



National Government Constituencies Development Fund Board  
Harambee Cooperative Plaza, 5<sup>th</sup> Floor  
Junction of Haile Selassie Avenue & Uhuru Highway  
P.O Box 46682-00100  
Nairobi, Kenya  
Tel: 020-2230019, 2230027, 2230032 | Cell: 0709894000  
Email: [info@cdf.go.ke](mailto:info@cdf.go.ke) | Website: [www.ngcdf.go.ke](http://www.ngcdf.go.ke)

NGCDF BOARD/CIRCULARS/VOL II /27

June 7, 2021

TO: FUND ACCOUNT MANAGERS

National Government Constituencies Development Fund Board

SUBJECT: OPERATIONAL PROCEDURES AND GUIDELINES ON YEAR END CLOSING PROCEDURES FOR THE FINANCIAL YEAR 2020/2021.

As Fund Account Manager and therefore the holder of Authority to Incur Expenditure (A. I.E) you are responsible for the financial management of National Government Constituency Development Fund in your constituency. It is therefore your responsibility to ensure that provisions of the Public Finance Management (PFM) Act, 2012 and its Regulations, the Public Procurement & Asset Disposal Act 2015 and its Regulations, the National Government Constituencies Development Fund (NG-CDF) Act, 2015 as amended in 2016 and its regulations among other statutes are adhered to.

The Board therefore has issued the guidelines contained herein to re-emphasize the need to comply with the law and to guide constituencies on the pertinent requirements for smooth close of the 2020/2021 financial year with respect to NGCDF operations.

## 1 OPERATIONAL PROCEDURES

### 1.1 BANK ACCOUNTS

In line with section 12 of the NGCDF Act, every Constituency shall open and maintain **only one Constituency Bank Account** at any commercial bank, approved by the National Treasury into which all funds shall be kept.

Further, pursuant to Regulation 29(1) a separate bank account for each project shall be opened by each Project Management Committee (PMC) upon introduction by the Fund Account Manager and pursuant to a resolution of the Constituency Committee. The Fund Account Manager is required to maintain an updated record of PMC bank accounts including details of the signatories and to table the status of the accounts to the Constituency Committee on a quarterly basis.

Vision: Equitable socio-economic development countrywide.



ISO 9001:2015

To facilitate payment, all PMC cheques must be accompanied by a cheque confirmation schedule signed by the Fund Account Manager.

**Register of bank Accounts:** The Board is required to furnish the National Treasury with an updated list of all bank accounts maintained by the Fund. You may recall that the Board separately directed you to submit details of all bank accounts by 10<sup>th</sup> May 2021. You are further required to submit the information on the Constituency bank account which at a minimum must show the name of the bank, branch, Account number, entity request reference number, date opened and the National Treasury authority reference number to the Board by 31<sup>st</sup> July 2021.

An updated list of all PMC bank accounts containing the Account name, Bank, Branch, Account Number, date opened and status (active or dormant) shall also be submitted by 31<sup>st</sup> July 2021. Where the account status is "dormant" the Fund Account Manager shall be required to explain the reason for the status.

### ***1.2 PROJECT APPROVAL AND EXECUTION***

As per Section 31 of the NGCDF Act, the Board is mandated to approve constituencies' project proposals. Further, Section 6(2) of the Act requires that once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board. Further, Paragraph 51(2) of PFM Regulation (2015) requires expenditure commitments for goods and services to be based on allocations from the approved budget while Paragraph 23(2) of the Regulation stipulates that Accounting Officers shall not commit a government entity to any liability for which money has not been approved.

### ***1.3 UNSPENT FUNDS***

Section 6(3) of the NGCDF Act stipulates that if for any reason a particular project is cancelled or discontinued during the financial year; funds allocated for such a project shall be returned to the Fund and credited to the account of the constituency from which the funds were withdrawn. On the other hand, Section 12(8) requires all unutilized funds of the Project Management Committee (at the completion of the project) be returned to the constituency account. The Constituency Committee shall however seek Board's approval to utilize the returned funds for any other proposed purpose.

### ***1.4 PROCUREMENT OF SERVICES AND WORKS***

In line with section 37 of the NGCDF Act and Paragraph 27 of the NGCDF Regulation, all works and services relating to projects shall be procured in accordance with the provisions of the Public Procurement and Disposal Act, 2015. These provisions shall apply with respect to any procurement by a Constituency Committee or Project Management Committee.

