

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL

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PARTY ON THURSDAY  
16<sup>TH</sup> MARCH 2017  
IBM

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND  
SAKU CONSTITUENCY

FOR THE YEAR ENDED  
30 JUNE 2016



## **Constituencies 2017**

**Thursday, 16th March, 2017**

The House met at 2.30 p.m.

- ✓ (i) Mandera South Constituency;
- ✓ (ii) Saku Constituency; and,



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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-  
SAKU CONSTITUENCY**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –  
SAKU CONSTITUENCY**  
Reports and Financial Statements  
For the year ended June 30, 2016

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**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU  
CONSTITUENCY**

**Reports and Financial Statements  
For the year ended June 30, 2016**

**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Development Fund (CDF) was established under the Constituencies Development Fund (CDF) Act, 2003, amended in 2007 and repealed by the CDF Act of 2013.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 CDF 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 Saku Constituency's day-to-day management is under the following key organs:

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

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Japhet Ngui
3.	Accountant	Benson Macharia

**(d) Fiduciary Oversight Arrangements**

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

**(a) Saku CDF Headquarters**

Saku CDF  
P.O. Box 184-60500,  
Marsabit Township, next to Public Works Offices  
**Marsabit, KENYA.**

**(b) Saku CDF Contacts**

E-mail: [sakucdf@cdf.go.ke](mailto:sakucdf@cdf.go.ke)  
Website: [www.cdf.go.ke](http://www.cdf.go.ke)

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU  
CONSTITUENCY**

**Reports and Financial Statements  
For the year ended June 30, 2016**

**(c) Saku CDF Bankers**

Kenya Commercial Bank  
Marsabit Branch,  
A/C No. 1102647977

**(e) Independent Auditors**

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

**(f) Principal Legal Adviser**

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

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU  
CONSTITUENCY**

**Reports and Financial Statements  
For the year ended June 30, 2016**

**II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY  
DEVELOPMENT FUND COMMITTEE (NGCDFC)**

Saku NG-CDFC has made tremendous achievements since its inception towards poverty eradication in the constituency and more so since I was elected its chairperson in June 2016. During the financial year, the Saku NG-CDF had been allocated Sh. 100,780,335. Out of this Ksh. 97,599,377.00 had been received by the closure of the financial year. Saku which is situated in Marsabit County and being a marginalised area with very high illiteracy levels, priority is given to the education sector projects which was allocated a budget of over Ksh. 48.9 million translating to one half of the total annual budget. Water and health sectors being devolved units were only allocated 6% and 2% respectively.

The huge education budget targeting infrastructural development in schools has/will lead to increased student enrolment in schools hence reducing illiteracy levels. With the high poverty levels in the constituency, Education bursary and the over 130 classrooms constructed by Saku NG-CDF since inception has greatly enabled very many students to access education. CDF is also facilitating construction of the first technical institution in the constituency which will go a long way in developing middle level skills in youth.

One of the key challenges is poor infrastructural facilities in most educational institutions as majority were constructed many years back. In addition, due to the low literacy levels, most PMCs face big challenges in projects implementation. However, in collaboration with NGOs, the CDFC is constantly capacity building them in order to improve on quality of projects implementation.

The low absorption rate of funds during the financial year was as a result of the end of tenure of the previous CDFC from February to June 2016 due to coming force of the new NG-CDF Act 2015. However, operations have resumed with a new CDF Committee

The future of CDF still being uncertain is making the public anxious.

I wish to urge the CDF Board/NASC to continually increase the CDF allocations to enable more projects uptake.

Yours in service,



.....  
Mr. Stephen Wario  
**CDFC Chairman**



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU  
CONSTITUENCY**

**Reports and Financial Statements  
For the year ended June 30, 2016**

**III. STATEMENT OF NGCDF 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 NGCDF shall prepare financial statements in respect of that NGCDF. 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 Saku NG-CDF is responsible for the preparation and presentation of the NGCDF'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 (period) 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 NGCDF; (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 NGCDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

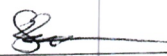
The Accounting Officer in charge of the Saku NG-CDF accepts responsibility for the NG-CDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NG-CDF's financial statements give a true and fair view of the state of NG-CDF's transactions during the financial year ended June 30, 2016, and of the NG-CDF's financial position as at that date. The Accounting Officer charge of the Saku NG-CDF further confirms the completeness of the accounting records maintained for the NGCDF, 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 Saku NG-CDF confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NG-CDF's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the NG-CDF's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The NG-CDF's financial statements were approved and signed by the Accounting Officer on  
30/6 2016.

