

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 15 OCT 2019

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REPORT

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THE HOUSE

A. Shabako

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
LUANDA CONSTITUENCY

FOR THE YEAR ENDED
30 JUNE 2018



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND LUANDA
CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

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

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



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

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

**Reports and Financial Statements
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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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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

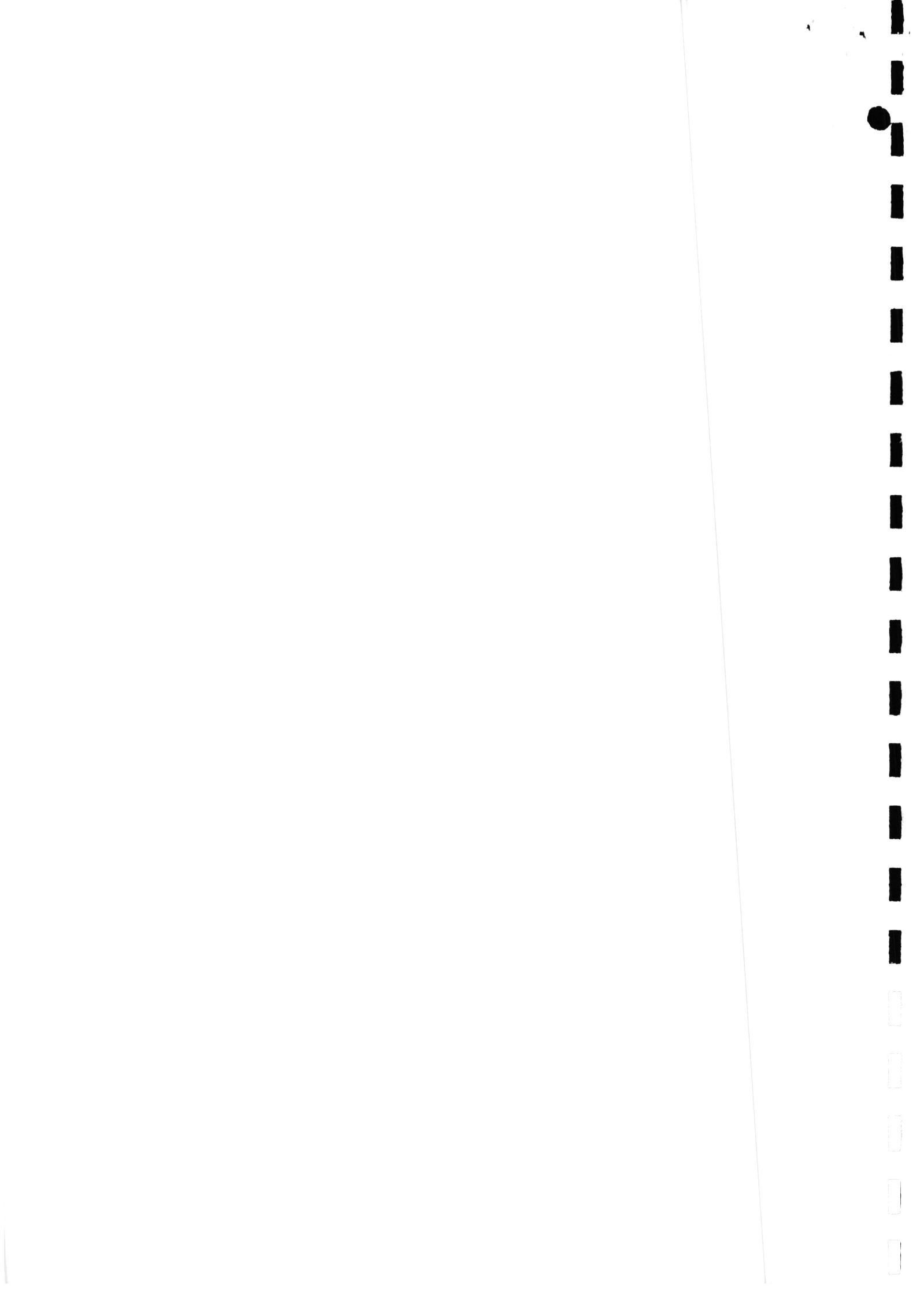
The mandate of the Fund as derived from sec (3) of NG-CDF Act, 2015 is to:

- 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



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LUANDA CONSTITUENCY

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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 GILGIL day-to-day management is under the following key organs:

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

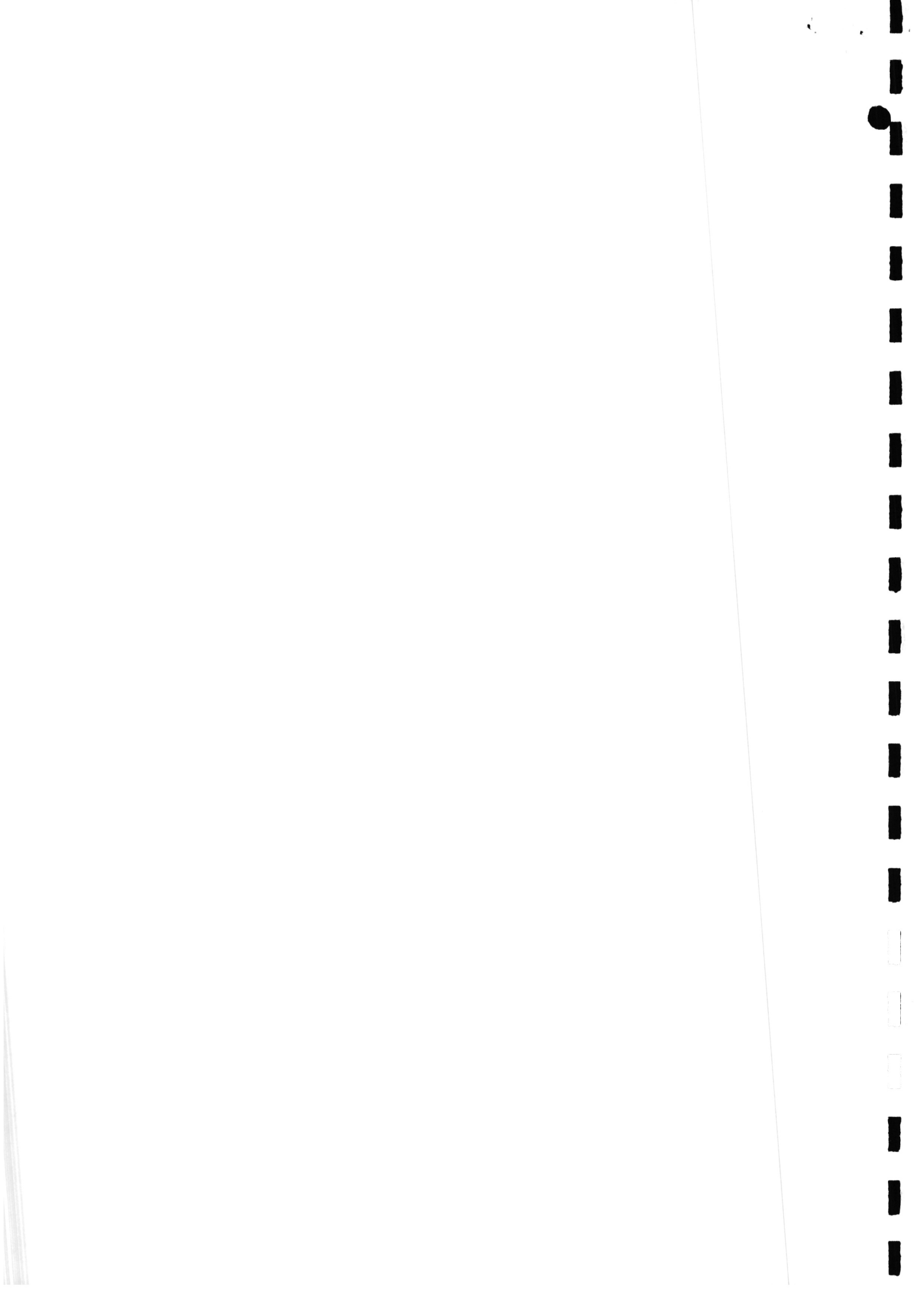
(c) Fiduciary Management

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

No	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	GREGORY K.OTAALO
3.	Sub-County Accountant	SYLVESTER O.ONYANG'O
4.	Chairman NGCDFC	SAMUEL O.MBATI
5.	Member NGCDFC	REV. RUTH OWOUR

(d) Fiduciary Oversight Arrangements

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



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LUANDA CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2018

(e) NGCDF LUANDA Constituency Headquarters

P.O. Box 536.50307
EBUSAKAMI -KIMA- MAJENGO RD
VIHIGA, KENYA



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

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

(f) NGCDF LUANDA Constituency Contacts

Telephone: (254) 721-925-048
E-mail: cdf.luanda@ngcdf.go.ke
Website: www.cdf.go.ke

(g) NGCDF LUANDA Constituency Bankers

EQUITY BANK LUANDA
ACCOUNT NO. 1120261446995

(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



FORWARD BY THE CHAIRMAN LUANDA NG-CDF COMMITTEE.

The Luanda National Government Constituency Development Fund committee has a primary role of implementing budgets that have been approved by the NG-CDF Board within stipulated time to enable the end users access improved infrastructure facilities in Education Projects , Bursaries for Secondary Schools, Tertiary Institutions as well as special Schools within the constituency.

I appreciate the role played by local stakeholders and Project Management Committees from the five wards who work closely with the Luanda NG-CDF Committee in identifying and prioritizing community projects to be implemented with regard to realizing the vision 2030.

The Luanda NG-CDFC in consultation with other stakeholders has highlighted the importance and relevance of actualizing targets on proposed projects by strict adherence to the 2015 NG-CDF Act which outlines clearly the government financial regulations and procedures which are subject to audit.

The guidelines highlighted with the regulations play an integral role with regard to ensuring strict adherence to procurement procedures while sourcing for service providers within the region. This in turn prevail a conducive environment for project implementation which occasions economies of scale to both the funding agencies and other related entities.

I am grateful to the entire committee and the fund manager for dedicating their efforts towards ensuring transparency, accountability, efficiency in utilization of public funds. This has enabled us to make tremendous and significant contributions to the entire society with special focus on youth and persons with special needs besides being able to equitably distribute resources within the five wards in Luanda Constituency as guided by our 2014-2019 Strategic Development Plan.

Our Committee is again focusing on reviewing the current Joint Strategic Plan as a requirement by the NG-CDF Board. Besides evaluating our success since the inception of the fund, the committee is anticipating the implementation of Luanda Constituency Information and Communication Center through establishment of Constituency Innovation Hub which will enable the general public access internet and library services.

Among major milestones realized by the Luanda NG-CDF Committee include;

- I. Construction of 10 modern classes for school relocation at Emululu primary School
- II. Enrolment of over 230 students on fully sponsorship Bursary Program in institutions within Luanda Constituency
- III. Improvement of Mumboha Secondary School Playground
- IV. Completion of the Luanda NG-CDF Offices
- V. Acquisition of Land for establishment of Esiandumba, Mukhalakhala and Ebusakami Chiefs Camps etc.



We are well aware of the challenges that may have impacted negatively towards the implementation process and most notably are conflicts of interest between P M Cs and Local Contractors, issues of duplication of projects with the county government resulting to double funding and delayed disbursement of funds by the National Government for timely implementation of approved projects.

My committee is well aware of the emerging issues and shall continue to carry out its mandate in accordance with the Law and in constant consultation with relevant stakeholders. We endeavor to focus our energies in the right direction considering strong values and commitment that shall translate into a delivering culture to the entire constituency.



Mr. Samuel O. Mbatia,
Chairman CDFC.



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

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

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.


The Accounting Officer in charge of the NGCDF-LUANDA 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-LUANDA 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 in charge of the NGCDF-LUANDA 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.

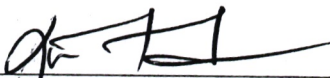
The Accounting Officer in charge of the NGCDF-LUANDA Constituency confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible 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-LUANDA Constituency financial statements were approved and signed by the Accounting Officer on 13/07 2018.