## ***1.5 IMPREST MANAGEMENT***

Paragraphs 91 and 92 of the PFM Regulations (2015) detail the Imprest process from issue to accountability. You are required to familiarize yourselves with this and implement the provisions therein.

Specifically, Paragraph 92(4) of the PFM Regulation (2015) requires the accounting officer before approving issue of temporary Imprest to ensure that the main objective of the journey cannot be achieved by other cheaper means; all previous Imprest are duly surrendered; and that adequate funds are available against the relevant items of expenditure to meet the proposed expenditure.

Further, Paragraph 92 (6) of the PFM Regulation (2015) requires the Accounting Officer to take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate in the event of the Imprest holder failing to account for or surrender the Imprest on the due date. To facilitate compliance with this provision, you are required to submit to the Board monthly Imprest status report prepared by the Sub-County Accountant by the 10th of the subsequent month.

All Standing and Temporary Imprest must be surrendered in full by 30<sup>th</sup> June each year.

## **2 YEAR END CLOSING PROCEDURES**

As we approach the end of the 2020/2021 financial year, Constituency Committees are required to adhere to the following guidelines:-

### ***2.1 PAYMENTS PROCESSING***

All payments including payment for June salaries and all deductions thereof should be processed early enough and all deductions paid to the respective payees by 30<sup>th</sup> June 2021. This is to ensure that all the expenditure for the financial year 2020/2021 is correctly reflected in the books of accounts and subsequently in the annual financial statements.

### ***2.2 BANK RECONCILIATION STATEMENTS***

Paragraph 90(1) of the PFM Regulations, 2015, requires an accounting officer to ensure that reconciliations are completed for each bank account every month and a bank reconciliation statement submitted not later than the 10<sup>th</sup> of the subsequent month. The Accounting Officer should ensure that the bank reconciliations are completed for every month for each of the bank account held by the entity Consequently, you are required to submit a copy of the bank reconciliation statement for the month of June 2021 to the Board with a copy to the respective Regional Coordinators by 10th July, 2021, and ensure that all reconciling items are investigated and adjusted in the cashbook as at 30<sup>th</sup> June, 2021. The Bank Reconciliation Statement shall therefore not contain reconciling items that are capable of being resolved.

### ***2.3 SURRENDER OF IMPRESTS***

All Standing and Temporary Imprest must be surrendered in full by 30<sup>th</sup> June 2021 and returns submitted to the Board with a copy to the respective Regional Coordinators by 15<sup>th</sup> July 2021.

### ***2.4 REVENUE AND APPROPRIATION IN AID***

All Appropriations in Aid (AIA) collected shall be accounted for and banked by 4.00 pm on 30<sup>th</sup> June 2021. All monies received in form of revenue or AIA must be recorded in the cashbook by 30<sup>th</sup> June 2021. The Fund Account Manager is required to request the respective banks for bank statements to 30<sup>th</sup> June, 2021 to facilitate updating of the cashbook. Additionally, a Certificate of Balance as at 30<sup>th</sup> June, 2021 must be sought from the bank. You are also reminded that official receipts must be issued for all monies received by the Constituencies in line with Paragraph 64(1) (c) of the PFM Regulations, 2015.

### ***2.5 DECLARATION AND RETURN FOR APPROPRIATION IN AID***

All AIA collected and held in the constituency bank account shall be declared in the required format by 15<sup>th</sup> July 2021 for inclusion in the Constituency Budget Ceilings in line with sections 52(1) (h) and 60(1) of the PFMA regulations (2015) and section 12(9) of the NGCDF Act (2015). The AIA will be summed up with the constituency allocation of the Fund for the subsequent financial year to form the basis of the budget allocation in line with the provisions of the Act. All Fund Account Managers MUST file a report, including a NIL report.

### ***2.6 STALE CHEQUES***

It has been noted that stale cheques especially bursary cheques, continue to appear in the bank reconciliation statements and remain one of the main reasons for Auditor General's qualified opinion on Constituency financial statements. You are required to institute measures in the bursary administration to obviate stale cheques and initiate write back of any cheques immediately after six months and concurrently reissue the cheques upon approval by the NGCDF Committee. The cheques shall be replaced for the same expenditure item for proper maintenance of the books of accounts.