  
Fund Account Manager

  
NG-CDFC Chairman

# REPUBLIC OF KENYA

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NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- SAKU CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Government Constituency Development Fund – Saku Constituency set out on pages 6 to 25, which comprise the statement of assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flow 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.

#### **Management's Responsibility 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.

The 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.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

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*Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund - Saku Constituency for the year ended 30 June 2016*

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Cash and Cash Equivalents**

The cash and cash equivalents balance increased by Kshs.15,549,904 from Kshs.7,782,552 as at 30 June 2015 to Kshs.23,332,456 as at 30 June 2016. However, the bank reconciliation statement made available for audit in support of the cash and cash equivalents balance reflected unpresented cheques totaling Kshs.1,264,750 which included stale cheques of Kshs. 249,443. No explanation was given for not writing back the cheques to the cash book. Further, the reconciling statement included bank charges totaling Kshs.85,360 which were yet to be adjusted in the cashbook. In addition, the Fund had receipts in cashbook not yet recorded in the bank statement of Kshs.136, 000 whose details were not made available for audit review.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.23, 332,456 as at 30 June 2016 could not be ascertained.

#### **2. Unutilized Maternity Block**

During the year under review the Fund budgeted to construct a Maternity Block at Hula Hula Dispensary at a cost of Kshs.5, 295,180. The Fund's Tender Committee awarded the tender to a company on 14 July 2014 at a cost of Kshs.5, 295,180 being the lowest bidder. However, the project as at November 2016 had not been put under use, though the contractor had completed the work.

In the circumstances, though the project was a priority for the constituents, it has not been possible to ascertain whether the Fund and the constituents received value for money equivalent to the Kshs.5, 295,180 expenditure as at 30 June 2016.

#### **3. Incomplete Land Purchase for Dakabarisha Dispensary**

During the year under review, Dakabarisha Dispensary was facilitated by the Fund to purchase a piece of land for the construction of a dispensary. The Saku National Constituencies Development Fund Committee (NGCDF) entered into an agreement for sale of land with the land owner on 27 January 2015 and payment for Kshs.1, 400,000 was made vide payment voucher no. 44 dated 1 October 2015. An additional

Kshs.50,000 was also paid to a law firm via payment voucher no. 62 dated 13 October 2015 being legal fees for land sale agreement. The sale agreement stated that on the completion date, the parties' advocate was to obtain the following six documents:

- i) Original title for the property;
- ii) Fully executed transfer in triplicate in favour of the purchaser and/or its nominee;
- iii) Valid rates clearance certificate from the Marsabit County Council;
- iv) Consent to transfer from the Commissioner of Lands;
- v) Three passport size coloured photographs to be affixed on the transfer and copies of I.D. and PIN certificate of the vendor and purchaser's directors; and
- vi) Any other document necessary to effect registration of the transfer to the favour of the purchaser.

However, as at the time of audit in November 2016, which was about two years after the signing of the sale agreement, all the above six documents had not been acquired. The advocate was therefore in breach of the agreement and the Kshs. 50,000 legal fee paid to him may not have any value for money.

In the circumstance, the propriety and value for money of the Kshs.1,450,000 expenditure as at 30 June 2016 could not be confirmed as at 30 June 2016.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Saku Constituency as at 30 June 2016 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis), and comply with the National Government Constituency Development Fund Act, 2015 and the Public Finance Management Act, 2012.

### **Other Matter**

#### **1. Budgetary Control and Performance**

During the year under review, Saku NGCDF had an approved budget of Kshs.156,162,264. However, the actual receipts were Kshs.105,381,929 (67%) comprising of Kshs.97,599,377 received during the year and Kshs.7,782,552 brought forward from the previous year. This resulted into a budget deficit of Kshs.50,780, 335. . Further, out of the total available receipts of Kshs.105, 381,929 only Kshs.82,049,472 (78%) was spent while the balance of Kshs.23,332,457 had not been spent as at 30 June 2016. In addition, out of the total budgeted expenditure of Kshs.156,162,264, only

Kshs.82,049,472 (53%) had been utilized as at 30 June 2016 while Kshs.74,112,792 remained unutilized as follows;

