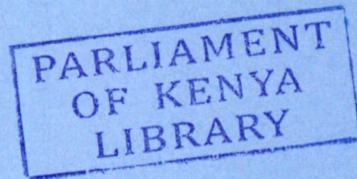


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



*Paper laid by the hon  
repf  
Tuesday 25/20*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND  
KAITI CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE 2017**





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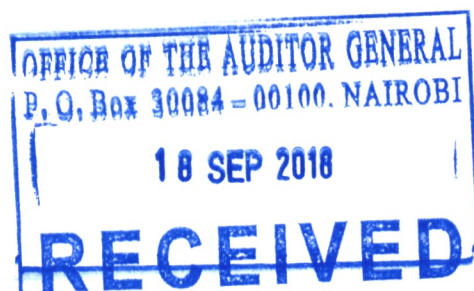
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-  
KAITI CONSTITUENCY**

**REPORTS AND FINANCIAL STATEMENTS**

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

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



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

**Reports and Financial Statements**

**For the year ended June 30, 2017**

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**I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT****(a) Background information**

The *Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013.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 *Constituencies Development Fund*. The objective of the fund to ensure that specific portion of the national annual budget is devoted to the constituencies for purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

**(b) Key Management**

The *KAITI Constituency's* day-to-day management is under the following key organs:

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

**(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	<b>Yusuf Mbuno</b>
2.	A.I.E holder	<b>Daniel M. Maluki</b>
3.	Accountant	<b>Julius Muchohi</b>
4.		

**(d) Fiduciary Oversight Arrangements**

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

**(e) KAITI CDF Headquarters**

P.O. Box 1-90301  
OKIA  
MAKUENI



**(f)KAITI CDF Contacts**

Telephone: (254) 720 79 22 24

E-mail: [dmaluki@cdf.go.ke](mailto:dmaluki@cdf.go.ke)

Website: [www.go.ke](http://www.go.ke)

**(g)KAITI CDF Bankers**

1. Kenya Commercial Bank  
Wote – Branch  
P.O Box 269 – 90300  
WOTE, MAKUENI

**(h)Independent Auditors**

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 - NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND COMMITTEE (NG~CDFC)**

The budget performance against the actual amounts concurred quite reasonably. There were minimal variances occasioned by economic phenomenon particularly the inflation index. Most of shortfalls and excesses are occasioned by the cost of materials budgeted at lower cost and increased by inflation indices by the time of funding.

As few of the shortfalls were due to non – implementation of the project by the Project Management Committees (PMCs) while awaiting perfection of the procurement documents before the end of the financial year.

Some meagre savings on some other projects were precipitated by the mean tenders awarded during procurement exercises by the Project Management Committees (PMCs) which were rather below the budgeted figure.

Some budgeted figures reflected quite minimal variances with the actuals due to strict adherence to the budgeted figures by the NG~CDFC.

The Kaiti NG~CDFC has managed to train the Project Management Committees (PMCs) extensively on procurement procedures which has perfected the implementation activities. The CDFC has enhanced its efforts in the Monitoring and Evaluation Exercise which has reflected enhanced transparency and accounting in the implementation process on the part of the Project Management Committees (PMCs)

We have had a few cases of Project Management Committees (PMCs) failing to adhere to the procurement strictly preferring to engage local masons and purchase items locally. We have been able to curb the habit by establishment of a system that ensures authorization of all payments of the Project Management Committees (PMCs) by the Fund Account Manager before effecting payments at the local banks.

**CHAIRMAN NG~CDFC**

Sign





**III. STATEMENT OF NG~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 agency shall prepare financial statements in respect of that agency. 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.

