REPUBLIC OF KENYA

Paper Laid.
By the LOM
on Thurs 30/8/18

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND GALOLE CONSTITUENCY

FOR THE YEAR ENDED 30 JUNE 2017

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-GALOLE 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)

TABLE OF CONTENTS

Table of Content Page

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The National Government Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2013. The Constituencies Development Fund is represented by the Cabinet Secretary for Devolution and Planning, who is responsible for the general policy and strategic direction of the National Government Constituencies Development Fund. The objective of the fund is to ensure that specific portion of the national annual budget is devoted to the constituency for the purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

(b) Key Management

The GALOLE 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 June 30, 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Hussein Abdullahi
3.	Accountant	SospeterThuku Kiboko

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of GALOLE Constituency. The reports and recommendation of ARMC when adopted by the NGCDF Board are forwarded to the National Government Constituencies 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.

.

(e) Galole NG-CDF Headquarters

NG-CDF Building,
P.O. Box 129-70105,
Galole Town,
Hola,
Off CDF Junction Road.

Kenya.

(f) GALOLE NG-CDF Contacts

Telephone: (254) 720020647
E-mail: habdullahi@ngcdf.go.ke
Website: www.ngcdf.go.ke

(g) GaloleCDF Bankers

Kenya Commercial Bank
Account no: 1108807879
Hola Branch

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CHAIRMAN CONSTITUENCY DEVELOPMENT FUND COMMITTEE (CDFC)

The entity has utilised its allocated budget for undertaking the slotted projects for the financial year. More than 97% of the fund has been utilised despite receiving the final disbursements towards the end of the financial year. Over the years, the entity improved water, sanitation, education, access road through distilling of dams in various villages, construction of various public toilets, construction of primary and secondary schools, payment of fees for over 13,000 needy and vulnerable students across the constituency.

EMERGING ISSUES RELATED TO CDF

- Increasing Population
- Increasing school enrolment

IMPLEMENTATION CHALLENGES

- Security Threat
- Lack of clear boundary

WAY FORWARD

For the fund to thrive there should be minimal interference from political figures and no project should be undertaken in a boundary conflict zone without the involvement of the concerned organs of government.

Sign.....
NATHAN ODDO
CHAIRMAN NG-CDFC

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 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 GALOLE NGCDF 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 NGCDF for and as at the end of the financial year (period) ended on June 30, 2017. 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 GALOLE NGCDF accepts responsibility for the NGCDF'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 NGCDF's financial statements give a true and fair view of the state of NGCDF's transactions during the financial year ended June 30, 2017, and of the NGCDF's financial position as at that date. The Accounting Officer charge of the GALOLE NGCDF further confirms the completeness of the accounting records maintained for the NGCDF, which have been relied upon in the preparation of the NGCDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the GALOLE NGCDF confirms that the NGCDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NGCDF'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 NGCDF's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The NGCDF's financial statements were approved and signed by the Accounting Officer on 27-06- 2018.

Fund Account Manager

Chairman

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Galole Constituency set out on pages 6 to 24, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined 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 matter 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 - Galole Constituency as at 30 June 2017, 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 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 Matters 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

Bank Balances

The statement of financial assets reflects a bank balance of Kshs.2,072,105. However, bank reconciliation statement presented for audit review reflected unpresented cheques amounting to Kshs.2,487,836.00, out of which cheques

totalling Kshs.755,233.95 were stale and not reversed in cash book. Further, the reconciliations reflected receipts in bank statement not recorded in cashbook of Kshs.92,704.85 that had no support schedule. Further, bank charges of Kshs.139,404.29 some dating as far back as the year 2009 were included in the bank reconciliation statement instead of being expensed and therefore omitted in these financial statements.