<b>Expenditure Analysis</b>				
	<b>Budget (Kshs.)</b>	<b>Actual (Kshs.)</b>	<b>Variance (Kshs.)</b>	<b>Absorption %</b>
Compensation of Employee	3,297,766	1,283,644	2,014,122	39%
Use of Goods and services	9,743,398	7,156,356	2,587,042	73%
Transfer to Other Government Unit	88,353,731	41,074,960	47,278,771	46%
Other Grants and Transfers	48,767,369	32,534,512	16,232,857	67%
Acquisition of Assets	6,000,000	-	6,000,000	0%
<b>Total</b>	<b>156,162,264</b>	<b>82,049,472</b>	<b>74,112,792</b>	<b>53%</b>

Consequently, the underfunding and underspending of Kshs.50,780,335 and Kshs.23,332,457 impacted negatively on the residents of Saku constituency who did not receive the promised and expected services equivalent to the Kshs.74, 112,792 being the difference between the budgeted and actual expenditure as at 30 June 2016.

## 2. Project Implementation Status

During the period under review, Saku NGCDF allocated Kshs.92,480,647 to fifty three (53) projects in various sectors including education, health, water, security, road, sports and environment within the Constituency. Analysis as per the project implementation status indicated that forty two (42) projects with a total allocation of Kshs.49, 003,000 had not started as at 30 June 2016. Eight projects with a total allocation of Kshs.32,927,647 were on going while three projects with a total allocation of Kshs.10,550,000 were completed as shown;

<b>Sector</b>	<b>Project status</b>	<b>Amount allocated (Kshs.)</b>	<b>Amount Disbursed (Kshs.)</b>	<b>No of Projects</b>
<b>Education</b>	Completed	8,000,000	8,000,000	2
	On going	25,160,000	15,526,829	5
	Not started	35,783,000	170,000	31
	<b>Sub Total</b>	<b>68,943,000</b>	<b>28,696,829</b>	<b>39</b>
<b>Water</b>	Not started	6,620,000	-	3
	<b>Sub Total</b>	<b>6,620,000</b>	<b>-</b>	<b>3</b>
<b>Health</b>	Completed	2,550,000	2,550,000	1
	<b>Sub Total</b>	<b>2,550,000</b>	<b>2,550,000</b>	<b>1</b>
<b>Security</b>	Not Started	600,000	-	7
	<b>Sub Total</b>	<b>600,000</b>	<b>-</b>	<b>7</b>

<b>Others</b>	On going	7,767,647	5,591,365	3
<b>CDFC vehicle</b>	<b>Motor</b> Not started	6,000,000	-	1
	<b>Sub Totals</b>	<b>13,767,647</b>	<b>5,591,365</b>	<b>3</b>
	<b>Grand Total</b>	<b>92,480,647</b>	<b>31,838,194</b>	<b>53</b>

In view of the foregoing, the Fund did not implement the 42 projects worth Kshs.49,003,000 included in the budget for the year under review. As a result, the residents of Saku constituency did not get the promised and expected services equivalent to the budgeted but not implemented projects as at 30 June 2016 totaling to Kshs.49,003,000.

My opinion is not qualified in respect of these matters.



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

**Nairobi**

**24 February 2017**

**\* NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU  
CONSTITUENCY**

**Reports and Financial Statements  
For the year ended June 30, 2016**

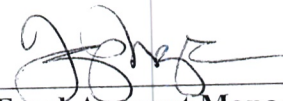
**IV. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2015-2016	2014-2015
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from CDF board-AIEs' Received	1	97,599,377	47,599,377
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
<b>TOTAL RECEIPTS</b>		<b>97,599,377</b>	<b>47,599,377</b>
<b>PAYMENTS</b>			
Compensation of employees	4	1,283,644	1,635,070
Use of goods and services	5	7,156,356	7,172,218
Transfers to Other Government Units	6	41,074,960	42,971,383
Other grants and transfers	7	32,534,512	28,301,769
Acquisition of Assets	8	-	-
Other Payments-Retention money	9	-	(703,297)
<b>TOTAL PAYMENTS</b>		<b>82,049,472</b>	<b>79,377,143</b>
<b>SURPLUS/DEFICIT</b>		<b>15,549,905</b>	<b>(31,777,766)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Saku NG-CDF financial statements were approved on 30/6 2016 and signed by:



**Chairman - NGCDFC**



**Fund Account Manager**

• NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU  
 CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2016

V. STATEMENT OF ASSETS

	Note	2015-2016	2014-2015
		Kshs	Kshs
<b>FINANCIAL ASSETS;-</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	10.A	23,332,456	7,782,552
Cash Balances (cash at hand)	10. B	-	-
Outstanding Imprests	11	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>23,332,456</b>	<b>7,782,552</b>
<b>REPRESENTED BY;-</b>			
Fund balance b/fwd 1st July 2015.	13	7,782,552	39,560,318
Surplus/Deficit for the year		15,549,905	(31,777,766)
Prior year adjustments	14	-	-
<b>NET LIABILITIES</b>		<b>23,332,457</b>	<b>7,782,552</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Saku NGCDF financial statements were approved on 30/6 2016 and signed by:-



Chairman - NGCDFC



Fund Account Manager



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2016**

**VI. STATEMENT OF CASHFLOW**

<b>Receipts for operating income</b>	<b>Note</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Ksh</b>	<b>Ksh</b>
Transfers from CDF Board	1	97,599,377	47,599,377
Other Receipts	3	-	-
<b>Total</b>		<b>97,599,377</b>	<b>47,599,377</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	4	1,283,644	1,635,070
Use of goods and services	5	7,156,356	7,172,218
Transfers to Other Government Units	6	41,074,960	42,971,383
Other grants and transfers	7	32,534,512	28,301,769
Other Payments	9	-	(703,297)
		<b>82,049,472</b>	
<b>Adjusted for:</b>			
Adjustments during the year	14	-	-
			<b>79,377,143</b>
<b>Net cash flow from operating activities</b>		<b>15,549,905</b>	<b>(31,777,766)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Saku NGCDF financial statements were approved on 30/6 2016 and signed by:



**Chairman NGCDFC**



**Fund Account Manager**

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU  
CONSTITUENCY**  
Reports and Financial Statements  
For the year ended June 30, 2016

**SUMMARY STATEMENT OF APPROPRIATION**

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 %
<b>RECEIPTS</b>						
Bal from previous year				7,782,552		67
Transfers from CDF Board	100,780,335	55,381,929	156,162,264	97,599,377	50,780,335	67
Proceeds from Sale of Assets	-		-	-	-	0
Other Receipts	-	-	-	-	-	0
Total Receipts	100,780,335	55,381,929	156,162,264	105,381,929	50,780,335	67
<b>PAYMENTS</b>						
Compensation of Employees	2,349,000	948,766	3,297,766	1,283,644	2,014,122	39
Use of goods and services	5,950,688	3,792,710	9,743,398	7,156,356	2,587,042	73
Transfers to Other Government Units	51,493,000	36,860,731	88,353,731	41,074,960	47,278,771	46
Other grants and transfers	34,987,647	13,779,722	48,767,369	32,534,512	16,232,857	67
Acquisition of Assets	6,000,000	-	6,000,000	-	6,000,000	0
Other Payments	-	-	-	-	-	0
<b>TOTALS</b>	<b>100,780,335</b>	<b>55,381,929</b>	<b>156,162,264</b>	<b>82,049,472</b>	<b>74,112,792</b>	<b>53</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Saku NGCDF financial statements were approved on 20/6 2016 and signed by:



Chairman NGCDFC



Fund Account Manager

## **VII. 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 NGCDF 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 NGCDF.

### **2. Recognition of revenue and expenses**

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

### **3. In-kind contributions**

In-kind contributions are donations that are made to the NGCDF 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 NGCDF 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 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.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the NGCDF 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 NGCDF’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 NGCDF’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, 2016.