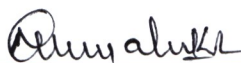
The Accounting Officer in charge of the KAITI Constituency Development Fund is responsible for the preparation and presentation of the KAITI NG~CDF financial statements, which give a true and fair view of the state of affairs of the KAITI NG~CDF for and as at the end of the financial year (period) ended 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 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 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 KAITI NG~CDF accepts responsibility for the 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 CDF's financial statements give a true and fair view of the state of CDF's transactions during the financial year ended June 30, 2016, and of the CDF's financial position as at that date. The Accounting Officer charge of the KAITI NG~CDF further confirms the completeness of the accounting records maintained for the CDF, which have been relied upon in the preparation of the CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the KAITI NG~CDF confirms that the CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the 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 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<sup>th</sup> June 2017.



Fund Account Manager



Chairman NG~CDFC



# REPUBLIC OF KENYA

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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-KAITI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of National Government Constituency Development Fund-Kaiti Constituency set out on pages 6 to 24, which comprise the 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 effects 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- Kaiti Constituency as at 30 June 2017, and 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 Public Finance Management Act, 2012 and National Government Constituencies Development Fund Act, 2015.

Further, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion and Other Matters sections of my report, nothing 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. Presentation of the Financial Statements

The table of content lists notes to the financial statements to be on page 13. However, the notes appear at page 12. Consequently, the financial statements have not been presented in accordance with the guidelines issued by the Public Sector Accounting Standards Board.

##### 2. Inaccuracies in the Financial Statements

(i). The statement of receipts and payments reflects under use of goods and services a comparative total figure of Kshs.13,671,432 but the respective Note 5 to the financial statements reflects Kshs.25,744,205 resulting in unexplained difference of Kshs.12,072,773.

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



(ii). Further, the statement of assets comparative net assets figure casts to Kshs.8,499,628 and not Kshs.7,338,873 indicated resulting in unexplained difference of Kshs.1,160,755.

(iii). The following account items in the statement of cash flows also reflects figures which differs with those in the certified financial statements for 2015/2016:

Item	Comparative 2015/2016 Balances Kshs.	2015/2016 Audited balances Kshs	Difference Kshs
Compensation of Employees	3,836,804	2,514,930	1,321,874
Use of Goods	13,671,432	6,924,858	6,746,574
Committee Expenses	0	6,746,574	(6,746,574)
Transfers to Other Government Units	51,307,931	52,507,931	(1,200,000)
Other Grants and Transfers	39,511,590	38,311,590	1,200,000

(iv). In addition, the comparative figure of cash and cash equivalent at end of the year in the statement of cash flows casts to Kshs.8,499,628 and not Kshs.7,338,873 shown, resulting in a casting difference of Kshs.1,160,755.

Consequently, the accuracy of the financial statements as at 30 June 2017 cannot be confirmed.

### 3. Bank Balance

The statement of assets reflects a bank balance of Kshs.18,566,214.52 as at 30 June 2017. However, a review of the bank reconciliation statement for the month of June 2017 revealed un-presented cheques totalling Kshs.774,359 which were stale but had not been reversed in the cashbook. Further, the board of survey report reflects cash and bank balance totalling Kshs.17,397,274 as at 30 June 2017 resulting in un-reconciled variance of Kshs.1,168,941. Consequently, the accuracy of bank balance of Kshs.18,566,214.52 as at 30 June 2017 cannot be confirmed.

### 4. Ineligible expenditure

The statements of receipts and payments reflects expenditure of Kshs.45,219,490 in respect of other grants and transfers. The expenditure includes Kshs.7,965,517 for water projects which fall under County Government functions and therefore ineligible. The expenditure was incurred contrary to Section 24(a) of the National Government Constituency Development Fund Act, 2015 which limits funding of projects to those under the National Government function. Consequently, the National Government Constituencies Development Fund Board and the Kaiti Constituency Development Fund Committee were in breach of the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund-Kaiti 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, I have determined that there are no key audit matters to communicate in my report.

