

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY  
PAPERS LAID

**REPORT**

DATE: 17 SEP 2019 TUESDAY

TABLED  
BY:

MAJORITY LEADER

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**OF**



PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR  
ENDED 30 JUNE 2018**



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**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND NDARAGWA  
CONSTITUENCY**

**REPORTS AND FINANCIAL STATEMENTS**

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

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



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)  
NDARAGWA 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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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

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

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

**(c) Fiduciary Management**

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

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Eric Munyao
3.	Sub-County Accountant	Antony Ngunjiri
4.	Chairman NGCDFC	Joshua IregiMagu
5.	Member NGCDFC	Name of alternate signatory

**(d) Fiduciary Oversight Arrangements**

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

P.O. Box 16-20306  
CDF Office Building  
Nyahururu – Nyeri Road  
Ndaragwa, KENYA

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

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**(f) NGCDF Ndaragwa Constituency Contacts**

Telephone: (254) 722594319  
E-mail: [ngcdfndaragwa@ngcdf.go.ke](mailto:ngcdfndaragwa@ngcdf.go.ke)  
Website: [www.ngcdf.go.ke](http://www.ngcdf.go.ke)

**(g) NGCDF Ndaragwa Constituency Bankers**

Bank Name: Cooperative Bank  
Branch: Nyahururu  
Account Name: NdaragwaCDF  
Account Number: 01120037972400  
Address: Nyahururu

**(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**

It is my great pleasure to present the annual report and financial statement prepared in accordance with the cash basis of accounting method under the International Public Sector Accounting Standard (IPSAS) for the financial year ended 30<sup>th</sup> June, 2018.

The overall budget performance stands as 70%. This performance rose from 37.8% from last year's performance. The balance still with NG-CDFB as at 30<sup>th</sup> June 2018 is Ksh. 3,156,898 The Ndaragwa NG CDFC has always allocated funds to projects to completion which has improved on the completion rates and value for money.

It is also important to highlight the need for the National Treasury to promptly release funds to the NG CDF Board to allow it disburse the same to the constituencies for efficiency and effectiveness in the implementation of projects.

The NG-CDF is planning to intensify PMC capacity building and carrying out intensive monitoring and evaluation to ensure any emerging challenge is sorted out within the shortest time possible.

The public are also encouraged to participate effectively in the identification of projects and having their priorities documented during public fora with a view to equity in distribution of funds.

Ndaragwa NG CDF appreciates the recommendations from external and internal Auditors whose feedback has always been used to improve on the technical and financial management of projects.

On complaints, the Fund Manager has always acknowledged, responded adequately, convincingly and in time.

I also take this opportunity to thank the NG CDF Board for its continued support during the financial year under review.

*Sign*



**CHAIRMAN NGCDF COMMITTEE**

# REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

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

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Ndaragwa Constituency set out on pages 7 to 22, which comprise the statement of assets as at 30 June 2018, and the statement of receipts and payments, statement of cash flows for the year then ended, statement of appropriation for the year ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund – Ndaragwa 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 PFM Act, 2012 and the National Government Constituency Development Act, 2015.

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

##### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

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



## **Other Matter**

### **1.0 Budget Utilization and Performance**

The summary statement of appropriation: recurrent and development combined reflects final budget of Kshs.100,364,668 out of which Kshs.76,528,461 was received resulting to underfunding of Kshs.23,836,208. Out of the amount realized, Kshs.69,977,228 representing 70% was utilized leaving unutilized funds amounting to Kshs.6,276,219.

Consequently, as a result of the under absorption of budgeted funds the Constituents of Ndaragwa may have been denied the much needed development activities during the period under review.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Basis for 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 resources have not been applied lawfully and in an effective way.