### ***2.7 BANK CHARGES***

All bank charges MUST be expensed monthly. Any charges accruing by the close of the financial year shall be expensed by 30<sup>th</sup> June 2021 so as to capture all the expenditure for the period and update the Cashbook.

### ***2.8 Board of Survey:***

Fund Account Managers are required to liaise with their respective National Sub- County Accountants who are the custodians of the books of accounts, to ensure that the cash in hand and bank balances recorded in the cash book as at close of business on 30<sup>th</sup> June 2021 are examined and verified by a Board of Survey team. This examination must be carried out before the opening of business on the first day of the new financial year, 2021/2022 (1<sup>st</sup> July 2021).

## **2.9 EXPENDITURE RETURNS**

The Annual Expenditure Return shall be prepared and submitted to the Board with copies to the respective Regional Coordinator by 15<sup>th</sup> July 2021, in line with Paragraph 220(2) of the PFM Regulations (2015) and Paragraph 25(5) of the NGCDF Regulation.

## **2.10 DISBURSEMENT FROM THE FUND**

A report showing all receipts from the Fund during the financial year shall be submitted within thirty days after the close of the financial year in line with Section 5 (5) of the NGCDF Act, 2015. The report shall at minimum provide the receipt date, amount, financial year and AIE Number.

## **2.11 PMC EXPENDITURE RETURNS AND BANK ACCOUNT BALANCES**

The Expenditure Returns, bank account statements and certificates of balance as at 30<sup>th</sup> June 2021 for all PMCs shall be sought in line with Paragraph 15(1) of the NGCDF Regulations, 2016, and maintained in project files as they also form an integral part of the annual financial statements.

## **3 ANNUAL REPORT AND FINANCIAL STATEMENTS**

The following shall be observed with regard to the preparation of financial statements for the financial year ended 30<sup>th</sup> June 2021:-

### ***i. Submission of annual financial statements:***

Pursuant to sections 81 and 82 of the PFM Act 2012, financial statements are required to be prepared and submitted to the Auditor General by 30<sup>th</sup> September, 2021 with a copy to the Controller of Budget, the National Treasury and the Commission on Revenue Allocation. In order to ensure compliance and allow for internal quality review of your annual report and financial statements, you are required to prepare and submit the statements to the Board by 31<sup>st</sup> July, 2021. The advance soft copy of the financial statements to be mail to: [fs2020.2021@ngcdf.go.ke](mailto:fs2020.2021@ngcdf.go.ke)

### ***ii. Format for submission of annual financial statements:***

The Financial statements shall be prepared in the updated formats of reporting as prescribed by the Public Sector Accounting Standards Board (PSASB). The customized reporting template will be circulated by 30<sup>th</sup> June 2021.

### ***iii. Reporting period:***

The financial report shall cover the period: 1<sup>st</sup> July 2020 to 30<sup>th</sup> June 2021 and shall include comparative figures.

***iv. Opening balances:***

The opening balances for the financial year 2020/2021 shall correspond to the closing balances of the previous year ended 30th June, 2020 as audited by the Auditor General.

***v. Internal quality review of financial reports:***

The Accounting Officer is responsible for ensuring that the financial reports are complete, accurate and give a true and fair view of the state of the financial affairs of the entity. To achieve this, you are required to carry out internal quality review of the financial statements together with the sub county accountant and sign off the quality review checklist provided under Appendix I. The checklist should accompany annual reports and financial statements submitted to the Board.

***vi. Fixed Assets register:***

The register shall be maintained in the format provided and updated each time an asset is acquired in line with Paragraph 139 & 140 of the PFMA Regulations, 2015. The final register for the financial year 2020/2021 shall be submitted to the Board with a copy to the Regional Coordinator by 15<sup>th</sup> July 2021 and shall form an integral part of the financial statement.

***vii. Implementation of audit recommendations:***

The Authority to Incur Expenditure (AIE) holder shall ensure that all prior year audit recommendations including the National Assembly (Special Funds Accounts Committee) recommendations have been duly addressed. The prescribed reporting format includes a section on the Progress made in implementation of the audit recommendations, which should be signed off.