### **Other Matters**

#### **1. Budget and Budgetary Control**

During the year under review, the Fund's actual total receipts were Kshs.136,782,160.77 against a budget of Kshs.147,782,160.77 resulting to unrealized receipts of Kshs.11,000,000 or about 7%. Further, the Fund had an approved expenditure budget of Kshs.147,782,160.77 while the actual expenditure amounted to Kshs.118,215,946.65 resulting in an under-expenditure of Kshs.29,566,214.12 or about 20%. The under-expenditure occurred mainly under compensation of employees (Kshs.1,357,678.52 or 38%), transfer to other government units (Kshs.7,219,513.02 or 14%) and other grants and transfers (Kshs.20,933,253.94 or 32%). Consequently, the budget did not meet fully the expectations of the constituents of Kaiti.

#### **2. Project Implementation**

A review of the project implementation status as at 30 June 2017 revealed that projects worth Kshs.,318,966 were started and completed during the year under review, projects worth Kshs.42,732,759 started and were still ongoing and projects worth Kshs.1,000,000 had not been started as shown below:

##### **(i) Completed Projects**

<b>Project Name</b>	<b>Sub-Project/ Activity</b>	<b>Allocated Amount (Kshs)</b>	<b>Disbursed Amount (Kshs)</b>	<b>Implementation Status</b>	<b>Remark</b>
Kiukuuni Primary School	Painting & flooring of 4 classrooms	500,000	500,000	Complete	Phase 1 Complete
Kaumoni DEB Primary School	Painting & flooring of 4 classrooms	500,000	500,000	Complete	Complete and in use.



Kavutini Primary School	Roofing & flooring of 4 classrooms	500,000	500,000	Complete	Phase 1 complete
Ilima Police Station	Construction of police station to completion	6,000,000	6,000,000	complete	Phase 3 complete. More funds required to complete the project.
Iuani AP Line	Construction of AP Line to completion	1,000,000	1,000,000	Complete	Phase 1 complete. More funds required to complete the project
Nthongoni Primary School	Leveling of a school play ground	818,966	818,966	Complete	Complete
Kee Industrial Area	Purchase of Land (2.5 acres)	500,000	500,000	Complete	Complete

**(ii) On-going Projects**

Emergency	To cater for unforeseen occurrences in the constituency during the financial year	4,094,828	4,094,828	On – going	Expenditure in Progress
Kilungu Primary School	Filling of a gulley which is in the school compound	818,965.52	818,965.52	New	Awaiting for more funds
Nduu Primary School	Filling of a gulley which is in the school compound	818,965.51	818,965.51	New	Awaiting for more funds
Kaeani Primary School	Plastering, painting, flooring and windowing of 6 classrooms.	1,000,000	1,000,000	New	Awaiting for more funds
Mutanda Primary School	Plastering, painting, flooring and	700,000	700,000	New	Awaiting for more funds

	windowing of 4 classrooms.				
Kyale Primary School	Plastering, painting, flooring and windowing of 5 classrooms.	800,000	800,000	New	Awaiting for more funds
Kithangathini Primary School	Plastering, painting, flooring of classrooms and administration block.	800,000	800,000	On-going	The progress of this project is going on well.
Kisekini Primary School	Construction of 1 classrooms to completion	800,000	800,000	New	Awaiting for more funds
Nyaani Primary School	Roofing, flooring, walling, plastering, painting, windowing of 6 classes	800,000	800,000	New	Awaiting for more funds
Kisyulya Primary School	Roofing, flooring, windowing & fencing the school compound.	800,000	800,000	New	Awaiting for more funds
Nduu Primary School	Plastering, painting, flooring and windowing of 5 classrooms.	800,000	800,000	New	Awaiting for more funds
Kyangala Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Kykatoni Primary School	Plastering, painting, flooring and	500,000	500,000	New	Awaiting for more funds



	windowing of 3 classrooms.				
Engavu Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Kyesuni Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Katitu Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	500,00	500,00	New	Awaiting for more funds
Kyakithuku Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Kyamuoso Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Inyokoni Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Wautu primary School	Plastering, painting, flooring and windowing of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Kyamulinge Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Mwaani Primary School	Plastering, painting, flooring and	600,000	600,000	New	Awaiting for more funds