Consequently, the accuracy and completeness of bank balance of Kshs.2,072,105 as at 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Galole Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled 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 judgement, are of most significance in the audit of the financial statements. Except for the matter 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

1.0 Budgetary Controls and Performance

During the year under review, the Fund had a final budget of Kshs.125,377,537 but the actual expenditure amounted to Kshs.122,805,432 resulting to an overall under expenditure of Kshs.2,572,105 or 2% as summarized below:

Item	Budget (Kshs.)	Expenditure	Under Absorption	Over Absorption	Under/Over Absorption
		(Kshs.)	(Kshs.)		(%)
Compensation of Employees	5,665,952	1,837,300	3,828,652		68%
Use of Goods and services	24,062,276	13,705,721	10,356,555		43%
Transfers to Other Government Units	34,060,109	66,784,656		32,724,547	96%
Other Grants	61,589,200	36,977,755	24,611,445		40%

and Transfers					
Acquisition of assets		3,500,000		3,500,000	100%
Total	**125,377,537**	**122,805,432**	**38,796,652**	**36,224,547**	**2%**

The approval for the excess expenditures of Kshs.36,244,547 was not availed for audit review and management has not explained how it financed the over expenditures. The Fund also had under absorption of Kshs.38,796,652 or 31%.

Management, therefore, needs to review its budget planning and processes to avoid under and over absorption of its budgeted resources.

2.0 Project Implementation Status

The project status report availed for audit review indicated that a total of Kshs.81,896,552 was allocated for sixty-eight (68) projects. Further, out of the sixty-eight (68) projects, ten (10) projects with total allocation of Kshs.15,765,517 were on-going while the rest were complete as per details below: -

	Project Name	**Projects Description /Activities**	**Allocation Kshs**	**Current Status**
1	Employees' Salaries	Payment of staff salaries and gratuity	2,513,644	Ongoing
2	Goods and Services	Purchase of fuel, repairs and maintenance, printing, stationery, telephone, travel and subsistence, office tea, etc.	1,113,749	Ongoing
3	NSSF	Payment of NSSF Deductions	38,400	Ongoing
4	Committee Expenses	Payment of Committee sitting allowances, transport, conferences	1,248,000	Ongoing
5	Goods and Services	Purchase of fuel, repairs and maintenance, printing, stationery, telephone, travel and subsistence, office tea, etc.	856,897	Ongoing
6	Committee Expenses	Payment of Committee sitting allowances, transport, conferences	600,000	Ongoing
7	Capacity Building	Undertake Training of the PMCs/NG-CDFCs/Staff on NG-CDF Related issues	1,000,000	Ongoing
8		To cater for any unforeseen occurrences in the constituency during the financial year	4,094,828	Ongoing
9	Hola County Commander	Construction of county commander offices	2,000,000	Ongoing
10	Hola AP camp Staff House	Construction of AP 4staff houses	2,300,000	Ongoing
	GRAND-TOTAL		**15,765,517**	

From the above, the budget was not fully implemented as envisaged. This has resulted to projects not being completed as planned. The slow and lack of completion

of projects is to the detriment of delivery of goods and service to the residents of Galole Constituency.

3.0 Project Inspections

During the year under review, eight (8) projects with a total allocation of Kshs.10,457,023.80 were visited for verification on 24 May 2018 and the following state of affairs of the specific projects were observed: -

NO.	Project Name	Cost (Kshs.)	Project	Observations
1	Construction of offices	1,956,644.00	County Commander's Office PMC	The works were ongoing. However, no records were availed to show specific works carried out under each phase.
2	Construction of offices	496,000.00	Zubaki Chiefs Office PMC	Works were complete and in use and had been handed. However, no handing over report was availed to confirm the actual dates of handover considering that the project was still funded in the year under review to an amount of Kshs. 496,000.
3	Construction of 4 No.staff houses	3,296,242.00	Ap Staff Houses PMC	Works were in finishing stage.
4	Renovation of 5 No. classrooms	1,400,00.00	Rafiki Primary School PMC	Works were complete and in use. However, the floors of classrooms were already wearing out. The paint work looked faded and of poor quality or one coat only. Some of the desks provided were already damaged and not in use.
6	Construction of Dining hall at Galole model secondary school	2,504,379.80	Galole Sec.School	The project was completed and is being used as a dormitory by the boys. The project is not branded.
7	Renovation of NG-CDF Office(repair of roofs, floors, ceiling, wall painting)	3,500,000.00	Galole CDF office	The project was in use. However, the project file was not availed for audit review thus the nature and extent of renovation works could not be confirmed.

	fencing and security office			
8	Proposed 2 No. double compartment pit latrine at Hola Boys Secondary school	600,000.00	Hola Boys Sec. School	The project was complete and is in use though it is not branded.
	Total	**10,457,023.80**		

Lack of maintenance of project files, project BQs, hand-over minutes, poor workmanship and incomplete projects would indicate that there is poor coordination and lack of supervision of projects undertaken by the Fund. Lack of project branding would result to duplication of projects funded by various stakeholders/donors to the detriment of the welfare of the Galole constituents. There is need, therefore, to ensure that all projects are properly supervised to ensure satisfactory completion of the projects and branded.