Fund Account Manager
Name:



Sub-County Accountant
Name:
ICPAK Member Number:



REPUBLIC OF KENYA

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Fax: +254-20-311482
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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Luanda Constituency National Government Constituencies Development Fund set out on pages 7 to 32 which comprise the statement of assets and as at 30 June 2018 and the statement of receipts and payments, statement of cash flows and summary statement of appropriation 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 Luanda National Government Constituencies Development Fund 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy of the Financial Statements

1.1 Summary Statement of Appropriation

The statement reflect an adjustment, both receipts and payments of Kshs.12,401,968 consisting of rolled over bank balance of Kshs.1,022,658. Therefore, the difference of Kshs.11,393,310 is not explained nor supported.

1.2 Disclosure of Incorrect Project Management Committee's Bank Balances

The management disclosed PMCs bank balances as at 30 June 2018 under annex 5, accompanying the financial statements but it was noted that the balances disclosed were not in agreement with the bank balance confirmation certificates as follows:

Report of the Auditor-General on the Financial Statements of Luanda National Government Constituency Fund for the year ended 30 June 2018

- i. The management disclosed that the bank balance for Esiandumba secondary was Kshs.741,770 while the bank confirmation of certificate as at 30 June 2018 was Kshs.1,589,330 leading to a variance of Kshs.847,560.
- ii. The management disclosed that the bank balance for Ebusakami secondary was Kshs.22,162 while the bank balance confirmation certificate as at 30 June 2018 was Kshs.1,024,156, leading to a variance of Kshs.1,001,994.
- iii. The management disclosed that the bank balance for Ibubi secondary was Kshs.538 while the bank balance confirmation certificate as at 30 June 2018 was Kshs.4,538, thus creating a variance of Kshs.4,000.

Consequently, the accuracy and completeness of the PMC bank balances could not be confirmed.

1.3 Misstatement of Currency Denomination

The significant accounting policies section, indicates that reporting currency is in Kenya Shillings (Kshs.). However, the financial statement indicates figures incorrectly in Kshs.'000'. Therefore, the figures in Kshs.'000' are not correct.

In view of the forgoing, the accuracy and completeness of the financial statements could not be ascertained as at 30 June 2018.

2. Failure to Disclose Salaries Paid - Compensation of Employees

It was observed that the management reported Kshs.2,695,915 as compensation of employees in the statement of receipts and payments during the year under review. However, examination of salaries paid during the year revealed that salaries for March 2018 of Kshs.139,412 had been excluded, leading to an understatement of the compensation of employees figure by the same amount.

3. Over Expenditure of Committee Expenses

Included in use of goods and services expenditure of Kshs.5,284,310 as disclosed in the financial statements is committee expenses of Kshs.4,545,876. However, the schedule provided to support committee expenses amounted Kshs.4,545,876 while the physical vouchers provided for audit examination amounted to Kshs.6,547,415. Consequently, the resulting differences in three set of records remains unexplained.

4. Unsupported Figure for Bursary to Secondary Schools

Included in other grants and other payments balance of Kshs.21,442,462 is bursary to secondary schools balance of Kshs.16,000,212. However, returns submitted to the board dated 7 July 2018 reflected an amount of Kshs.18,311,208 leading to unexplained difference of Kshs.2,310,996. Further, schedules made available for audit review amounted to Kshs.15,500,385, thus leading to a difference of Kshs.499,827 between the amount reported to the board and the schedule. Consequently, the accuracy and validity of bursary expenditure of Kshs. 16,000,212 to secondary schools could not be confirmed.

5. Unsupported Payments – Bursary to Tertiary Institutions

It was observed that the payment vouchers made available in support of bursary to tertiary institutions balance of Kshs.3,952,250 in the financial statement, amounted to Kshs.1,241,500 thereby leading to an unexplained expenditure of Kshs.2,710,750. Consequently, no explanation was offered to justify the extra expense of Kshs.2,710,750.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Luanda National Government Constituencies Development Fund 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 our professional judgment, are of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

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.

Emphasis of Matter

Budget Implementation Performance

IPSAS 24 requires an explanation of the reasons for differences between the original and final budget. During the financial year, Luanda NGCDF had a final budget of Kshs.99,212,313 against a total expenditure of Kshs.44,346,868 resulting in 45% budget absorption. Compensation of employees is absorbed at 93%, use of goods and services (88%), transfer to other government units (23%), other grants and transfers (69%), acquisition of assets (48%) and zero (0%) expenditure incurred on other payments.

Audit Component	Budgeted (Kshs)	Actual (Kshs)	Variance (Kshs)	% Absorption
Transfer from the CDF board	99,212,313	44,427,830	54,784,483	45%
Compensation of employees	2,898,345	2,695,915	202,430	93%
Use of goods and services	5,961,390	5,284,315	677,075	88%
Transfer to other government units	38,203,274	8,935,698	29,367,376	23%
Other grants and transfers	30,988,443	21,442,462	9,545,975	69%
Acquisition of assets	12,285,087	5,988,477	6,296,610	48%
Other payments	8,875,775	0	8,875,775	0%

However, explanations on budget variances was not given in the financial statements. Consequently, the citizen did not get expected value for money from the expected services.

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

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/ Qualified Opinion] section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Construction of a National Government Constituency Development Fund Office

Included in acquisition of assets balance of Kshs.5,988,478 was a disbursement of Kshs.4,870,072 for the construction of an office block. The amount of Kshs.4,870,072 was disbursed vide cash book payment voucher No. 030 of 29 April 2018. In support of the payment voucher was an invoice No. 376 of 26 April 2018 and interim payment certificate number four (4).

As at the time of the audit exercise a total of Kshs.34,147,419 had been paid for the project as shown below;

1 st payment Certificate-	Kshs.4,270,000
2 nd Payment Certificate-	Kshs.16,364,340
3 rd payment Certificate-	Kshs.8,643,007
4 th Payment Certificate-	Kshs.4,870,072
Total	Kshs.34,147,419

A contract agreement dated 4 March 2016 was entered between Luanda National Government Constituency Development Fund and M/S Tencons Builders Limited of post office Box 536 - 50307 Luanda, to carry the works of proposed erection and completion of an office block at a contract sum of Kshs.31,259,784.

