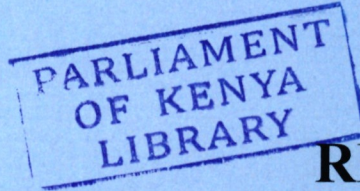


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

*Paper laid on the
Table of the House
by the Leader of
the Majority Party
on Wednesday
25th August 2018*

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**

(Afternoon)





**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
KITUI SOUTH CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

KENYA NATIONAL AUDIT OFFICE
EMBU HUB

12 JUN 2017

2472

Tel: 068 - 30260

P. O. BOX 113, EMBU

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – KITUI SOUTH
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2017**

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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *Constituencies Development Fund (CDF)* was established under the Constituencies Development Fund (CDF) Act, 2003, amended in 2007 and repealed by the CDF Act of 2013. In 2015, the Act of 2013 was declared unconstitutional and a new Act was enacted in 2015, being the National Government Constituencies Development Fund Act, NG-CDF Act, 2015. The National Government Constituencies Development Fund (NG-CDF) is under the Ministry of Devolution and Planning. The objective of the Fund is to provide mechanisms for supplementing implementation of the National Government development Agenda at the constituency level.

(b) Key Management

The *Kitui South National Government Constituency's* day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NG-CDFB)
- ii. National Government Constituency Development Fund Committee (NG-CDFC)

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder(Ag)	Samuel Mutisya B.
3.	Accountant	Justus N. Mutua
4.		

(d) Fiduciary Oversight Arrangements

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

(e) KITUI SOUTH NG-CDF Headquarters

P.O. Box 155-90201
NG-CDF OFFICE – NG-CDF Building
Next to Mutomo Sub-county DCC Office
MUTOMO, KENYA.

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

(f) KITUI SOUTH NG-CDF Contacts

E-mail: www.kituisouthcdf.go.ke

Website: www.go.ke

(g) KITUI SOUTH NG-CDF Bankers

1. Equity Bank Ltd
Mutomo Branch
1670266577876
P.O. Box 143

(h) Independent Auditors

Auditor General
Office of the Auditor General.
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

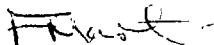
**II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY
DEVELOPMENT FUND COMMITTEE (NG-CDFC)**

I have the pleasure to forward the accounts of Kitui South NG-CDF for the financial year 2016/2017 which represents a true record of activities undertaken within the year.

I am also happy to report that during the year, the NG-CDFC was able to utilize the funds received over the period, implementing projects in various sectors like education, water, security, health and disbursing bursaries to needy students as the regulations.

The NG-CDF wishes to thank all the stakeholders including the office of the Auditor General who have provided invaluable guidance in management of the Fund.

Sign



Florence Martin

CHAIRMAN CDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

III. STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government CDF shall prepare financial statements in respect of that NG-CDF. 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 *KITUI SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND* is responsible for the preparation and presentation of the CDF's financial statements, which give a true and fair view of the state of affairs of the NG-CDF for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NG-CDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the NG-CDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the *KITUI SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND* accepts responsibility for the NG-CDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NG-CDF's financial statements give a true and fair view of the state of CDF's transactions during the financial year ended June 30, 2017 and of the NG-CDF's financial position as at that date. The Accounting Officer charge of the *KITUI SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND* further confirms the completeness of the accounting records maintained for the NG-CDF, which have been relied upon in the preparation of the NG-CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *KITUI SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND* confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NG-CDF's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the NG-CDF's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The NG-CDF's financial statements were approved and signed by the Accounting Officer on 1st August, 2017



NG-CDFC CHAIRPERSON



FUND ACCOUNT MANAGER

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KITUI SOUTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the National Government Constituencies Development Fund - Kitui South Constituency set out on pages 5 to 20, which comprise statement of assets as at 30 June 2017, 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 National Government Constituencies Development Fund - Kitui South Constituency as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

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

Basis for Qualified Opinion

1.0 Accuracy, Completeness and Presentation of the Financial Statements

The statement of receipts and payments reflects deficit of Kshs.12,135,664 although accurate casting of all items in the statement indicates correct deficit as Kshs.12,138,664 resulting in an unexplained variance of Kshs.3000. Further, the Cash Basis Accounting Method under the International Public Sector Accounting Standards (IPSAS) reporting format prescribed by the National Treasury requires that a report on follow-up of the previous year's auditor's recommendations form part of the financial

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund - Kitui South Constituency for the year ended 30 June 2017

statements. However, although the Fund had an adverse opinion in 2015/2016, no report was included in the financial statements on the progress made in resolving the issues raised in the previous audit report.