Responsibilities 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 National Government Constituencies Development Fund - Galole Constituency's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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, and for the purpose of giving an assurance 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 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 entities or business 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

16 July 2018

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Transfers from Other Government Entities	1	81,396,552.00	108,740,065.00
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		**81,396,552.00**	**108,740,065.00**
PAYMENTS			
Compensation of Employees	4	1,837,300.00	2,018,670.00
Use of goods and services	5	13,705,721.00	8,721,096.00
Transfers to Other Government Units	6	66,784,656.00	61,777,769.00
Other grants and transfers	7	36,977,755.00	18,454,480.00
Acquisition of Assets	8	3,500,000.00	-
Other Payments	9	-	-
TOTAL PAYMENTS		**122,805,432.00**	**90,972,015.00**
SURPLUS/DEFICIT		**(41,408,880.00)**	**17,768,050.00**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The GALOLE NGCDF financial statements were approved on 27-06- 2018 and signed by:

Chairman - CDFC

Fund Account Manager

V. STATEMENT OF FINANCIAL ASSETS

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per cash book)	**10A**	2,072,105.00	43,480,985.00
Cash Balances (Cash at Hand)	**10B**	-	-
Outstanding Imprests	**11**	-	-
TOTAL FINANCIAL ASSETS		**2,072,105.00**	**43,480,985.00**
REPRESENTED BY			
Retention	**12**	-	-
Fund balance b/fwd.	**13**	43,480,985.00	25,712,935.00
Surplus/Deficit for the year		(41,408,880.00)	17,768,050.00
Prior Year Adjustments	**14**	-	-
NET FINANCIAL POSITION		**2,072,105.00**	**43,480,935.00**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The GALOLE NGCDF financial statements were approved on 27-06- 2018 and signed by:

Chairman -CDFC

Fund Account Manager

VI. STATEMENT OF CASHFLOW AS AT JUNE 30, 2017

		2016-2017 Kshs	2015–2016 Kshs
Cash Flows From Operating Activities			
Receipts for operating income			
Transfers from CDF Board	1	81,396,552.00	108,740,065.00
Other Receipts	3	-	-
		81,396,552.00	**108,740,065.00**
Payments for operating expenses			
Compensation of Employees	4	1,837,300.00	2,018,670.00
Use of goods and services	5	13,705,721.00	8,721,096.00
Transfers to Other Government Units	6	66,784,656.00	61,777,769.00
Other grants and transfers	7	36,977,755.00	18,454,480.00
Other Payments	9	-	
		118,305,432.00	**90,972,015.00**
Adjusted for:			
Adjustments during the year		-	-
Net cash flows from operating activities		**(36,908,880.00)**	**17,768,050.00**
Cash Flows From Investing Activities			
Acquisition of Assets	8	3,500,000.00	-
Net cash flows from Investing Activities		**(3,500,000.00)**	**17,768,050.00**
Net Increase In Cash and Cash Equivalent		**(41,408,880.00)**	**17,768,050.00**
Cash and cash equivalent at Start of the year		**43,480,985.00**	**25,712,935.00**
Cash and cash equivalent at END of the year		**2,072,105.00**	**43,480,985.00**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. Thefinancial statements were approved on 27-06- 2018 and signed by:

Chairman -CDFC

Fund Account Manager

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	c=a+b	D	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	81,396,552.00	43,980,985.00	125,377,537.00	122,805,432.00	2,572,105.00	98%
Proceeds from Sale of Assets	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-
TOTALS	**81,396,552.00**	**43,980,985.00**	**125,377,537.00**	**122,805,432.00**	**2,572,105.00**	**98%**
PAYMENTS						
Compensation of Employees	2,365,952.00	3,300,000.00	5,665,952.00	1,837,300.00	3,828,652.00	32%
Use of goods and services	11,601,020.00	12,461,256.00	24,062,276.00	13,705,721.00	10,356,555.00	57%
Transfers to Other Government Units	18,550,000.00	15,510,109.00	34,060,109.00	66,784,656.00	-32,724,547.00	196%
Other grants and transfers	48,879,580.00	12,709,620.00	61,589,200.00	36,977,755.00	24,611,445.00	60%
Acquisition of Assets	-	-	0.0	3,500,000.00	-3,500,000.00	-
Other Payments	-	-	-	-	-	-
TOTALS	**81,396,552.00**	**43,980,985.00**	**125,377,537.10**	**122,805,432.00**	**2,572,105.00**	**98%**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27-06- 2018 and signed by:

Chairman CDFC

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 *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 *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 *CDF*. In addition, the *CDF* recognises all expenses when the event occurs and the related cash has actually been paid out by the *CDF*.

3. In-kind contributions

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

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 *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 *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 *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, 2017.

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

2016-2017		2015/16
Description	**Amount**	**Amount**
2016/2017 Transfers from CDF Board	**Kshs**	**Kshs**
AIE NO. A855183	39,948,275.10	10,000,000.00
AIE NO.A855198	500,000.00	10,000,000.00
AIE NO.A829546	4,094,827.50	10,000,000.00
AIE NO. A8295473	36,853,449.00	24,000,000.00
		27,000,000.00
		27,740,065.00
TOTAL	**81,396,552.00**	**108,740,065.00**

2. PROCEEDS FROM SALE OF ASSETS

Description	**2016 - 2017**	**2015 - 2016**
	Kshs	**Kshs**
Receipts from the Sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from the Sale of office and general equipment	-	-
TOTAL	-	-

3. OTHER RECEIPTS

	2016-2017	**2015-2016**
	Kshs	**Kshs**
Other Receipts Not Classified Elsewhere	-	-
TOTAL	-	-

4. COMPENSATION OF EMPLOYEES

	2016-2017	**2015-2016**
	Kshs	**Kshs**
Gross salary of Contractual Employees	1,837,300.00	1,645,530.00
Basic Wages of Casual Labour	-	373,140.00
Personal Allowances Paid as part of Salary	-	-
House Allowance	-	-
Transport Allowance	-	-
Gratuity	-	-
National Social Security Fund Contribution by Employer	-	-
TOTAL	**1,837,300.00**	**2,018,670.00**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

	2016-2017 Kshs.	2015-2016 Kshs
Utilities, supplies and services	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	336,400.00	-
Printing, advertising and information supplies & services	-	573,613.70
Training expenses	-	-
Committee Expenses	7,748,823.00	-
Hospitality supplies and services		-
Insurance Costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	2,256,200.00	-
Fuel, oil & Lubricants	1,200,000.00	15,000.00
Rental of produced assets	-	-
Other operating expenses	2,164,298.00	8,123,311.98
Routine maintenance – vehicles and other transport equipment	-	9,170.70
Routine maintenance – other assets	-	-
TOTAL	**13,705,721.00**	**8,721,096.38**

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016-2017 Kshs	2015-2016 Kshs
Transfers to primary schools	61,405,276.20	58,781,436.27
Transfers to secondary schools	3,104,379.80	1,396,332.90
Transfers to tertiary institutions	2,275,000.00	1,600,000.00
Transfers to health institutions	-	-
TOTAL	**66,784,656.00**	**61,777,769.17**

7. OTHER GRANTS AND OTHER PAYMENTS

	2016-2017 Kshs	2015-2016 Kshs
Bursary – Secondary schools,	10,790,500.00	6,584,335.90
Bursary – Tertiary School,	10,285,514.00	-
Mock & CAT	-	-
Water projects	-	-
Agriculture Projects	-	-
Electricity projects	-	109,582.00
Security projects	9,688,886.00	7,332,331.85
Roads projects	-	-
Sports projects	1,871,950.00	644,000.00
Environment projects	-	-
Emergency projects	4,340,905.00	3,784,229.95
Other Current Grants and Transfers	-	194,823.00
TOTAL	**36,977,755.00**	**18,454,479.70**

8. ACQUISITION OF ASSETS

Non-Financial Assets	2016-2017 Kshs	2015-2016 Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishments of Buildings	3,500,000.00	-
Purchase of Vehicles and other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Office Furniture and General Equipment	-	-
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equipment	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
TOTAL	**3,500,000.00**	**-**