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**VIII. NOTES TO THE FINANCIAL STATEMENTS**

**1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
	<b>AIE NO.S</b>		
Normal Allocation	A 790847 Ref no. 2014/2015/1275	35,087,890	23,799,689
	A 724015 Ref. no. 2014/2015/1381	7,511,487	14,279,813
	A 724054 Ref no. 2014/2015/1381	5,000,000	9,519,876
	A 796449 Ref. no. 2015/2016/364	20,000,000	
	A 820639 Ref. no. 2015/2016/546	10,000,000	
	A 820784 Ref. no. 2015/2016/582	20,000,000	
<b>TOTAL</b>		<b>97,599,377</b>	<b>47,599,377</b>

**2. PROCEEDS FROM SALE OF ASSETS**

3510000	Description	2015 - 2016	2014 - 2015
		Kshs	Kshs
3510202	Receipts from the Sale of Buildings	-	
3510601	Receipts from the Sale of Vehicles and Transport Equipment	-	-
3510801	Receipts from the Sale Plant Machinery and Equipment	-	-
3510803	Receipts from the Sale of office and general equipment	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**3. OTHER RECEIPTS**

<b>1400000</b>	<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
1410107	Interest Received	-	-
1410405	Rents	-	-
1420601	Sale of tender documents	-	-
1450207	Other Receipts Not Classified Elsewhere (specify)	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>

**4. COMPENSATION OF EMPLOYEES**

	<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
2110201	Basic wages of contractual employees	1,270,644	1,619,070
2110202	Basic wages of casual labour	-	-
	Personal allowances paid as part of salary		
2110301	House allowance	-	-
2110314	Transport allowance	-	-
2110320	Leave allowance	-	-
2110326	Other personnel payments	-	-
2120101	Employer contribution to NSSF	13,000	16,000
2710120	gratuity	-	-
	<b>Total</b>	<b>1,283,644</b>	<b>1,635,070</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**5. USE OF GOODS AND SERVICES**

	<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
2210100	Utilities, supplies and services	23,960	25,960
2210104	Office rent	315,000	510,000
2210200	Communication, supplies and services	4,640	18,970
2210300	Domestic travel and subsistence	461,250	855,960
2210500	Printing, advertising and information supplies & services	-	-
2210600	Rentals of produced assets	-	-
2210700	Training expenses	-	-
2210800	Hospitality supplies and services	-	-
2210802	Other committee expenses	90,000	82,000
2210809	Committee allowance	4,006,500	2,122,000
2210900	Insurance costs	-	-
2211000	Specialised materials and services	-	-
2211100	Office and general supplies and services	103,750	126,500
2211200	Fuel ,oil & lubricants	1,044,973	1,619,198
2211300	Other operating expenses	313,500	486,100
2220100	Routine maintenance – vehicles and other transport equipment	792,783	1,152,430
2220200	Routine maintenance – other assets	-	173,100
	<b>Total</b>	<b>7,156,356</b>	<b>7,172,218</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**6. TRANSFER TO OTHER GOVERNMENT ENTITIES**

	<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
2630204	Transfers to Primary schools	13,681,471	20,487,243
2630205	Transfers to Secondary schools	18,209,067	17,467,035
2630206	Transfers to Tertiary institutions	5,000,000	-
2630207	Transfers to Health institutions	4,184,422	5,017,105
	<b>TOTAL</b>	<b>41,074,960</b>	<b>42,971,383</b>

**7. OTHER GRANTS AND OTHER PAYMENTS**

	<b>Description</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
2640101	Bursary -Secondary	14,671,100	9,729,700
2640102	Bursary -Tertiary	10,299,390	8,972,000
2640104	Bursary-Special schools	-	-
2640105	Mocks & CAT	-	-
2640504	Water	1,098,658	1,289,400
2640505	Agriculture (food security)	-	-
2640506	Electricity projects	-	-
2640507	Security	872,999	276,137
2640508	Roads	-	-
2640509	Sports	761,340	1,017,700
2640510	Other capital grants and transfer	694,000	704,000
2640200	Emergency Projects (specify)	4,137,025	6,312,832
	<b>Total</b>	<b>32,534,512</b>	<b>28,301,769</b>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**8. ACQUISITION OF ASSETS**

	<b>Non Financial Assets</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
3110102	Purchase of Buildings	-	-
3110202	Construction of Buildings	-	-
3110302	Refurbishment of Buildings	-	-
3110701	Purchase of Vehicles	-	-
3110704	Purchase of Bicycles & Motorcycles	-	-
3110801	Overhaul of Vehicles	-	-
3111001	Purchase of Office furniture and fittings	-	-
3111002	Purchase of computers ,printers and other IT equipments	-	-
3111005	Purchase of photocopier	-	-
3111009	Purchase of other office equipments	-	-
3111112	Purchase of soft ware	-	-
3130101	Acquisition of Land	-	-
	<b>Total</b>	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**9. OTHER PAYMENTS**