From the examination of the payment voucher and supporting documents, project returns file and physical verification of the project on 24 April 2019, it was revealed that the office block is in place and in use. However, the following anomalies were noted:

- i. No approved procurement plan and work plan by the National Government Constituency Development Fund office for the implementation of the project was made available for audit examination as per the requirement of National Government Constituency Development Fund Regulations 2016 section 25 paragraph 1 to 3 stated above.
- ii. The Management did not implement the project through a Project Management Committee (PMC) as per the requirement of the National Government Constituency Development Fund Act 2015 part VI section 36 paragraph 1 stated above.
- iii. Interim Payment Certificate (IPC) number 4 totaled Kshs 4,870,072. However, no detailed breakdown was made available for our audit examination to establish what were the measured works that totaled Kshs 4,870,072 as per the certificate from the Department of Public Works.
- iv. Included are prime cost and provisional sums as detailed in the bill of quantities. The evaluation committee recommendation to use the provisional sums was not availed for audit review contrary to Public Procurement and Asset Disposal Act, 2015 section 139, subsection 2 paragraph b, c and e. The following additional issues were observed:
 - A prime sum of Kenya shillings one million three hundred and fifty thousand only (Kshs.1,350,000) for electrical installation works to be executed by a nominated sub-contractor.
 - A prime cost sum of Kenya shillings five hundred thousand only (Kshs.500,000) only for mechanical services to be executed by a nominated sub-contractor.
 - A provisional sum of Kenya shillings five hundred thousand (Kshs.500,000) for construction of septic tank and drainage.
 - A provisional sum of Kenya shillings six hundred thousand (Kshs.600,000) for contingencies.
 - A provisional sum of Kenya shillings one hundred and eighty thousand (Kshs.180,000) for project manager expenses.

- A provisional sum of Kenya shillings fifty thousand (Kshs.50,000) for contract of a reception counter (Not done on physical verification).
- Allow a provisional sum of Kenya shillings eight hundred thousand only (Kshs.800,000) for landscaping.
- A retention amount of Kshs.449,552 had been deducted, however no evidence was availed as to where the amount was deposited and how it was later paid out.
- No letters/minutes appointing the tender opening and evaluation committee members were made available for our audit review as per the requirement of Public Procurement and Disposal Act 2005, section 60 subsection 1.
- Opening tender, evaluation committee and award members were the same people which was contrary to Public Procurement and Asset Disposal Act 2015, section 78 subsection 1 paragraph (b) stated above.
- No professional opinion from the head of the procuring unit was availed for our audit review as per the requirement of section 84 paragraph 1 of the Public Procurement and Asset Disposal Act, 2015 stated above.
- No monthly reports on the project were submitted to the accounting officer as per the requirement of Public Procurement and Asset Disposal Act, 2015 section 152.
- The contract agreement indicated that the project was to cost Kshs.31,259,784 but total payments totaled Kshs.34,147,419 thus an overpayment of Kshs.2,887,635 without variation orders.

Consequently, the propriety of Kshs.34,147,419 expenditure could not be confirmed.

2. Transfer to Other Government Entities - Esiandumba Secondary School

Included in transfers to other government entities balance of Kshs.8,935,698 are transfers to secondary schools of Kshs.8,535,698 which in turn also includes a disbursement of Kshs.2,000,000 to Esiandumba Secondary School. The transfer of Kshs.2,000,000 was for construction of a proposed three storied twin laboratory cum tuition block. The funds of Kshs.2,000,000 were transferred to the school vide cash book payment voucher No. 072 of 27 April 2018. In support of the payment voucher was an approved budget and a letter from the school reference number ESS/01/06/12/17 of 6/12/2017.

From the examination of the payment voucher, Project Implementation Status (PIS) report and physical verification of the project revealed that the laboratory had not even reached the slab level. The following anomalies were revealed:

- i. The Construction of the laboratory has taken five (5) years yet it has not reached even the slab level due to none funding and this was contrary to

section 11 (J) of National Government Constituencies Development Fund Regulations, 2016.

- ii. No bill of quantities (BQ) was made available for our audit review hence we were unable to confirm the total cost of the project.
- iii. We were unable to establish as to who the contractor was and as to how he was sourced.
- iv. No evidence was availed for our audit review to confirm that the project was being supervised by the line ministry.
- v. No stores ledger was in place for the materials that were procured. We were therefore unable to confirm whether all the materials were put into proper use.

Consequently, the regularity of Kshs.2,000,000 could not be confirmed.

3. Upgrading of a Playground at Mumboha Secondary School

Included in transfers to other government entities balance of Kshs.8,935,698 are transfers to secondary schools balance of Kshs.8,535,698 which in turn includes transfer to Mumboha Secondary School of Kshs.6,535,618. The amount of Kshs.6,535,618 was paid directly to the contractor (M/S Tencons Builders Ltd) vide cash book payment voucher No. 039 of 2 May 2018. In support of the payment voucher were inspection and acceptance report, interim payment certificate No. 4 and an invoice No. 377 of 26 April 2018 for Kshs.6,535,698.

As at the time of the audit exercise a total of Kshs.22,716,240 out of a contract price of Kshs.26,027,384 had been paid for the project as shown below:

1 st payment Certificate-	Kshs.6,466,222
2 nd Payment Certificate-	Kshs.7,062,416
3 rd payment Certificate-	Kshs.2,651,904
4 th Payment Certificate-	<u>Kshs.6,535,698</u>
Total	<u>Kshs.22,716,240</u>

A contract agreement dated 2 February, 2016 was entered into between Luanda National Government Constituency Development Fund and M/S Tencons Builders Limited of post office Box 322 - 50400 to carry the works of proposed upgrading of Mumboha Secondary School at a contract sum of Kshs.26,027,384.

From the examination of the payment voucher and supporting documents, project returns file and physical verification of the project on 23 April 2019, the playground was in place. However, the following anomalies were noted:

- i. No approved procurement plan and work plan by the National Government Constituency Development Fund office for the implementation of the project was made available for audit examination as per the requirement of National

Government Constituency Development Fund Regulations 2016 section 25 paragraph 1 to 3 stated above.