	windowing of 4 classrooms.				
Khangathini Primary School	Plastering, painting, flooring of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Mutulani Primary School	Plastering, painting, flooring and windowing of 4 classrooms.	700,000	700,000	New	Awaiting for more funds
Watema Primary School	Plastering, painting, flooring and windowing of 4 classrooms.	700,000	700,000	New	Awaiting for more funds
Nguluni Primary School	Plastering, painting, flooring of 3 classrooms.	600,000	600,000	New	Awaiting for more funds
Muusini Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	700,000	700,000	New	Awaiting for more funds
Kitandi Primary School	Plastering, painting, flooring and windowing of 3 classrooms.	700,000	700,000	New	Awaiting for more funds
Munyuni Primary School	Plastering, painting, flooring of 4 classrooms.	600,000	600,000	New	Awaiting for more funds
Matangi Primary School	Plastering, painting, flooring of 4 classrooms.	600,000	600,000	New	Awaiting for more funds
Mwea Primary School	Plastering, painting, flooring of 4 classrooms.	600,000	600,000	New	Awaiting for more funds
Ikalyoni Primary School	Plastering, painting,	600,000	600,000	On-going	The progress is good.



	flooring of 4 classrooms.				
Thoma Primary School	Plastering, painting, flooring of 3 classrooms.	500,000	500,000	New	Awaiting for more funds
Nthonzweni Primary School	Plastering, painting, flooring of 4 classrooms.	600,000	600,000	New	Awaiting for more funds
Masaani Primary School	Plastering, painting, flooring of 4 classrooms.	600,000	600,000	New	Awaiting for more funds
Mukuyuni Primary School	Completion (walling, roofing, plastering, windowing and painting) of a girls' dormitory	1,716,000	1,716,000	On-going	Awaiting for more funds
Makuli Primary School	Painting & flooring of 4 classrooms	500,000	500,000	New	Awaiting for more funds
Ukia Primary School	Roofing, plastering and painting of a girls' dormitory	600,000	600,000	New	Awaiting for more funds
Nzouni Primary School	Painting & flooring of 5 classrooms	600,000	600,000	New	Awaiting for more funds
Yathonza Primary School	Painting & flooring of 4 classrooms	500,000	500,000	New	Awaiting for more funds
Kaumoni HGM Primary School	Plastering, painting, flooring of 2 classrooms and fencing of the school compound (wooden posts and chain link)	600,000	600,000	On-going	Awaiting for more funds

Kisyungii Primary School	Painting & flooring of 4 classrooms	500,000	500,000	New	Awaiting for more funds
Ithanzeni Primary School	Painting & flooring of 4 classrooms	500,000	500,000	New	Awaiting for more funds
Kinyuani Primary School	Painting & flooring of 4 classrooms	500,000	500,000	New	Awaiting for more funds
Iuani HGM Primary School	Plastering, roofing, flooring of 4 classrooms.	600,000	600,000	New	Awaiting for more funds
Mutula Primary School	Construction of 1 classroom to completion	600,000	600,000	On-going	The project progress is good
Nthimbani Primary School	Roofing & flooring of 4 classrooms	500,000	500,000	New	Awaiting for more funds
Nthukula Primary School	Painting & flooring of 4 classrooms	500,000	500,000	New	Awaiting for more funds
St. Monica Wautu Girls Secondary School	Construction of a classroom to completion	900,000	900,000	On-going	The project is complete and has been handed over for use.
Thomeandu Boys Secondary School	Completion of a for science laboratory (Walling and roofing, flooring)	1,000,000	1,000,000	On-going	Awaiting for more funds
Kywasini Police Post	Construction of a Police Post to completion	2,000,000	2,000,000	On – going	Awaiting for more funds
Residential House for Deputy County Commissioner Kilungu	Construction of residential house to completion	2,000,000	2,000,000	New	Awaiting for more funds
		2,000,000	2,000,000		