Retention money		-	(703,297)
<b>TOTAL</b>		-	<b>(703,297)</b>

**10A: Bank Accounts (cash book bank balance)**

<b>Name of Bank, Account No. &amp; currency</b>	<b>Account Number</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs (30/6/2016)</b>	<b>Kshs (30/6/2015)</b>
Kenya Commercial Bank, Marsabit Branch	1102647977	23,332,456	7,782,552
<b>Total</b>		<b>23,332,456</b>	<b>7,782,552</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**10B: CASH IN HAND**

	2015 - 2016	2014 - 2015
	Kshs (30/6/2016)	Kshs (30/6/2015)
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other receipts (specify)	-	-
<b>Total</b>	-	-

**11: OUTSTANDING IMPRESTS**

Name of Officer	Date imprest taken	Amount Taken	Amount Surrendered	Balance (30/6/2016)	Balance (30/6/2015)
		Kshs	Kshs	Kshs	Kshs
None		-	-	-	-
<b>Total</b>		-	-	-	-

**12. Retention**

Supplier/Contractor	PV no	2015 - 2016	2014 - 2015
		Kshs	Kshs
<b>Total</b>		-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**13. BALANCES BROUGHT FORWARD**

	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs (1//7/2015)</b>	<b>Kshs (1//7/2014)</b>
Bank accounts	7,782,552	39,560,318
Cash in hand	-	-
Imprest	-	-
<b>Total</b>	<b>7,782,552</b>	<b>39,560,318</b>

**14. PRIOR YEAR ADJUSTMENTS**

	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	-	-
Cash in hand	-	-
Imprest	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**15. OTHER IMPORTANT DISCLOSURES**

**15.1 . PENDING ACCOUNTS PAYABLE (See Annex 1)**

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Construction of buildings	17,827,406	12,591,405.00
Construction of civil works	-	-
Supply of goods	1,939,845	1,174,200.00
Supply of services	299,470	328,000.00
<b>Total</b>	<b>20,066,721</b>	<b>14,093,605.00</b>

**1.1 PENDING STAFF PAYABLE (See Annex 2)**

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Contractual employees	902,220	424,047.00
<b>Total</b>	<b>902,220</b>	<b>424,047.00</b>

**1.2 OTHER PENDING PAYABLES (See Annex 3)**

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Amounts due to other Government entities (see attached list)	-	-
Amounts due to other grants and other transfers (see attached list)	-	-
Others ( <i>specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2015-2016	2014-2015	
	a	b	c	d=a-c		

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<b>Construction of buildings</b>						
1. KiwanjaNdege Primary School	1,095,940	Jan-16	-	1,095,940	-	Construction of classroom
2. Karare Mixed Secondary School	170,000	Jan-16	-	170,000		Electrification of Administration block
3. Moi Girls Secondary School	1,497,260	Jan-16	-	1,497,260		Rehabilitation of 4 classrooms
4. Hula Hula Dispensary	5,295,180	Sep-15	2,500,000	2,795,180		Construction of maternity wing
5. GoroRukesa Mixed Sec. School	4,196,385	Jan-16	-	4,196,385		Construction of Administration block
6. KubiQallo Primary School	1,299,350	Jan-16	-	1,299,350		Construction of one classroom and pit latrine
7. Gachacha Primary School	1,298,630	Jan-16	-	1,298,630		Construction of one classroom
8. KubiQallo Primary School	160,230	Jan-16	-	160,230		Construction of one temporary Kitchen
10. ManyattaDaba Primary School	1,099,800	Feb-16	-	1,099,800		Construction of one classroom
11. SKM Primary School	599,241	Mar-16	-	599,241		Refurbishment of two classrooms
12. BoruHaro Child Development Centre	1,099,890	Apr-16	-	1,099,890		Construction of one classroom
13. Karare Primary School	299,000	May-16	-	299,000		Supply of furniture
14. Dirib Gombo Primary School	998,000	Feb-16	-	998,000		Refurbishment of five classrooms
15. GoroRukesa Primary School	400,000	Feb-16	-	400,000		Supply of 50 metal –frame desks