- ii. The management did not implement the project through a Project Management Committee (PMC) as per the requirement of the National Government Constituency Development Fund Act 2015-part VI section 36 paragraph 1 stated above.
- iii. Interim payment certificate (IPC) number 5 totaled Kshs.6,535,618. No detailed breakdown was made available for our audit examination to establish what were the measured works that totaled Kshs.6,535,698 as per the certificate from the department of public works.
- iv. Examination of the bill of quantities (BQ), it was noted that the following works were not carried out even though paid for during our physical verification of the project on 23 April 2019:
 - There was no office for the project manager at Kshs.200,000.
 - Allow for the preparation of track line according to client design at Kshs.1,795,200.
 - Supply and plant Kikuyu grass, flower shrubs and trees as directed by the architect and water till they are established at Kshs.5,790,000 (Only patches of Kikuyu grass seen, no flower shrubs were planted and trees)
 - Mild steel ready primed gate in two equal openable leaves at Kshs.150,000 (No gate seen during physical verification)
- v. Included in prime cost and provisional sums as detailed in the Bill of Quantities were the following which were not accounted for as to how they had been utilized and the recommendation of the evaluation committee was not availed allowing the use of the provisional sums which was contrary to Public Procurement and Asset Disposal Act, 2015 section 139, subsection 2 paragraph b, c and e:
 - Allow a prime cost sum of Kenya shillings one hundred fifty thousand (Kshs.150,000/=) only for electrical installation works to be executed by a nominated sub-contractor at Kshs.150,000.
 - Allow a provisional sum of Kenya shillings five hundred thousand for contingencies at Kshs.500,000.
 - Allow a provisional sum of Kenya shillings one hundred twenty five thousand (Kshs.125,000) for project management expenses
- vi. The contractor was not on site as at the time of our physical verification on 23 April 2019 and no works were ongoing.
- vii. A retention amount of Kshs.602,862 had been deducted. However, no evidence was availed as to where the amount was deposited.

viii. As per letter reference number VHG/CWO/DEV.1/3/D/VOL.II/50 of 16 July, 2018 from the County Works Officer, the pre-measurements of actual work done as at July 2018 were as follows;

- Item A: Removal of vegetable soil 9,900 m² @ 200 at Kshs.1,980,000 (BQ states that removal of vegetable soil 7140 SM @ 200 – Kshs.1,428,000)
- Item C: Supply manure, spread and mix with imported red soil 6,750m² @ 1,600 at Kshs.10,800,000 (BQ states that supply and spread manure as directed 2895 SM @ 1600 - Kshs.4,632,000)
- Item E: Filling of uneven terrains to make up levels –Kshs.1,795,200 (BQ states that allow for preparation of track line according to client design 2244 SM @ 800- Kshs.1,795,200)

Other New works not in BQ:

- Construction of 67,500 litre septic tank and soak at Kshs.1,250,000.
 - Construction of pit latrine above septic tank at Kshs.165,000.
 - Construction of murram access road from main gate to spectator stand gate- Kshs.250,000 (the access road had been poorly done with patches of murram only in a few sections and was muddy)
 - Construction of 2NO culverts 4M long at Kshs.28,000 (no culverts were seen)
- ix. No letter of award, acceptance and letters of regrets were made available for our audit review.
- x. No letters/minutes appointing the tender opening and evaluation committee members were made available for our audit review as per the requirement of Public Procurement and Disposal Act 2005, section 60 subsection 1.
- xi. Opening tender, evaluation and award committee members were the same which was contrary to Public Procurement and Disposal Act 2005 section 60 paragraph (b).
- xii. As per the evaluation minutes of 22 December 2015, the members noted that the contractor quoted initially Kshs.32,027,387 but the amount was corrected to Kshs.26,027,384 hence the contractor was required to make a written clarification on the contradicting figures before further procedure was to be carried out. No written clarification from the contractor was made available for our audit review.
- xiii. The playground was in use and in a dilapidated condition yet it had not been handed over.
- xiv. Fittings to the dressing rooms had been all been vandalized.
- xv. The inspection and acceptance committee report that was attached to the payment voucher was for proposed and erection to completion of office block

and not for the upgrading of the playground which was evidence enough that no close supervision was being carried out on the project.

Consequently, the propriety of the expenditure could not be confirmed.

4. Irregular Implementation of Work at Ebusiratsi Primary School – Emergency Projects

Included in the balance of other grants and other payments of Kshs.21,442,462, is emergency projects of Kshs.890,000 which in turn includes Kshs.340,000 being payment to M/S Omenda Contractors. However, the following anomalies were noted:

- i. there was no PMC appointed to oversee the implementation of the emergency project,
- ii. there were no minutes of resolution by the constituency committee to determine the allocation of the emergency reserve in accordance to Section 8 (2) of the Act,
- iii. there was no urgent, unforeseen need for expenditure for financial assistance from the PMC. No documentary evidence was provided to prove request for emergency assistance from Ebusiratsi Primary School.

Consequently, management was in breach of the law.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

Basis for Conclusion

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.

In preparing the financial statements, management is responsible for assessing the projects 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 Luanda National Government Constituencies Development 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the Luanda National Government Constituencies Development Fund 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 Luanda National Government Constituencies Development Fund 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.

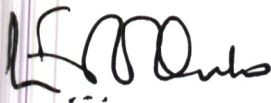
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Luanda National Government Constituencies Development Fund ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the

related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Luanda National Government Constituencies Development Fund to cease to continue to sustain its services.

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

23 August 2019

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

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

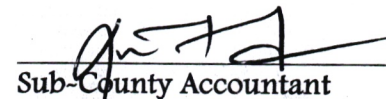
IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017 - 2018 Kshs	2016 - 2017 Kshs
RECEIPTS			
Transfers from NGCDF board	1	43,405,172	81,896,551
Proceed from sale of assets	2	00	00
Other receipts	3	00	00
TOTAL RECEIPTS		43,405,172	81,896,551
PAYMENTS			
Compensation of employees	4	2,695,915	2,413,936
Use of goods and services	5	5,284,315	6,150,547
Transfers to Other Government Units	6	8,935,698	45,659,987
Other grants and transfers	7	21,442,462	29,310,274
Acquisition of Assets	8	5,988,478	20,737,347
Other payments	9	00	00
TOTAL PAYMENTS		44,346,868	104,272,090
SURPLUS/(DEFICIT)		<u>(941,696)</u>	<u>(22,375,539)</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-LUANDA Constituency financial statements were approved on 13/09/2018 and signed by:

Note : Round off figures to the nearest Kshs


Fund Account Manager
Name:


Sub-County Accountant
Name:
ICPAK Member Number:



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


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

V. STATEMENT OF ASSETS

	Note	2017 - 2018 Kshs	2016 - 2017 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	80,962	1,022,658
Cash Balances (cash at hand)	10B	00	00
Cash and cash Equivalent			
Current Receivables			
Outstanding Imprests	11	00	00
TOTAL FINANCIAL ASSETS		80,962	1,022,658
REPRESENTED BY			
Retention	12	00	00
Fund balance b/fwd 1st July 2017...	13	1,022,658	23,398,197
Surplus/Deficit for the year		(941,696)	(22,375,489)
Prior year adjustments	14	00	00
NET LIABILITIES		80,962	1,022,658

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-LUANDA Constituency financial statements were approved on 13/09 2018 and signed by:

Fund Account Manager
Name: 


Sub-County Accountant
Name:
ICPAK Member Number:



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LUANDA CONSTITUENCY

Reports and Financial Statements


For the year ended June 30, 2018

VI. STATEMENT OF CASHFLOW

Receipts for operating income		2017 - 2018	2016 - 2017
Transfers from NGCDF Board	1	43,405,172	81,896,551
Other Receipts	3	00	00
		43,405,172	81,896,552
Payments for operating expenses			
Compensation of Employees	4	2,695,915	2,413,936
Use of goods and services	5	5,284,315	6,150,54
Transfers to Other Government Units	6	8,935,698	45,659,987
Other grants and transfers	7	21,442,462	29,310,274
Other payments	9	00	00
		38,358,390	85,534,744
Adjusted for:			
Adjustments during the year			
Net cash flow from operating activities		5,046,782	(1,638,192)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		00	00
Acquisition of Assets	8	5,988,47	20,737,347
Net cash flows from Investing Activities		(5,988,477)	(20,737,347)
NET INCREASE IN CASH AND CASH EQUIVALENT			
		(941,696)	(22,375,538)
Cash and cash equivalent at BEGINNING of the year	10A	1,022,658	23,398,197
Cash and cash equivalent at END of the year	10B	<u>80,962</u>	<u>1,022,658</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-LUANDA Constituency financial statements were approved on 12/01/ 2018 and signed by:

Fund Account Manager
Name: 

Sub-County Accountant
Name: 
ICPAK Member Number:



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LUANDA CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2018

VII. 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 NGCDF Board	86,810,345	12,401,968.	99,212,313	44,427,830	54,784,483	45
Proceeds from Sale of Assets						
TOTAL RECEIPT	86,810,345	12,401,968.	99,212,313	44,427,830	54,784,483.00	80
PAYMENTS						
Compensation of Employees	2,683,687	22,658	2,898,345	2,695,915	202,430	93
Use of goods and services	4,937,252	341,379	5,961,390	5,284,315	677,075	88
Transfers to Other Government Units	31,728,165	6,475,109	38,203,274	8,935,698	29,367,576	23
Other grants and transfers	28,608,379	2,380,063	30,988,443	21,442,462	9,545,975	69
Acquisition of Assets	9,785,087	2,500,000	12,285,087	5,988,477	6,296,610	48
Other Payments	8,875,774	0	8,875,775	0	8,875,775	0
TOTALS	86,810,345	12,401,968	99,212,313	44,346,868	54,784,483	45

Explain the underutilization of below 90%

(a) [For the revenue items, indicate whether they form part of the AIA by inserting the "AIA" alongside the revenue category.]

(b) [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)]

The total receipt from the NGCDF BOARD is 45% arising from late disbursement of funds from the NGCDF board of ksh 54,784,483.00

- i. *Compensation of employees is 93% the employee were paid promptly and their gratuities were paid.*
- ii. *Use of goods and service is 75% there were additional funds which made the budget to be high against the expenses.*
- iii. *Transfer to other Government units is 23% this is due the NGCDF BOARD not disbursed fund on time and additional fund projects which were submitted In May 2018.*



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LUANDA CONSTITUENCY

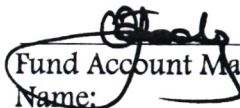
Reports and Financial Statements


For the year ended June 30, 2018

- iv. *Other grants and transfers there was an additional fund there was adjustments for the original budget making the total budget to be high against the expenses.*
- v. *Under acquisition of assets, there were enough allocation and there were additional fund making the total budget high than the expense.*
- vi. *Other payment is 0% due to undisbursed fund from NGCDF Board, which was received in July 2018.*

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23.) The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.

The NGCDF-LUANDA Constituency financial statements were approved on 13/09 2018 and signed by:


Fund Account Manager
Name:

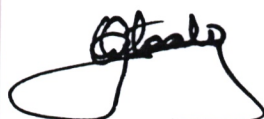

Sub-County Accountant
Name:
ICPAK Member Number:



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

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

LUANDA NG-CDF			
TRIAL BALANCE AS AT 30TH JUNE 2018			
		DR	CR
Cash and Cash equivalents			
	Bank Balances c/d	80,963.00	
Payments			
	Compensation of Employees	2,695,915.00	
	Use of goods and services	5,284,315.00	
	Transfers to Other Government Units	8,935,698.00	
	Other grants and transfers	21,442,462.00	
	Acquisition of Assets	5,988,477.00	
	Other Payments	00	
Receipts			
	Transfers from the Board		43,405,172.00
Fund Balance b/f 2016/2017			
			1,022,658.00
TOTAL		44,427,830.00	44,427,830.00





VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

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

2. Reporting Entity

The financial statements are for the NGCDF-LUANDA 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





**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
LUANDA CONSTITUENCY
Reports and Financial Statements
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External assistance is received through grants and loans from multilateral and bilateral development partners.