### **Basis for conclusion**

#### **1.0 Incomplete project - Subuku Police post**

Included in Note 6 of the financial statements under Other grants and other payments is Kshs.5,711,206 for security projects out of which one of the planned projects was construction of Subuku police post. The police post project was allocated Kshs.3,100,000 during the financial year 2017/18 for construction of five (5) staff houses and four (4) door toilet through a contract awarded to Joskimy Company.

However, a physical inspection of the project revealed that four (4) small rooms and two (2) doors toilet were constructed instead of five (5) houses and four (4) doors toilet as per the approved code list. Further, Poor workmanship was evident as the four (4) houses had cracks on the floor, washed out paint and ununlockable doors.

No explanation was given for the lack of full implementation of the project and the public may have not gotten value for money.

#### **2.0 Unimplemented Project**

The financial statement under note 5 reported a figure of Kshs.17,304,000 as transfer to primary schools. Further, comparison of the approved projects in the code list with the project implementation status report revealed that out of the twenty-nine (29) approved project, eight (8) projects valued at Kshs.9,300,000 were not implement. These included seven (7) and one (1) project of the financial year 2016/2017 and 2017/2018 amounting to Kshs.8,350,000 and 950,000 respectively.

As a result, therefore, the community may not have benefited from the projects as intended.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **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 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the 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 Fund's to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**8 August 2019**

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

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**III. STATEMENT OF ENTITY 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 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.

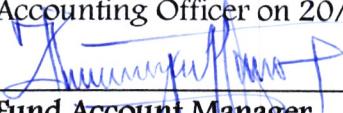
The Accounting Officer in charge of the NGCDF-Ndaragwa Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018 This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the NGCDF-Ndaragwa Constituency accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the NGCDF-NDARAGWA 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-Ndaragwa 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-Ndaragwa Constituency financial statements were approved and signed by the Accounting Officer on 20/09/2018.

  
\_\_\_\_\_  
Fund Account Manager

Name: Eric Munyao

IV.

  
\_\_\_\_\_  
Sub-County Accountant

Name: Antony Ngunjiri

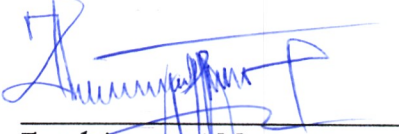
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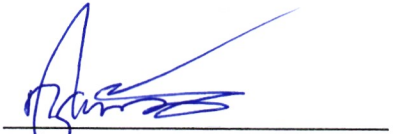
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) –  
 NDARAGWA CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2018**

**V. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2017 - 2018 Kshs	2016 - 2017 Kshs
<b>RECEIPTS</b>			
Transfers from NGCDF board	1	76,253,447	50,948,277
Other Receipts	2	0	212,000
<b>TOTAL RECEIPTS</b>		<b>76,253,447</b>	<b>51,160,277</b>
<b>PAYMENTS</b>			
Compensation of employees	3	1,001,533	2,133,000
Use of goods and services	4	9,214,009	11,553,612
Transfers to Other Government Units	5	22,004,000	46,357,259
Other grants and transfers	6	37,757,686	46,488,125
<b>TOTAL PAYMENTS</b>		<b>69,977,228</b>	<b>106,531,996</b>
<b>SURPLUS/(DEFICIT)</b>		<b>6,276,219</b>	<b>(55,371,719)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Ndaragwa Constituency financial statements were approved on 20/09/2018 and signed by:

  
 Fund Account Manager  
 Name: Eric Munyao

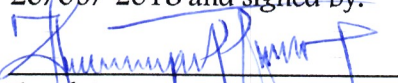
  
 Sub-County Accountant  
 Name: Antony Ngunjiri  
 ICPAK Member Number: 15171

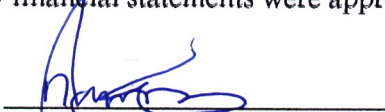
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) –  
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**VI. STATEMENT OF ASSETS**