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16. KubiBagasa Borehole	159,500	Feb-16	-	159,500	Waterpump repairs
17. Karare Mixed Secondary School	299,000	Feb-16	-	299,000	Supply of furniture
18. BoruHaro Child Development Centre	120,000	Feb-16	-	120,000	Supply of 15 metal-frame desks
19. Lagdima Primary School	120,000	Feb-16	-	120,000	Supply of 15 metal-frame desks
20. KiwanjaNdege Primary School	120,000	Feb-16	-	120,000	Supply of 15 metal-frame desks
<b>Sub-Total</b>	<b>20,327,406</b>		<b>2,500,000</b>	<b>17,827,406</b>	
<b>Construction of civil works</b>					
<b>Sub-Total</b>	-		-	-	
<b>Supply of goods</b>					
21. Saku Investment	840,945	Feb-16	-	840,945	Supply of Fuel and MV tyres/accessories,
22. Fund Manager	79,200	Feb-16	-	79,200	Purchase of fuel
23. Modis and Bros	445,950	Feb-16	-	445,950	Supply of MV tyres/accessories,
24. Tullus Senior Investment	573,750	Feb-16		573,750	Supply of building materials
<b>Sub-Total</b>	<b>1,939,845</b>			<b>1,939,845</b>	
<b>Supply of services</b>					
25. Suada Ahmed Ali	225,000		-	225,000	Officer for the months of February-June 2016

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26. Kenya Power and Lighting	9,000		-	9,000		Office electricity bill
27. Jupiter Computer Services	65,470		-	65,470		Office stationery
28. Robert Githi eki.	95,000			95,000		Servicing of CDFC Motor Vehicle
<b>Sub-Total</b>	394,470			<b>299,470</b>		
<b>Grand Total</b>	<b>22,661,721</b>		<b>-</b>	<b>2,500,000</b>	<b>20,066,721</b>	

**ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
					2016	2015	
		a	b	c	d=a-c		
<b>Contractual Employees</b>							
1. Ibrahim Guyo	H	238,000	1/1/2016	-	238,000		Per-diems
2. CDFC Staff Gratuity		664,220	1/9/2013	-	664,220		Gratuity
<b>Sub-Total</b>		<b>902,220</b>			<b>902,220</b>		

**ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
					2016	2015	
		a	b	c	d=a-c		
<b>None</b>							



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**ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost	Historical Cost
	(Kshs)	(Kshs)
	2015-16	2014-15
Land	-	-
Buildings and structures	-	-
Transport equipment	4,335,050	4,335,050
Office equipment, furniture and fittings	121,500	121,500
ICT Equipment, Software and Other ICT Assets	121,750	121,750
Other Machinery and Equipment	31,300	31,300
Heritage and cultural assets	-	-
<b>Total</b>	<b>4,609,600</b>	<b>4,609,600</b>

**IX. ROGRESS REPORT ON FY 2014/2015 FINANCIAL STATEMENTS**

**a) Accuracy and Presentation of Financial Statements;-**

As earlier explained and presented in the financial statements, the figure of Ksh. 703,297 was in respect of 10% retention money for completed projects held by CDF account. This had also been adjusted in the revised Financial Statements earlier send to your office (copy herewith) The amount had since been disbursed during Fy 2015/16 to the respective PMCs after expiry of the 6-month grace period.

The element of Ksh. 72,885.15 in respect of Bank charges- including those of Fy 2015/16 were written off in October 2016.

The item of of Ksh. 284,000 was un-surrendered imprest as at 30.6.2015 and has since been surrendered.

**(b). Budgetary Control and Performance-**

As noted and observed by the Audit team expenditure during the year would include unspent balances brought forward from the previous years, and as such though the expenditures in some categories of projects may be showing over spending where the budgeted amount for the financial year is less than actual expenditure, this can better be explained in the Statement of Appropriation which shows adjustments for re-allocations and balances brought forward from the previous year. It should be noted that only Ksh. 47,599,377 had been received for Fy2014/15 as at 30<sup>th</sup> June 2015 and balance being received in the following financial year, Some project again had not started owing to the fact that their funds had not been received by end of the financial year but were implemented in the following year..

**(c) Project Implementation and payments;-**

As evidenced by the Audit team, only Ksh. 47,599,377 for Fy 2014/2015 had been received by 30<sup>th</sup> June 2015 hence owing to delay to disburse from by the CDF Board there was the delay in implementing the project. The issue has however been severally addressed with the NG-CDF Board and is also constantly addressing it with the National Treasury to enhance timely exchequer issues. and implementation of projects at the constituency level.