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

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

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

Other receipts

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

b) Recognition of payments

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

Compensation of Employees

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

Use of Goods and Services

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

Acquisition of Fixed Assets

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

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

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





– LUANDA CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2018

received for in-kind contributions can be reliably determined, the Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. Cash and Cash Equivalents

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

7. Accounts Receivable

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

8. Accounts Payable

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

9. Pending Bills

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

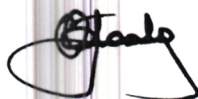
10. Unutilized Funds

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

SIGNIFICANT ACCOUNTING POLICIES

11. Budget

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





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

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

12. Comparative Figures

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

13. Subsequent Events

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

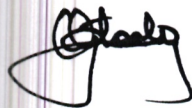
14. Errors

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

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

15. Related Party Transactions

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





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

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2017-2018	2016-2017
		Kshs	Kshs
NGCDF Board			
AIE NO A829648	1		4,094,828
AIE NO A855053	2		36,853,449
AIE NO A855628	3		40,948,275
AIE NO A855906	1	5,500,000	
AIE NO A896764	2	37,905,172	
TOTAL		43,405,172	81,896,551

2. PROCEEDS FROM SALE OF ASSETS

2017-2018

2016-2017

Receipt from sale of Buildings	00	00
Receipt from sale of vehicle and transport equipment	00	00
Receipt from sale of office and general equipment	00	00
Receipt from sale of the plant machinery and equipment	00	00
TOTAL	00	00





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

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For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

	2017- 2018	2016-2017
	Kshs	Kshs
Interest Received	00.00	00.00
Rents	00.00	00.00
Receipts from Sale of tender documents	00.00	00.00
Other Receipts Not Classified Elsewhere	00.00	00.00
Total	00.00	00.00

4. COMPENSATION OF EMPLOYEES

	2017-2018	2016-2017
	Kshs	Kshs
Basic wages of contractual employees	2,505,902	2,413,936.00
National Social Security Fund	190,013	201,350.00
Personal allowances paid as part of salary Gratuity	800,571	00
Total	2,695,915.	2,615,286

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

5. USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Committee Expenses	4,545,876	3,905,920
Communication, supplies and services and newspaper	48,770	6,960
Printing, advertising and information supplies & services	21,000	969,000
Office Rent	195,000	00
Hospitality supplies and services	274,164	00
Insurance costs	00	363,357
Office and general supplies and services	99,500	291,540
Other operating expenses strategic plan	00	180,000
Routine maintenance – vehicles and other transport equipment	00	33,770
Routine maintenance – other assets	100,000	400,000
Total	5,284,310	6,150,547





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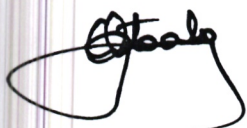
NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2017-2018 Kshs	2016-2017 Kshs
Transfers to primary schools (see attached list)	400,000.00	12,053,334.00
Transfers to secondary schools (see attached list)	8,535,698.00	32,240,503.00
Transfers to health institutions (see attached list)	00	1,366,150.00
TOTAL	8,935,698.00	45,659,987.00

7. OTHER GRANTS AND OTHER PAYMENTS

	2017-2018 Kshs	2016- 2017 Kshs
Bursary – secondary schools (see attached list)	16,000,212	15,684,630
Bursary – tertiary institutions (see attached list)	3,952,250	3,225,613
Bursary – special schools (see attached list)	00	1,120,000
Mock & CAT (see attached list)	00	668,020
Security projects (see attached list)	600,000	900,000
Sports projects (see attached list)	00	2,435,840
Emergency projects (see attached list)	890,000	5,276,171
Environment projects	00	00
Total	21,442,462	29,310,273





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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

Non Financial Assets

	2017-2018	2016-2017
	Kshs	Kshs
Construction of Buildings	4,870,072	20,737,347
Refurbishment of Buildings	499,500	00
Purchase of Office curtains	618,905	00
Total	5,988,477	20,737,347

9. OTHER PAYMENTS

	2017-2018	2016-2017
	Kshs	Kshs
ICT Hub	00	00
	00	00



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2017-2018	2016-2017
	Kshs	Kshs
<i>EQUITY BANK LUANDA 1120261446995</i>	80,962	1,022,658
Total	80,962	1,022,658
10 B CASH IN HAND		
Location 1	00	00
Location 2	00	00
Location 3	00	00
Other location (specify)	00	00
TOTAL	00	00
PVVIDE CASH COUNT CERTIFICATES FOR EACH		





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

11: OUTSTANDING IMPRESTS

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>Total</i>				<u>00</u>

[Include an annex of the list is longer than 1 page.]

12 RETENTION

	2017 - 2018 Kshs	2016-2017 Kshs
Supplier 1	00	00
Supplier 2	00	00
Supplier 3	00	00
<i>Total</i>	<u>00</u>	<u>00</u>

[Provide short appropriate explanations as necessary]

13. BALANCES BROUGHT FORWARD

	2017-2018 Kshs	2016-2017 Kshs
Bank accounts	1,022,658.	23,398,197
<i>Total</i>	<u>1,022,658.</u>	<u>23,398,197</u>

[Provide short appropriate explanations as necessary]





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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PRIOR YEAR ADJUSTMENTS

	2017- 2018 Kshs	2016-2017 Kshs
Bank accounts	00	00
Cash in hand	00	00
Imprest	00	00
Total	00	00

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017- 2018 Kshs	2016-2017 Kshs
Construction of buildings	00	00
Construction of civil works	00	00
Supply of goods	00	00
Supply of services	00	00
	00	00

15.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
Employees gratuity	202,340	00
Others (<i>specify</i>)	00	00
	202,340	00

15.3: UNUTILIZED FUNDS (See Annex 3)

	Kshs	Kshs
Compensation of employees	200,443	22,658.05
Use of goods and services	243,470	00
Amounts due to other Government entities (see attached list)	9,545,975	00
Amounts due to other grants and other transfers (see attached list)	29,367,576	00
Acquisition of assets	6,296,610 ✓	1,000,000.00
Environment	698,747 ✓	00
Strategic Plan	3,500,000	00
Committee Expenses	433,609 ✓	00
Constituency Innovation Hubs (CIH)	4,677,027 ✓	00
NSSF	1,987.00	00
	54,965,445	1,022,658



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15.4: PMC account balances (See Annex 5)

	2017- 2018	2016-2017
	Kshs	Kshs
PMC account Balances (see attached list)	787,425.55	398,332.50
TOTAL	787,310.55	376,872.50





NATIONAL GOVERNMENT ENTITY - (LUANDA CDF)
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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
	A	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						





NATIONAL GOVERNMENT ENTITY - (LUANDA CDF)
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ANNEX 3 – UNUTILIZED FUNDS