	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	7A	6,890,838	275,014
Cash Balances (cash at hand)	7B		0
		6,890,838	275,014
<b>TOTAL FINANCIAL ASSETS</b>		<b>6,890,838</b>	<b>275,014</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July 2018	8	275,014	55,646,733
Surplus/Deficit for the year		6,276,219	(55,371,719)
Prior year adjustments	9	339,605	0
<b>NET LIABILITIES</b>		<b>6,890,838</b>	<b>275,014</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-NDARAGWA Constituency financial statements were approved on 20/09/ 2018 and signed by:

  
 Fund Account Manager  
 Name: Eric Munyao

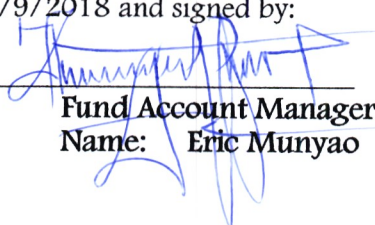
  
 Sub-County Accountant  
 Name: Antony Ngunjiri  
 ICPAK Member Number: 15171

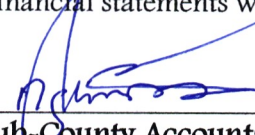
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) –  
 NDARAGWA CONSTITUENCY  
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**VII. STATEMENT OF CASHFLOW**

Receipts for operating income		2017-2018	2016-2017
Transfers from NGCDF Board	1	76,253,447	50,948,277
Other Receipts	2	0	212,000
		<b>76,253,447</b>	<b>51,160,277</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	3	1,001,533	2,133,000
Use of goods and services	4	9,214,009	11,553,612
Transfers to Other Government Units	5	22,004,000	46,357,259
Other grants and transfers	6	37,757,686	46,488,125
		<b>69,977,228</b>	<b>106,531,996</b>
<b>Adjusted for:</b>			
Adjustments during the year	9	339,605	0
<b>Net cash flow from operating activities</b>		<b>6,615,824</b>	<b>(55,371,719)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets		0	0
Acquisition of Assets		0	0
<b>Net cash flows from Investing Activities</b>		<b>0</b>	<b>0</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>6,615,824</b>	<b>(55,371,719)</b>
Cash and cash equivalent at BEGINNING of the year	8	275,014	55,646,733
<b>Cash and cash equivalent at END of the year</b>		<b>6,890,838</b>	<b>275,014</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-NDARAGWA Constituency financial statements were approved on 20/9/2018 and signed by:

  
 Fund Account Manager  
 Name: Eric Munyao

  
 Sub-County Accountant  
 Name: Antony Ngunjiri  
 ICPAK Member Number: 15171



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

WANGARUA CONSTITUENCY

VIII. 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 Utilisation Difference e=c-d	% of Utilisation f=d/c %
<b>RECEIPTS</b>						
Transfers from NGCDF Board	86,810,344	13,279,310	100,089,654	76,253,447	24,111,221	76%
Fund balance B/fwd	274,014	0.00	275,014	275,014	0	100%
<b>Totals</b>	<b>87,084,358</b>	<b>13,279,310</b>	<b>100,364,668</b>	<b>76,528,461</b>	<b>23,836,208</b>	<b>76%</b>
<b>PAYMENTS</b>						
Compensation of Employees	1,908,620	275,014	2,183,634	1,001,533	1,182,101	46%
Use of goods and services	12,904,310	1,000,000	13,904,310	9,214,009	4,990,301	66%
Transfers to Other Government Units	11,818,359	12,279,310	24,097,669	22,004,000	2,093,669	91%
Other grants and transfers	55,502,027	0	55,502,027	37,757,686	17,444,341	68%
Acquisition of Assets		0	0	0	0	
Other Payments	4,677,027	0	4,677,027	0	0	0
<b>TOTALS</b>	<b>86,810,344</b>	<b>13,554,324</b>	<b>100,364,668</b>	<b>69,977,228</b>	<b>30,387,440</b>	<b>70%</b>
Surplus/ deficit for the year				<b>6,276,219</b>		