In the circumstances, the accuracy, completeness and presentation of the financial statements for the year ended 30 June 2017 cannot be confirmed.

2.0 Cash and Cash Equivalents

The statement of financial assets for the year under review reflect a cash and cash equivalents balance of Kshs.23,138,179 as at 30 June 2017. However, the bank reconciliation statement for the month of June included un-presented cheques totaling to Kshs.2,311,995 which further included stale cheques totaling to Kshs.490,524 which had not been replaced or written back to the cash book as at 30 June 2017.

In addition, the statement of cash flow indicates a cash and cash equivalents balance at the end of the year of Kshs.23,135,179 which differs from the Kshs.23,138,179 reported in the statement of financial assets by unexplained and reconciled variance of Kshs.3,000.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.23,138,179 as at 30 June 2017 could not be ascertained.

3.0 Incomplete Project: Ikutha Social Hall

During the year under review, the Fund transferred Kshs.500,000 to Ikutha Social Hall for completion of the Social hall. However, a physical verification done on 15 May 2018 revealed that the project was still not completed and doors were not fixed. Further, the project had been under construction for over three years since September 2014 as per project implementation status.

Consequently, the propriety and value for money of the Kshs.500,000 expenditure as at 30 June 2017 could not be confirmed.

4.0 Doubtful Procurement on Construction of Dining Hall: Kenya Medical Training College (KMTCC) – Mutomo

During the year under review, the Fund transferred Kshs.3,000,000 to Mutomo KMTCC for construction of a dining hall. The contract was awarded to the winning bidder on 22 February 2017. However, no documentary evidence was availed for audit verification on whether the losing bidders were given regret letters as required by Section 87 of the Public Procurement and Asset Disposal Act, 2015.

In the circumstance, the Fund was in breach of the Act and the Fund may not have gotten value for money for lack of fair competition as required.

5.0 Ikutha Technical Training Institute

The Fund transferred Kshs.10,000,000 to Wote Technical Training College as part of the Fund contribution towards the construction of Ikutha Technical and Vocational

College which was co-funded with the Ministry of Education. The funds were meant to finance one workshop, 3 lecture rooms and an office room, all located in the ground floor of the building. However, it was not justified by way of sectional bill of quantities that the funding would be fully utilized as required by National Government Constituency Fund Act, 2015 Section 23 (1).

Consequently, the propriety and value for money for Kshs.10,000,000 transfer to Ikutha Technical Institute as at 30 June 2017 could not be confirmed.

6.0 Unaccounted for Re-possession of School Bus Expenditure: Kisayani Secondary School

During the financial year under review, the Fund transferred Kshs.1,000,000 to Kisayani Secondary School for repayment of bank loan the school had obtained from Kenya Commercial Bank for procurement of a School bus. However, a physical verification done on 15 May 2018 including an oral confirmation by the School's Principal revealed that the bus was repossessed by the bank on 20 October 2017 and since then, seven (7) months later, no action had been done by either the school management or the Fund to get back the bus from the bank.

Under the circumstance, the regularity and accountability of Kshs.1,000,000 expenditure as at 30 June 2017 could not be ascertained.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

Budget and Budgetary Controls

During the financial year under review, the Fund had an approved budget of Kshs.262,964,075 comprising of Kshs.81,896,552 for the year under review and Kshs.181,067,524 brought forward from the previous year. However, the Fund received Kshs.139,988,509 from the Board leading to a revenue shortfall of Kshs.122,975,566. The Constituents of Kitui South did not therefore get promised and expected services equivalent to the Kshs.122,975,566 revenue shortfall as at 30 June 2017.

Responsibility of Management and Those Charged with Governance for the Financial Statements

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 such 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations.