Keen Divisional H Qs	Completion of 3 offices at divisional HQs (roofing, plastering flooring and painting)			On – going	Awaiting for more funds
Kyamulinge Primary School	Leveling of a school play ground	818,966	818,966	On – going	More funds needed
NG~CDF Office	Roofing, ceiling and painting of NG~CDF Office	465,034	465,034	New	More funds needed

**(iii) Projects Not Started**

Mukuyuni Police Post	Walling, Roofing, Plastering, Flooring of the 4 offices	1,000,000	1,000,000	New	Land is not available
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Consequently, implementation of the projects in Kaiti constituency did not meet fully the expectations of the constituents.

**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 Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

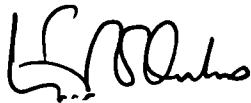
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**09 August 2018**

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016 - 2017	2015 - 2016
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from CDF board-AIEs' Received	1	129,443,287.77	84,139,103.20
Proceeds from Sale of Assets	2	-	
Other Receipts	3	-	
<b>TOTAL RECEIPTS</b>		129,443,287.77	84,139,103.20
<b>PAYMENTS</b>			
Compensation of employees	4	(2,251,903.66)	3,836,803.90
Use of goods and services	5	(27,828,552)	13,671,432.00
Transfers to Other Government Units	6	(42,916,000)	51,307,931.00
Other grants and transfers	7	(45,219,490.99)	39,511,590.10
Acquisition of Assets	8		
Other Payments	9	-	
<b>TOTAL PAYMENTS</b>		118,215,946.65	108,327,757.00
<b>SURPLUS/DEFICIT</b>		11,227,341.12	(24,188,654.00)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KAITI NG~CDF financial statements were approved on 30<sup>th</sup> June 2017 and signed by:



Chairman -NG~ CDFC




Fund Account Manager



**V. STATEMENT OF ASSETS**

	<b>2016 - 2017</b>		<b>2015 - 2016</b>
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	10A	18,566,214.52	7,338,873,40
Cash Balances (cash at hand)	10B		
Outstanding Imprests	11		
<b>TOTAL FINANCIAL ASSETS</b>		<u>18,566,214.52</u>	<u>7,338,873,40</u>
<b>REPRESENTED BY</b>			
Retention	12	-	-
Fund balance b/fwd 1st July 2016	13	7,338,873.40	1,160,755.15
Surplus/Deficit for the year		11,227,341.12	(24,188,654.00)
Prior year adjustments	14	0	(31,527,527.00)
<b><u>NET LIABILITIES/ASSETS</u></b>		<u>18,566,214.52</u>	<u>7,338,873.40</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Kaiti NG~ CDF financial statements were approved on 30th June 2017 and signed by:

  
 \_\_\_\_\_  
**Chairman – NG~CDFC**

  
 \_\_\_\_\_  
**Fund Account Manager**

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**VI. STATEMENT OF CASHFLOW**

Receipts for operating income		2016 - 2017	2015 - 2016
Transfers from CDF Board	1	129,443,287.00	84,139,103.20
Other Receipts	3	-	-
<b>Payments for operating expenses</b>			
Compensation of Employees	4	(2,251,903.66)	3,836,803.90
Use of goods and services	5	(27,828,552)	13,671,432.00
Transfers to Other Government Units	6	(42,916,000)	51,307,931.00
Other grants and transfers	7	(45,219,490.99)	39,511,590.10
Other Payments	9	-	-
<b>TOTAL PAYMENTS</b>		<b>118,215,946.65</b>	<b>108,327,757.00</b>
<b>Adjusted for:</b>			
Adjustments during the year	14	-	(31,527,527.00)
<b>Net cash flow from operating activities</b>		<b>11,227,340.35</b>	<b>(24,188,654.00)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	9	-	-
<b>Net cash flows from Investing Activities</b>		-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
		<b>11,227,340.35</b>	<b>7,338,873.00</b>
Cash and cash equivalent at BEGIN of the year	13	7,338,873.40	1,160,755.15
Cash and cash equivalent at END of the year		18,566,213.52	7,338,873.40