***viii. Forming of a team to prepare financial statements:***

In order to enhance accuracy and completeness of the financial statements, you are required to work as a team with the National Government Sub County Accountant. The team shall ensure that the financial statement complies with all laws and guidelines.

***ix. Technical support in financial reporting:***

The Board has previously held capacity building workshops on International Public Sector Accounting Standards (IPSAS). It is therefore expected that Fund Account Manager and National Government Sub County Accountants will prepare credible financial statements in line with the customized reporting template. However, Constituencies in need of technical backstopping should not hesitate to consult the Manager, Field Services at the NG-CDF Board.

#### 4 THE EXTERNAL AUDIT PROCESS

As you are aware, the Office of the Auditor General is mandated to audit all public finances. During the audit process, a management letter is issued where the auditor requires documentation or explanation, which if not adequately addressed within the given time culminates into a draft audit report and finally to the audit report.

You are required to ensure that the information and documentation required by the auditor in the course of the audit is provided in a timely manner in line with Section 68 of the Public Finance Management Act, 2012 and section 62 of the Public Audit Act, 2015.

Section 62 of the Public Audit Act (2015) makes it an offence to among other issues:

- without justification, fail to provide information required under the Act;
- without justification, fail to provide information within reasonable time
- submit false or misleading information
- Misrepresent to or knowingly mislead a member of staff of the Office of the Auditor-General or professional acting under the Act.

#### 5 IMPLEMENTATION OF SPECIAL FUNDS ACCOUNTS COMMITTEE (SFAC) RECOMMENDATIONS ON AUDITED FINANCIAL STATEMENTS

Section 38 1 (f) of the PFM Act, 2012 requires the National Treasury to prepare and submit a statement specifying the measures taken by the National Government to implement any recommendations made by the National Assembly with respect to the budget for the previous financial years. Further Section 68 2 (n) requires Accounting Officers to: Provide the National Treasury and any other office, where relevant, with any information it may require to fulfill its functions under the Act.

Subsequently, upon adoption of the SFAC reports for your respective Constituencies you are required to initiate necessary action in response to the recommendations and; prepare and submit to the Board the implementation status of the recommendations within the stipulated time. These reports are accessible from the National Assembly website.

Fund Account Manager are reminded that all quarterly expenditure returns and annual financial statements should be presented before the NG-CDF Committee for deliberation. The signed minutes of the Committee meeting shall then be attached to the statements for submission to the Board.

All Fund Account Manager are required to ensure strict adherence to these guidelines and to bring the same to the attention of the officers working under them.



**YUSUF MBUNO**  
**CHIEF EXECUTIVE OFFICER**

Copy to:

**Mr. Saitoti Torome, MBS**  
**Principal Secretary**  
**State Department for Planning**  
**The National Treasury and Planning**  
**P.O Box 30005-00100,**  
**NAIROBI.**

**All National Government Sub County Accountants**

Appendix I: QUALITY REVIEW CHECKLIST FOR CONSTITUENCIES

NAME OF THE CONSTITUENCY :				
Financial Year/Period:				
Quality review areas				
A	KEY INFORMATION	Yes	No	N/a
1a	Has the constituency used the latest Reporting Template?			
1b	Has the constituency used the correct template depending on the prescribed reporting framework - IPSAS?			
1c	Has the constituency updated the table of content?			
2	Has the constituency updated the header throughout the financial statement? (Is the financial report clearly identifiable with a constituency, i.e. all pages bears the name of the constituency?)			
3	Has the entity updated pagination throughout the financial statement?			
4	Is the Key constituency information included in the Financial Statement - Bankers, Auditors, Mandate & Principal Activities, Registered Office and Address, legal notice or act of parliament that establishes the entity/fund.			
5	Is the Chairman's report included in the Financial Statement? Does the Chairman's report communicate the constituency's activities of the year?			
6a	Is the statement of performance against predetermined objectives presented?			
6b	Is the section on progress of attainment of strategic objectives updated with actual performance for the year?			
7	Is the report on the social corporate responsibility customized to address the specific activities undertaken by the constituency?			
8	Is the Statement of Management Responsibilities signed by the Chair of the NG CDF Committee and the Fund Accounts Management?			
B	STATEMENT OF RECIEPTS AND PAYMENTS			
1	Does the statement of receipts and payments indicate the correct financial Year?			
2	Are the disbursements in the financial statement agreeing to the disbursement record from the NG-CDF Board?			
3	Are the receipts and payments arithmetically accurate- current year /prior year audited?			
4	Are all material balances in the statement of receipts and Payments supported by way of notes and does the figures agree to where the notes are referenced?			
5	Are the notes chronologically arranged?			