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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

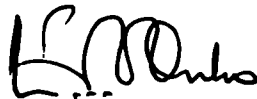
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue offering 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 consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue offering 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 of the fund's activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

17 July 2018

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Transfers from Other Government Entities	1	139,988,509.00	139,253,947.50
Proceeds from Sale of Assets	2		
Other Receipts	3	215,180.00	
TOTAL RECEIPTS		140,203,689.00	139,253,947.50
PAYMENTS			
Compensation of Employees	4	2,622,835.00	1,761,404.00
Use of goods and services	5	8,759,670.00	6,351,890.00
Transfers to Other Government Units	6	63,795,041.00	54,625,234.00
Other grants and transfers	7	67,658,534.90	56,750,847.00
Acquisition of Assets	8	5,838,688.00	5,700,000.00
Other Payments	9	3,667,584.00	2,000,000.00
TOTAL PAYMENTS		152,342,352.90	127,189,375.00
SURPLUS/DEFICIT		(12,135,663.90)	12,064,572.50

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KITUI SOUTH NG-CDF financial statements were approved on 1st August, 2017 and signed by:



Chairman – NG-CDFC



Fund Account Manager

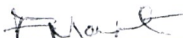
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2017**

V. STATEMENT OF ASSETS

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per cash book)	10	23,138,178.85	35,273,842.75
Outstanding Imprests	11	-	-
		23,138,178.85	35,273,842.75
TOTAL FINANCIAL ASSETS			
REPRESENTED BY			
Retention	12	0	0
Fund balance b/fwd	13	35,273,842.75	22,798,830.25
Surplus/Deficit for the year		-12,135,663.90	12,064,572.50
Prior year adjustments	14		410,440.00
NET FINANCIAL POSITION		23,138,178.85	35,273,842.75

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KITUI SOUTH NG-CDF financial statements were approved on 1st August 2017 and signed by:



Chairman – NG-CDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

VI. STATEMENT OF CASHFLOW

		2016-2017	2015-2016
Receipts for operating income			
Transfers from CDF Board	1	139,988,509.00	139,253,948
Proceeds from sale of assets	2	0	0
Other Receipts	3	215,180.00	0
Payments for operating expenses			
Compensation of Employees	4	2,622,835.00	1,761,404.00
Use of goods and services	5	8,759,670.00	6,351,890.00
Transfers to Other Government Units	6	63,795,041.00	54,625,234.00
Other grants and transfers	7	67,658,534.00	57,161,287.00
Other Payments	9	3,667,584.00	2,000,000.00
Adjusted for:			
Adjustments during the year		0	0
Net cash flow from operating activities.		-6,882,211.00	18,175,013.00
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	(5,838,688.00)	(5,700,000.00)
Net cash flows from Investing Activities		-12,138,663.90	12,064,572.50
NET INCREASE IN CASH AND CASH EQUIVALENT		-12,138,663.90	12,064,572.50
Cash and cash equivalent at BEGINNING of the year	13	35,273,842.75	22,798,830.25
Cash and cash equivalent at END of the year	10	23,135,178.85	35,273,842.75

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KITUI SOUTH NG- CDF financial statements were approved on 1st August, 2017 and signed by:



Chairman CDFC



Fund Account Manager

NATIONAL GOVERNMENT ENTITY - (KITUI SOUTH NG-CDF)
Reports and Financial Statements
For the year ended June 30, 2017

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 CDF Board	81,896,551.72	181,067,523.75	262,964,075.47	139,988,509.00	122,975,566.47	53.23484158
Proceeds from Sale of Assets	0				0.00	0
Other Receipts	0	0	0	215,180.00	0	
TOTAL	81,896,551.72	181,067,523.75	262,964,075.47	140,203,689.00	122,975,566.47	53.23484158
PAYMENTS						
Compensation of Employees	1,641,000.00	4,241,000.00	6,882,000.00	2,622,835.00	4,259,165.00	38.11152281
Use of goods and services	5,063,517.55	16,918,273.75	21,981,791.30	8,759,670.00	13,222,121.30	39.84966412
Transfers to Other Government Units	40,950,000.00	70,900,000.00	111,850,000.00	63,795,041.00	48,054,959.00	57.03624586
Other grants and transfers	30,575,862.07	77,302,735.00	107,878,597.07	68,243,770.00	40,220,062.17	62.71729216
Acquisition of Assets	3,000,000.00	8,000,000.00	11,000,000.00	5,838,688.00	5,161,312.00	53.07898182
Other payments	666,172.10	3,705,515.00	4,371,687.10	3,667,584.00	704,103.10	83.89401886
	81,896,551.72	181,067,523.75	262,964,075.47	152,342,352.90	110,621,722.57	57.93276235

The KITUI SOUTH NG-CDF financial statements were approved on 1st August 2017 and signed by:


 Chairman CDF


 Fund Account Manager

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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

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

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

2. Recognition of revenue and expenses

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

3. In-kind contributions

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

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are

NATIONAL GOVERNMENT ENTITY - (KITUI SOUTH NG-CDF)