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Compensation of employees	Payment of staff salaries	200,443.01	00	ONGOING
Use of goods & services	Purchase of fuel repairs and maintenance stationery office tea etc	243,470.42		ONGOING
Sub-Total		443,913.43	00	
Amounts due to other grants and transfers				
Bursary to secondary schools	Bursary to needy students	743,439.96	00	ONGOING
Bursary to tertiary institutions	Bursary to needy students	1,507,300.00	00	ONGOING
Ebusakami chiefs camp	Completion of AP houses	511,094.89	00	WAITING FUNDS
Mukhalakhala chiefs camp	Completion of chiefs office	500,000.00	00	WAITING FUNDS
Esiandumba chiefs camp	Completion of chiefs AP houses	300,000.00	00	WAITING FUNDS
Ng-cdf sports	Facilitate and organizing of sports tournament	1,736,206.00		WAITING FUNDS
Emergency fund	Cater for unforeseen occurrences	4,247,931.03		ONGOING
Sub-Total		9,545,971.88		
Amounts due transfers to other government entities				
Hobunaka primary school	Construct 8 classes	5,875,101.00		WAITING FUNDS
Wandech primary school	Renovation of	600,000.00	00	WAITING FOR FUNDS



NATIONAL GOVERNMENT ENTITY - (LUANDA CDF)

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Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
	dormitory			
Ebusiratsi primary school	Construction of 1 class	600,000.00	00	WAITING FOR FUNDS
Asiongo primary school	Construction o 2 classes	1,200,000.00	00	WAITING FOR FUNDS
Emuhaya primary school	Procuremen of land	500,000.00	00	WAITING FOR FUNDS
Khwiliba primary school	Construction of one floor storey building	1,000,000.00	00	WAITING FOR FUNDS
Esibembe primary school	Renovation of 11 classes	600,000.00	000	WAITING FOR FUNDS
Irumbi primary school	Construction of 2 classes	1,200,000.00	000	WAITING FOR FUNDS
Mulwanda primary school	Procument of land	800,000.00	00	WAITING FOR FUNDS
Esibeye primary school	Construction of 8 classes storey	3,000,000.00	00	WAITING FOR FUNDS
Ebwiranyi primary school	Renovation of 2 calsses	300,000.00	00	WAITING FOR FUNDS
Emululu primary school	Supply of 3 phase power	86,847.00	00	WAITING FOR FUNDS
Ebusakami sec school	Additional fund construction of dormitory	2,000,000.00	00	WAITING FOR FUNDS
Ebusyubi sec school	Additional fund for completion of dining hall	1,000,000.00	00	WAITING FOR FUNDS
Ekwanda sec school	Additional fund for completion of dormitory	2,000,000.00	00	WAITING FOR FUNDS
Mumboha sec school	Construction of 2 storey building	10,000,000.00	00	WAITING FOR FUNDS
Ewali sec school	Supply of 3 phase power	72,303.00	00	WAITING FOR FUNDS
	Sub-Total	29,367,575.73	00	WAITING FOR FUNDS
	Sub-Total	29,367,575.73		



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Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Acquisition of assets			00	WAITING FOR FUNDS
Purchase of office fixtures and fittings		510,595.00	00	WAITING FOR FUNDS
Purchase of office furniture		1,720,000.00	1,000,000.00	WAITING FOR FUNDS
Cdf office building	Additional fund for completion	1,396,872.19	0	WAITING FOR FUNDS
Cdf office external works	Completion of cdf office	1,800,000.00		WAITING FOR FUNDS
Cdf office electrification	Supply of 3 phase power	868,143.00		WAITING FOR FUNDS
Environment		698,747.32		WAITING FOR FUNDS
Constituency Innovation HUB		4,677,027.20		WAITING FOR FUNDS
STRATEGIC PLAN		3,500,000.00		WAITING FOR FUNDS
Committee Expenses		434,711.46		WAITING FOR FUNDS
	Sub-Total	15,606,096.17	1,022,658.05	
	Grand Total	54,965,445.21	1,022,658.05	



NATIONAL GOVERNMENT ENTITY - (LUANDA CDF)
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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2016/17	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2017/18
Land	2,446,727.00	00	00	2,446,727.00
Buildings and structures	31,593,711.00	00	00	31,593,711.00
Transport equipment	6,130,000.00	00	00	6,130,000.00
Office equipment, furniture and fittings	1,456,480.00	510,595.00	00	1,967,075.00
ICT Equipment, Software and Other ICT Assets	80,000.00	00	00	80,000.00
Other Machinery and Equipment	632,000.00	00	00	632,000.00
Total	42,338,918.00	510,595.00	00	42,849,513.00



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ANNEX 5 –PMC BANK BALANCES AS AT 30TH JUNE 2018

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
IBUBI SECONDARY SCHOOL	K.C.B	1128466872	538.50	4,568.50
ESIANDUMBA CHIEFS CAMP	EQUITY	1120263678799	21,460.00	21,460.00
ESIANDUMBA SECONDARY SCHOOL	EQUITY	1120263155499	741,770.00	350,027.00
EBUSAKAMI SECONDARY SCHOOL	K.C.B	1167788613	22,162.00	22,277.00
HOBUNAKA SECONDARY SCHOOL	K.CB	1119383358	1,380.05	00
Total			787,310.55	376,872.50

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.





NATIONAL GOVERNMENT ENTITY - (LUANDA CDF)
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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)
1	Accuracy, Completeness and Presentation of the Financial Statements	Accounts were adjusted to reflect the new reference	Gregory K. Otaalo(F.A.M)	Resolved	Resolved
2	Bank Reconciliation Statements	The bank reconciliations have been updated to reflect the status to date	Gregory K. Otaalo(F.A.M)	Resolved	Resolved
3	Budget Performance Analysis	The committee underspent on the budget by Ksh.23,398,197.00 which was caused by the CDF Board's delay in disbursing finds to the committee's account. The money was thus spent in the subsequent year on the respective approved projects.	Gregory K. Otaalo (F.A.M)	Resolved	Resolved
4.0	Project Analysis	The committee has since then initiated the process of implementing Projects valued at 24,030,000.00. The committee also has committed itself to allocate sufficient funds to the ongoing projects so that the constituents get value for money.	Gregory K. Otaalo (F.A.M)	Resolved	Resolved