6	Are the comparative amounts agreeing to prior year audited financial statements?			
7	Is the statement of receipts and payments signed by the 3 respective officers?			
<b>C STATEMENT OF ASSETS AND LIABILITIES</b>				
1	Does the statement of assets and liabilities indicate the correct financial Year?			
2	Are the figures casting – current year and comparative prior year which should be actual audited?			
3	Are all material items cross referenced to the notes to financial statements and do they tie/agree?			
4	Are the notes chronologically arranged?			
5	Are the Prior Year figures in the financial statement agreeing to Prior Year audited FS?			
6	Is the statement of Assets and Liabilities balancing? i.e No suspense balances			
7	Is the statement of Assets and Liabilities signed by the 3 respective officers?			
<b>D STATEMENT OF CASH FLOWS</b>				
1	Does the statement of cash flows indicate the correct financial Year?			
2	Are notes to key items in the statement of Cash Flow included where applicable and practical?			
3	Are items classified correctly as operating, investing and financing activities?			
4	Does the amounts in the notes cross referenced agree to the Cash Flow amounts?			
5	Are the comparative cash & cash equivalent b/f correctly c/f from prior year and the current financial year?			
6	Is the cash flow statement casting - current year and prior year amounts?			
7	Are the cash and cash equivalent in the Statement of Assets and Liabilities equal to the cash and cash equivalent as per the cash flow statement for the year?			
8	Is the statement of Cash Flow signed by the 3 respective officers?			
<b>E SUMMARY STATEMENT OF APPROPRIATION</b>				
1	Does the original budget figure agree with constituency's allocation and code list (Approved Budget by the Board)?			

2	Does the adjustment figure agree with the Cash book opening balance and balances outstanding from the NG-CDF Board?			
3	Is the adjustment figure in the receipts section accurately distributed in the payment section of the statement of appropriation?			
4	Do the receipts amount (raw on transfers) in column "D" of the statement of appropriation agree to the sum of the cash book opening balance and receipts as per the statement of receipts and payments?			
5	Are the figures in the payment section of Column "D" in the statement of appropriation agreeing to the figures in the statement of receipts and payments?			
6	Does the budget utilization difference under receipts (transfers from the board) agree to outstanding balances from the board as at the end of the financial year?			
7	Does the budget utilization difference under payments agree to the sum of the cash book closing balance and the outstanding balances from the board as at the end of the financial year?			
8	Are material variances between the actual and budget explained by way of a note?			
<b>F</b>	<b>BUDGET EXECUTION BY SECTORS AND PROJECTS</b>			
1	Do the grand total of columns in the budget execution by sectors and projects agree with the grand total in the summary statement of appropriation?			
2	Are the projects listed as per the code lists?			
<b>G</b>	<b>NOTES</b>			
1	Are the notes chronological?			
2	Are the notes casting and agreeing to the financial statement of Receipts and Payments, Assets and Liabilities and cash flows?			
3	Are the notes clear; and cross referenced to the items in the Annual financial statements?			
4	Are Cash and bank balances details indicated?			
5	Is the annex 1 (Analysis of Pending Accounts Payable) populated accordingly?			
6	Is the annex 2 (Pending Staff Payable) populated accordingly?			

7	Is the annex 3 (Unutilized funds) populated accordingly? Does the unutilized funds total in the Annex agree with the budget utilization difference in the statement of appropriation			
8	Is the annex 4 (Summary of Asset Register) populated accordingly?			
9	Is the annex 5 (PMC Balance) populated accordingly?			
10	Is the annex 6 (Follow up of Prior Years Audit recommendations) populated accordingly?			

Name of the Sub County Accountant .....

Sign ..... Date:.....

Name of Fund Account Manager .....

Sign ..... Date:.....