,280	72,360
Gratuity-contractual employees		222,375	212,542
TOTAL		2,040,153	1,964,852

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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4 USE OF GOODS AND SERVICES			
Description		2017-2018	2016-2017
		Kshs	Kshs
Electricity		13,000	0
Communication, supplies and services		73,000	149,000
Domestic travel and subsistence		0	10,100
Gratuity in arrears		0	122,595
Printing, advertising and information supplies & services		197,725	182,720
Hospitality supplies and services		15,992	83,175
Specialised materials and services		0	3,708,850
Other committee expenses		1,752,800	4,372,101
Committee allowance		780,000	1,589,990
Office and general supplies and services		149,908	569,484
Fuel , oil & lubricants		300,000	1,256,500

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Bank service commission and charges		45,470	0
Routine maintenance - vehicles and other transport equipment		17,077	210,000
TOTAL		3,344,972	12,254.516

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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For the year ended 30 June 2018

5 TRANSFER TO OTHER GOVERNMENT ENTITIES			
Description		2017-2018	2016-2017
		Kshs	Kshs
Transfers to Primary schools		18,140,000	31,344,828
Transfers to Secondary schools		22,788,835	9,635,000
TOTAL		40,928,835	40,979,828
6. OTHER GRANTS AND OTHER PAYMENTS			
Description		2017-2018	2016-2017
		Kshs	Kshs
Bursary –Secondary		5,500,000	15,055,959
Bursary –Tertiary		3,127,000	14,190,000
Security		300,000	2,734,657
Sports		970,000	1,383,200
Environment		999,999	2,338,273

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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Emergency Projects		3,055,000	4,192,660
TOTAL		13,951,999	39,894,749
7.ACQUISITION OF ASSETS			
<u>Non Financial Assets</u>		2017-2018	2016-2017
		Kshs	Kshs
Construction of Buildings		1,298,979	1,729,296
Purchase of office furniture and fittings		0	357,900
Purchase of computers ,printers and other IT equipments		0	477,440
TOTAL		1,298,979	2,564,636

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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8: Bank Balances (cash book bank balance)			
Name of Bank, Account No. & currency	Account Number	2017-2018	2016-2017
		Kshs (30/6/2018)	Kshs (30/6/2017)
<i>Equity Bank Limited, Kakamega Branch</i>	A/C No.0500261734009	30,827,810	6,382,684

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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9.Retention			
Supplier/Contractor		2017 – 2018	2016 – 2017
Sergoit Contractors		0	743,134
TOTAL		0	743,134
10. PRIOR YEAR ADJUSTMENTS			
		2017-2018	2016-2017
		Kshs	Kshs
Note:An amount of Kshs 336,720 was a double posting on emergency fund and Kshs 743,134 was retention money paid f/y 2017/2018		336,720	743,134
TOTAL		336,720	743,134

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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Reports and Financial Statements

For the year ended 30 June 2018

ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2017 /18	Historical Cost (Kshs) 2016/17
Buildings and structures	10,599,505	9,300,526
Transport equipment(Motor Cycle)	99,000	99,000
Office equipment, furniture and fittings	515,485	515,585
ICT Equipment, Software and Other ICT Assets	1,063,037	1,063,037
Total	12,277,027	10,978,048

Note.

Increase in the assets of **Kshs. 1,298,979** is due to acquisition of assets during the year 2017/18. Construction of a head quarters CDF office **Kshs 555,845** and **Ksh 743,134** final retention for construction of the CDF office.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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Reports and Financial Statements

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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)
1.0	Inaccurate trial balance	The trial balance statement in the final financial statement had an error and the correct trial balance statement was provided. The bank balance carried forward is supposed to be Kshs. 6,382,684.00. However this balance included retention funds of amount Kshs. 743,134 which was an adjustment in the cash book for the year. Hence actual balance carried forward is Kshs. 5,639,550.00 as shown in adjusted trial balance statement	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn/vol.1/109
2.0	Compensation of employees	The payment vouchers under compensation of employee amounting to Kshs. 331,718.60 are available for audit as attached	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn/vol.1/109
3.0	Use of goods and services	The NG-CDF Board advised the committee through Circular No. NG-CDFB/CIRCULAR/ VOL 1(12) dated 25 th July ,2017 to incorporate the cost of labelling /branding projects in the BQs for each project. We have since implemented this directive with effect from this financial year 2017/2018	FAM	Resolved	Immediately
4.0	Lack of project expenditure returns by MPCs	This has not been happening but effective this financial year the PMCs will now be required to do that	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn/vol.1/109