- The budget utilization for compensation of employees was 46%, apparently caused by late disbursement of funds from the board
  - Use of goods and services 86%, also brought about by late disbursement of funds hence low rate of absorption
  - Transfers to other government units 86%, similarly brought about by late disbursement of funds from the board
  - Other grants and transfers 65%, which was due to late disbursement of funds from the board
  - All sectors are below 90%, and this is mainly because of late disbursements from the board thereby affecting budget absorption.
- The NGCDF-Ndaragwa Constituency financial statements were approved on 20/9/ 2018 and signed by:

Fund Account Manager  
Name: Eric Muryao

Sub-County Accountant  
Name: Antony Ngunjiri  
ICPAK Member Number: 15171

## **IX. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### **2. Reporting Entity**

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

### **3. Reporting Currency**

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

### **4. Significant Accounting Policies**

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

#### **a) Recognition of Receipts**

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

#### **Tax Receipts**

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

#### **Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **External Assistance**

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

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

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

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

**Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

**b) Recognition of payments**

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

**Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

**Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

**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.

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**6. Cash and Cash Equivalents**

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

**7. Accounts Receivable**

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

**8. Accounts Payable**

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

**9. Pending Bills**

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

**10. Unutilized Funds**

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

**11. Budget**

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

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

**12. Comparative Figures**

Where necessary, comparative figures for the previous financial year have been

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amended or reconfigured to conform to the required changes in presentation.

**13. Subsequent Events**

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

**14. Errors**

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

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

**15. Related Party Transactions**

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

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**X. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description		2017-2018	2016-2017
		Kshs	Kshs
NGCDF Board			
AIE NO A829962	1		4,094,827
AIE NO A855172	2		36,853,449
AIE NO A825692	3		10,000,000
AIE NO A855968	1	5,500,000	
AIE NO A892609	2	30,948,275	
AIE NO A892968	3	37,905,172	
AIE NO A892648 ROLL OVER YR 2011/12		1,900,000	
<b>TOTAL</b>		<b>76,253,447</b>	<b>50,948,277</b>

**2. OTHER RECEIPTS**

	2017- 2018	2016-2017
	Kshs	Kshs
Interest Received	0	0
Rents	0	0
Receipts from Sale of tender documents	0	212,000.00
Other Receipts Not Classified Elsewhere	0	0
<b>Total</b>	<b>00</b>	<b>212,000.00</b>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**3. COMPENSATION OF EMPLOYEES**

	2017-2018	2016-2017
	Kshs	Kshs
Basic wages of contractual employees	445,045	2,133,000
Basic wages of casual labour	0	0
<b>Personal allowances paid as part of salary</b>		
House allowance	0	0
Transport allowance	0	0
Leave allowance	0	0
Gratuity	536,052	0
	0	0
Other personnel payments	20,436	0
<b>Total</b>	<b>1,001,533</b>	<b>2,133,000</b>

**4. USE OF GOODS AND SERVICES**

	2017-2018	2016-2017
	Kshs	Kshs
Utilities, supplies and services	10,000	121,000
Electricity	22,850	49,962
Office rent	-	28,000
Communication, supplies and services	244,400	165,000
Domestic travel and subsistence	761,000	491,900
Printing, advertising and information supplies & services	293,000	160,800
Rentals of produced assets	-	-
Training expenses	832,900	3,000,000
Hospitality supplies and services	84,533	265,500
Committee Expenses	5,734,255	5,748,000
Insurance costs	0	-
Specialised materials and services	0	-
Office and general supplies and services	831,051	570,950
Fuel ,oil & lubricants	400,000	412,000
Other operating expenses	-	412,500
Bank Service Commission and Charges	-	-
Security Operations	-	-
Routine maintenance – vehicles and other transport equipment	-	128,000
Routine maintenance – other assets	-	-
<b>Total</b>	<b>9,214,009</b>	<b>11,553,612</b>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**5. TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2017-2018 Kshs	2016-2017 Kshs
Transfers to National Government entities		
Transfers to primary schools (see attached list)	17,304,000	24,431,034
Transfers to secondary schools (see attached list)	4,700,000	11,926,225
Transfers to tertiary institutions (see attached list)	0	10,000,000
Transfers to health institutions (see attached list)	0	0
<b>TOTAL</b>	<b>22,004,000.00</b>	<b>46,357,259.00</b>