9. OTHER PAYMENTS

	2016-2017 Kshs	2015-2016 Kshs
Other Payments	-	-
Total	**-**	**-**

10A. BANK ACCOUNTS (cash book bank balance)

Name of Bank, Account No. & currency	Account Number	2016-2017 Kshs	2015-2016 Kshs
Kenya Commercial Bank Hola Branch	1108807879	2,072,105.00	43,480,985.05
TOTAL		**2,072,105.00**	**43,480,985.05**

10B. CASH IN HAND

	2016-2017 Kshs	2015-2016 Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other receipts (specify)	-	-
TOTAL	-	-

11. OUTSTANDING IMPREST

Name of Officer	2016-2017 Kshs	2015-2016 Kshs
	-	-
TOTAL	-	-

12. RETENTION

Supplier/Contractor	Payment Voucher No	2016-2017 Kshs.	2015-2016 Kshs.
-	-	-	-
TOTAL		-	-

13. BALANCES BROUGHT FORWARD

Description	2015-2016 Kshs (1//7/2015)	2014-2015 Kshs (1//7/2014)
Bank Accounts	43,480,985.05	25,712,935.30
Cash in hand	-	-
Imprest	-	-
TOTAL	**43,480,985.05**	**25,712,935.30**

14. PRIOR YEAR ADJUSTMENT

	2016-2017 Kshs	2015-2016 Kshs.
Bank Accounts	-	-
Cash in Hand	-	-
TOTAL	-	-

15. OTHER IMPORTANT DISCLOSURES

15.1. PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016-2017 Kshs.	2015-2016 Kshs.
Construction of Buildings	-	-
Construction of Civil Works	-	-
Supply of Goods	-	-
Supply of Services	-	-
TOTAL	-	-

15.2. PENDING STAFF PAYABLES

Details	2016-2017 Kshs	2015-2016 Kshs
Senior Management	-	-
Middle Management	-	-
Employee Salary for the month of June 2016	-	-
TOTAL	-	-

15.3. OTHER PENDING PAYABLES (See Annex 1)

Details	2016-2017 Kshs	2015-2016 Kshs
Amount due to Other Government Entities	-	30,480,985.05
Amount due to Other grants and Other Transfers	2,072,105.00	-
Others (Specify)	-	13,000,000.00
TOTAL	-	-

PMC account balances (See Annex 5)

Details	2016-2017	2015-2016
	Kshs	Kshs
PMC account balances (See Annex 5)	53,216.00	-
Others (*specify*)	-	-
TOTAL	**53,216.00**	**-**

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amounts Paid to Date	Outstanding Balance 2016	Comments
Amounts Due to Other Government Entities						
1. Amount Due to Educational institutions	-	-	-	-	-	-
2. Amounts Due to Tertiary Institutions	-	-	-	-	-	-
3. Amounts Due to Health Projects	-	-	-	-	-	-
Sub-Total		-			-	
Amounts due to Other Grants and Other Transfers						
4. Bursaries	-	-	-	-	-	-
5. Security Projects	**Construction of A.P camps**	**2,072,105.00**	-	-	-	-
6. Road Projects	-	-	-	-	-	-
7. Emergency	-	-	-	-	-	-
Sub-Total		-			-	
Sub-Total		**2,072,105.00**			-	
Others (Specify)						
8. Galole CDF Office	-	-	-	-	-	-
9. M&E& Administration	-	-	-	-	-	-
Sub-Total		-			-	
Grand Total		**2,072,105.00**			-	

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2016/17	Historical Cost (Kshs) 2015/16
Land	-	-
Building and Structures	8,000,000.00	8,000,000.00
Transport equipment	-	-
Office equipment, furniture and fittings	1,940,000.00	1,940,000.00
ICT Equipment, Software and Other ICT Assets	2,400,000.00	2,400,000.00
Other Machinery and Equipment	16,000,000.00	16,000,000.00
Heritage and cultural assets	-	-
Intangible assets	-	-
Total	**28,340,000.00**	**28,340,000.00**