Reports and Financial Statements

For the year ended June 30, 2017

readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

5. Pending bills

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

6. Budget

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

7. Comparative figures

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

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

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IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	AIE NO.	2016-2017	2015-2016
CDF Board		Ksh	Kshs
AIE NO	829623	4,094,828.00	
AIE NO	855589	83,893,681.00	
AIE NO	82583 5	52,00 0,000.0	
AIE NO			34,366,209.00
AIE NO	820512		62,672,418.00
AIE NO	820920		42,215,320.50
(other constituency e,g, parent constituency)			-
TOTAL		139,988,509.00	139,253,947.50

2. PROCEEDS FROM SALE OF ASSETS

	2016- 2017	2015-2016
	Kshs	Kshs
	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

	2016-2017	2015-2016
	Kshs	Kshs
Other Receipts Not Classified Elsewhere	215,180.00	0
Total	215,180.00	0.00

4. COMPENSATION OF EMPLOYEES

	2015-2016	2015-2016
	Kshs	Kshs
Basic wages of contractual employees	1,662,738	1,416,760
Social security benefits		172,322
Personal allowances paid as part of salary		
House allowance	-	-
Gratuity	960,097.00	-
Other personnel payments	-	-
Total	2,622,835.00	1,589,082

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	1,721,200.00	110,079.00
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Printing, advertising and information supplies & services	-	-
Hospitality supplies and services	-	-
Office and general supplies and services		136,220.00
Other operating expenses		228,081.00
Routine maintenance – vehicles and other transport equipment	611,000.00	-
Routine maintenance – other assets	-	-
Committee expenses	6,427,470.00	5,877,510.00
Total	8,759,670.00	6,351,890.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to National Government entities	-	-
Transfers to primary schools	19,350,000.00	30,637,931
Transfers to secondary schools	16,150,000.00	14,200,000
Transfers to tertiary institutions	28,195,041.00	2,304,544
Transfers to health institutions	100,000.00	7,482,759
TOTAL	63,795,041.00	54,625,234

7. OTHER GRANTS AND OTHER PAYMENTS

	2016-2017	2015-2016
	Kshs	Kshs
Bursary – secondary schools	8,532,382.90	10,573,870
Bursary – tertiary institutions	6,472,000.00	3,603,440
Water projects	26,700,000.00	34,070,074
Agriculture projects		0
Security projects	8,244,152.00	7,223,903
Sports projects	1,000,000.00	0
Roads and Bridges projects	8,450,000.00	
Emergency projects	8,200,000.00	1,690,000
Total	67,658,534.90	57,161,287

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

Non Financial Assets

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Construction of Buildings	5,000,000.00	-
Purchase of ICT Equipment	647,400.00	5,700,000
Total	5,647,400.00	5,700,000

NATIONAL GOVERNMENT ENTITY - (KITUI SOUTH NG-CDF)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. OTHER PAYMENTS

	2015-2016 Kshs	2015-2016 Kshs
Rural Electrification	3,662,069.00	2,000,000.00
Bank Charges	5515.00	

3,667,584.00	2,000,000
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10: Bank Accounts (cash book bank balance)

The Account at National Bank has a Legal issue and the account has since been frozen till the conclusion of the legal Issue.

Name of Bank, Account No. & currency	2016-2017	2015-2016
	Kshs	Kshs
KCB Mutomo Branch A/C No. 1147222355	0.00	
National Bank Mutomo Branch A/c No. 01001082371400	6,693,226.85	
Equity Bank, Mutomo Branch A/c No.1670266577876	16,444,952.00	35,273,842.75
Total	23,138,178.85	35,273,842.75

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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>
		0	0	0

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OTES TO THE FINANCIAL STATEMENTS (Continued)

12. RETENTION

		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		0	0	0

13. BALANCES BROUGHT FORWARD

	2016-2017	2015-2016
	Kshs	Kshs
Bank accounts	28,484,030.90	22,798,830.25
Total	28,484,030.90	22,798,830.25

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2016/1	Historical Cost (Kshs) 2015/16
Land		
Buildings and structures	15,561,408.00	10,561,408.00
Transport equipment	9,750,212.00	9,750,212.00
Office equipment, furniture and fittings		
ICT Equipment, Software and Other ICT Assets	647,400.00	
Other Machinery and Equipment		
Heritage and cultural assets		
Intangible assets		
Total	25,959,020.00	20,311,620.00

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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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