**6. OTHER GRANTS AND OTHER PAYMENTS**

	2017-2018 Kshs	2016- 2017 Kshs
Bursary-Secondary	1,436,000	1,199,500
Bursary-Tertiary	2,664,000	3,000,000
Bursary –special	6,300,000	
Bursary –social security	8,102,204	
Mocks & CATs	0	0
Emergency	2,500,000	4,094,000
Water Projects	0	4,773,272
Lighting Projects	0	0
Security Projects	5,711,206.00	5,500,000
Roads and Bridges Projects	10,000,000.00	25,724,593
Sports Projects	0	2,196,759
Environment Projects	1,044,275	0
<b>TOTAL</b>	<b>37,757,686</b>	<b>46,488,125</b>



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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**7A: Bank Accounts (cash book bank balance)**

Name of Bank, Account No. & currency	2017-2018	2016-2017
	Kshs	Kshs
<i>Cooperative Bank, Nyahururu Branch A/C no.01120037972400</i>	6,890,83.75	275,013.65
<i>Name of Bank, Account No.</i>	0	0
<i>Name of Bank, Account No.</i>	0	0
<b>Total</b>	<b>6,890,837.75</b>	<b>275,013.65</b>
<b>7B: CASH IN HAND</b>		
Location 1	0	0
Location 2	0	0
Location 3	0	0
Other Locations ( <i>specify</i> )	0	0
	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<i>[Provide cash count certificates for each]</i>		

**8. BALANCES BROUGHT FORWARD**

	2017-2018	2016-2017
	Kshs	Kshs
Bank accounts	275,013.75	55,646,732.65
Cash in hand	0	0
Imprest	0	0
<b>Total</b>	<b>275,013.75</b>	<b>55,646,732.65</b>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**9. PRIOR YEAR ADJUSTMENTS**

	2017- 2018	2016-2017
	Kshs	Kshs
Bank accounts	339,605	0
Cash in hand	0	0
Imprest	0	0
<b>Total</b>	<b>339,605</b>	<b>0</b>

**10.1: UNUTILIZED FUNDS (See Annex 1)**

	Kshs	Kshs
Compensation of employees	1,182,102	0
Committee allowances	250,000	0
Use of goods and services	158,736	14,948,275.12
Bursary Secondary schools	1,500,000	16,000,000.00
Bursary Tertiary	3,200,000	0
Bursary Primary schools (Special Schools)	600,000	0
	<b>6,890,837.00</b>	<b>30,948,275.12</b>

**10.2 PMC account balances (See Annex 3)**

	2017- 2018	2016-2017
	Kshs	Kshs
PMC account Balances (see attached list)	3,301,832.85	155,441.50
	<b>3,301,832.85</b>	<b>155,441.50</b>



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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		1,182,102.00		
committee allowances		250,000.00		
Use of goods & services		158,736.00		
Bursary; Secondary schools	Issuance of bursary to the needy students	1,500,000.00		
Tertiary	Issuance of bursary to the needy students	3,200,000.00		
Primary special schools	Issuance of bursary to the needy students	600,000.00		
Sub-Total		6,890,838.00		

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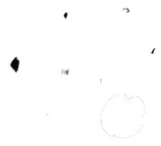
**ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER**