ANNEX 3 –PMC BANK BALANCES AS AT 30TH JUNE 2017

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Chanani Primary School	**KCB**	1202072720	**1,500**	Chanani Primary School
GururiPrimary School	**KCB**	1150413735	**1,300**	GururiPrimary School
Dideade Primary School	**KCB**	1178842746	**1,100**	Dideade Primary School
Hola Primary School	**KCB**	1178922405	**1,200**	Hola Primary School
Wayboru Primary School	**KCB**	1166622924	**1200**	Wayboru Primary School
wayu Primary School	**KCB**	1176957708	**1400**	wayu Primary School
kalkacha Primary School	**KCB**	1168396239	**1300**	kalkacha Primary School
Daba primary School	**KCB**	1167211537	**1700**	Daba primary School
GalamaniPrimary School	**KCB**	1137180692	**1100**	GalamaniPrimary School
Malkadende Primary School	**KCB**	1167272323	**1300**	Malkadende Primary School
Matakala Primary School	**KCB**	1171646348	**1800**	Matakala Primary School
koticha Primary School	**KCB**	1136099964	**1500.17**	koticha Primary School
WataomaraPrimary School	**KCB**	1174330112	**1600.83**	WataomaraPrimary School
WemjeprimSchool	**KCB**	1202610463	**1000**	WemjeprimSchool
Bulla Secondary Primary School	**KCB**	1172504075	**1700**	Bulla Secondary Primary School

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Gafuru Primary School	**KCB**	1130766837	**1100**	Gafuru Primary School
Duwayu Primary School	**KCB**	1204533288	**1250**	Duwayu Primary School
Kiarakungu Primary School	**KCB**	1170403921	**1,500**	Kiarakungu Primary School
Ongola Primary school	**KCB**	1178631788	**1,300**	Ongola Primary school
Haboye Primary school	**KCB**	1167314999	**1,100**	Haboye Primary school
Laza Primary school	**KCB**	1130509761	**1,200**	Laza Primary school
Makere Primary school	**KCB**	1202948456	**1200**	Makere Primary school
Hara Primary school	**KCB**	1130504867	**1400**	Hara Primary school
konePrimary school	**KCB**	1177479389	**1300**	konePrimary school
Daku Primary school	**KCB**	1203004273	**1700**	Daku Primary school
Kumbi Primary school	**KCB**	1104568454	**1200**	Kumbi Primary school
Washakone Primary school	**KCB**	1202645585	**5,100**	Washakone Primary school
Laini Primary school	**KCB**	1135798923	**1350**	Laini Primary school
Mawene Primary school	**KCB**	1202856640	**1,500**	Mawene Primary school
Chanani Primary school	**KCB**	1202072720	**1,300**	Chanani Primary school
Vukoni Primary school	**KCB**	1137352272	**1,100**	Vukoni Primary school
Gubani Primary school	**KCB**	1123811652	**1,200**	Gubani Primary school
Bohoni Primary school	**KCB**	1120007860	**1200**	Bohoni Primary school
Lisa School for the Deaf	**KCB**	1202034233	**1400**	Lisa School for the Deaf

PMC	Bank	Account number	Bank Balance 2016/17		Bank Balance 2015/16
Rafiki Primary school	**KCB**	1130876691	**1300**	Rafiki Primary school	
Hola Secondary School	**KCB**	1202949657	**1700**	Hola Secondary School	
Hola AP camp Staff House	**KCB**	1183479050	**1,115**	Hola AP camp Staff House	
Total			**53,216**		

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)*
	No value attached to land and buildings owned by the Fund as they had not been valued and there was no breakdown of the assets included in the schedule.	Galole constituency is part of the larger Tana River County whose land has not been adjudicated and therefore there are no titles for lands. The vary for structures and buildings is included on the stated asset figure. The other assets were purchased overtime and their respective values are included.	Hussein Abdullahi-FAM	Resolved	Resolved
	Bank schedules supporting the amount had variances aggregating to Kshs 4,260,000 against what was	The inaccuracies were noted and an effort has been made to rectify the same. the ratification of the errors is has journalized attached.	Hussein Abdullahi-FAM	Resolved	Resolved

	disclosed in the financial statements				
	Bank balance confirmation certificate and the board of survey certificate were not availed for audit review to confirm the balances held as at 30 June 2016.	The bank reconciliation has been made available for audit verification. (see annex a1.) the board of survey certificate together with the bank confirmation are now available for audit verification. (see annex a2.)	Hussein Abdullahi-FAM	Resolved	Resolved