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5	Poor implementation of projects	<ol style="list-style-type: none"> 1. St Michael Kilimani Secondary School-the contractor who did the works is still on-going and therefore we have advised the supervisor from works to ensure the pillars are demolished and erected with iron bars as required 2. Mirembe Primary School-The BQ had been prepared for 3 classrooms but the contractor implemented four classrooms instead of three resulting to poor workmanship we have advised the PMC not to allow this in future however needy it may be 3. Mapera Primary School- the PMC implemented the project through labour contract hence could not allow for defects liability period and retention funds. Labour contracts shall not be allowed in future. 4. Mary Lusweti Secondary School- the project was executed under labour contract and therefore 	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
		controlling quality of materials was difficult leading to poor workmanship labour contracts shall not be allowed in failure			
6.0	Irregular procurement of contract	<p>The works officer who prepares the BQ failed to insert the appendix condition of the contract regarding</p> <ul style="list-style-type: none"> i. Date of commencement of the contract ii. Duration of the contract iii. Date of completion of the contract iv. Defects liability period <p>We have therefore advise the works officer to put these conditions in the BQs for future projects</p>	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn
6.1	Award of contracts to ineligible contractors	Contractors without proper documents like Valid NCA certificates ,Valid KRA compliance certificates are not being procured now.During tender procuring especially at technical evaluation stage bids with arithmetical errors are corrected before recommendation for award as shown in the attached photocopy of the tender evaluation report.	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
		However in future we are advising the tender Evaluation committee to include the column for corrected sum of ever applicant (Bidder)			
7.0	Unvouched expenditure	The vouchers have been submitted for audit verification	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn
8.0	Security (Unsupported balance)	Security excess of ksh 298,449 was spend on fencing of the headquarters and wrongly charged on security which has now been corrected and charged on acquisition of assets.	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn
9.0	Poor Execution of projects	With effect from this financial year 2017/18 payment to contractors is being made against certificate of works done as required	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn
10.0	Un supported emergency payments	The requisition letters and all supporting documents to confirm that the projects were emergent has been provided	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn
11.0	Irregular procurement of sports items	The error has now been corrected in the financial statement	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn
12.0	Un availed project file	The files with expenditure returns have been availed for audit as required	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
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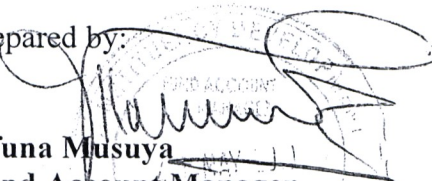
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
13.0	Expenditure above budgetary provision	<p>Environment Activities – excess of Kshs. 1,338,273 was an allocation in the F/Y 2015/16 but not spend hence brought forward to financial year 2016/17</p> <p>Sports Activities-Excess of Kshs.383,200 was an amount unspent in the F/Y 2015 /16 hence brought forward to financial year 2016/17</p> <p>EMERGENCY- Excess of Kshs. 97,833.40 was amount not spend in the F/Y 2015/16.Hence brought forward to financial year 2016/17</p> <p>Wrong classification – Kshs.298,450.00 this has now been corrected to acquisition of assets and file has now been availed for audit</p>	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn
14.0	Acquisition of Assets	The vouchers have been submitted to your offices for verification as required	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn
15.0	Re allocation of funds	During procurement the cost over stated by the above figure hence the committee recommended the excess to be paid out of purchase of goods and services	FAM	Resolved	30 th July 2018 vide letter : ref:ng-cdf/lkyn

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LIKUYANI
CONSTITUENCY**

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

Prepared by:


Sifuna Musuya
Fund Account Manager
Likuyani