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	0	0	0	0
Buildings and structures	8,364,778.00	0	0	8,364,778.00
Transport equipment	3,400,000.00	0	0	3,400,000.00
Office equipment, furniture and fittings	2,195,880.00	0	0	2,195,880.00
ICT Equipment, Software and Other ICT Assets	0	0	0	0
Other Machinery and Equipment	0	0	0	0
Heritage and cultural assets	0	0	0	0
Intangible assets	0	0	0	0
<b>Total</b>	<b>13,960,658.00</b>	<b>0</b>	<b>0</b>	<b>13,960,658.00</b>

**NATIONAL GOVERNMENT ENTITY - (Indicate actual name of the entity)**  
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**ANNEX 3 –PMC BANK BALANCES AS AT 30<sup>TH</sup> JUNE 2018**

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
NGURUMO PRIMARY		01141689542100	657,690.25	0
KAMBURAINI PRIMARY		01139501921500	2,312.75	0
KIANDOGORO PRIMARY		01141689669800	2,603,125.50	0
SIMBARA PRIMARY		01139689122900	33,107.50	0
MWIHANGIA SECONDARY		01139501922900	5,596.85	0
				0
				0
				0
<b>Total</b>			<b>3,301,832.85</b>	<b>155,441.50</b>



**NATIONAL GOVERNMENT ENTITY - (indicate actual name of the entity)**  
**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	Status: (Resolved / Not Resolved)	Timeframe:
1.	Water project	<p>Note 7 to the Financial statements on other grants and other payments reflects water projects of 4, 7773,272 out of which Kshs.1, 2000,000 and Kshs. 1, 5000,000 was disbursed to Gwa Kungu and Nyakinyua water projects for construction of mason water tanks and piping works. However, physical verification of the revealed that no water Tank were constructed but instead new piping works were connected to existing old water tanks. Further, no expenditure returns and other related records were produced for audit verification.</p> <p>As a result of these anomalies, the regularity of the disbursement of Kshs. 2,700,000 to the two water projects for the year ended 30 June 2017 could not be confirmed.</p>	PMC / FAM	RESOLVED	ALL ISSUES RESOLVED - AWAITING SFAC HEARING AND APPEARANCE
2	Unsupported disbursements to primary schools	<p>Note 6 to the financial statements on transfer to other government entities reflect transfers to primary schools of Kshs. 24,431,034 which includes Kshs. 12,500,000 disbursed to ten (10) primary schools</p> <p>However, no expenditure returns, bill of quantities and other related records was made available for audit review. Consequently, it has not been possible to confirm the</p>	PMC / FAM	RESOLVED	ALL ISSUES RESOLVED - AWAITING SFAC HEARING AND APPEARANCE





**NATIONAL GOVERNMENT ENTITY - (indicate actual name of the entity)**  
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		regularity of disbursements of Kshs. 12,500,000 in respect of primary schools for the year ended 30 June 2017			
3	Transfers to secondary schools projects	Note 6 to the financial statements on transfers to others governments entities reflects transfer to primary schools of Kshs. 11,926,225 which include Kshs. 6,600,000 towards various projects which was not supported by expenditure returns and other records	PMC /FAM	RESOLVED	ALL ISSUES RESOLVED – AWAITING SFAC HEARING AND APPEARANCE
4.	Security projects	Included in note 7 to the financial statements under other grants and other payments is an amount of Kshs. 5,500,000 security projects expenditure out of which Kshs. 2,300,000 and Kshs. 800,000 was disbursed to the projects managements committees for the construction of 5 No. staff houses and construction of 2 No. staff houses at Mairo-inya Police station and Shauri AP post respectively. Available information indicates that the contracts were awarded to two construction companies at a contract sum of Kshs. 2,299,000 and Ksh. 799,000 for the two projects. However , expenditure returns and projects bank statements were not presented for audit verification and it was not clear how the contractor was identified and contract sum determined .Consequently , the regularity of the payments of Kshs. 3,100,000 disbursed during the year for the security projects could not be confirmed.	PMC /FAM	RESOLVED	ALL ISSUES RESOLVED – AWAITING SFAC HEARING AND APPEARANCE