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KAITI NG~CDF financial statements were approved on 30<sup>th</sup> June 2017 and signed by:



Chairman NG~CDFC



Fund Account Manager



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**SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
<b>RECEIPTS</b>	<b>81,896,551.72</b>	<b>65,885,609.05</b>	<b>147,782,160.77</b>	<b>136,782,160.77</b>	<b>11,000,000.00</b>	<b>92.5%</b>
Transfers from CDF Board						
Proceeds from Sale of Assets						
Other Receipts						
<b>Sub Total</b>	<b>81,896,551.72</b>	<b>65,885,609.05</b>	<b>147,782,160.77</b>	<b>136,782,160.77</b>	<b>11,000,000.00</b>	<b>92.5%</b>
<b>PAYMENTS</b>						
Compensation of Employees	2,320,812.00	1,288,770.18	3,609,582.18	2,251,903.66	1,357,678.52	62.4%
Use of goods and services	5,049,877.65	22,834,442.99	27,884,320.64	27,828,552.00	55,768.64	99.8 %
Transfers to Other Government Units	32,216,000	17,919,513.02	50,135,513.02	42,916,000.00	7,219,513.02	85.6%
Other grants and transfers	42,309,862.07	23,842,882.86	66,152,744.93	45,219,490.99	20,933,253.94	68.3%
Acquisition of Assets	-	-	-	-	-	-
Other Payments	-	-	-	-	-	-
<b>TOTALS</b>	<b>81,896,551.72</b>	<b>65,885,609.05</b>	<b>147,782,160.77</b>	<b>118,215,946.65</b>	<b>29,566,214.12</b>	<b>79.9%</b>

The KAITI NG-CDF financial statements were approved on 30<sup>th</sup> June 2017 and signed by;



**Chairman NG-CDF**



**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 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 readily convertible to known amounts of cash and are subject to insignificant risk of



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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<sup>th</sup> 2016.

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**IX. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

<b>Description</b>	<b>2016 - 2017</b>		<b>2015 - 2016</b>
	<b>Kshs</b>		<b>Kshs</b>
NG-CDF Board			
AIE NO A825854	47,546,736.00	AIE NO A724230	10,000,000.00
AIE NO A829573	4,094,827.60	AIE NO A820742	27,000,000.00
AIE NO A855207	36,853,449.00	AIE NO A820561	10,000,000.00
AIE NO A855696	40,948,275.10	AIE NO A796272	10,000,000.00
		AIE NO A796040	27,139,103.20
(other constituency e.g, parent constituency)			
<b>TOTAL</b>	<b>129,443,287.77</b>		<b>84,139,103.20</b>

**2. PROCEEDS FROM SALE OF ASSETS**

	<b>2016 - 2017</b>	<b>2015 - 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts from sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from sale of office and general equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. OTHER RECEIPTS**

	2016- 2017 Kshs	2015 - 2016 Kshs
Interest Received	-	-
Rents	-	-
Receipts from Sale of tender documents	-	-
Other Receipts Not Classified Elsewhere	-	-
<b>Total</b>	-	-

**4. COMPENSATION OF EMPLOYEES**

	2016 - 2017 Kshs	2015 - 2016 Kshs
Basic wages of contractual employees	2,251,903.66	3,836,803.90
Basic wages of casual labour	-	-
<b>Personal allowances paid as part of salary</b>		
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Gratuity	-	-
Other personnel payments	-	-
<b>Total</b>	<b>2,251,903.66</b>	<b>3,836,803.90</b>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**5. USE OF GOODS AND SERVICES**

	<b>2016 - 2017</b>	<b>2015 - 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Committee Expenses	9,313,230	6,746,574
Utilities, supplies and services	-	-
Communication, supplies and services	195,000	132,000
Domestic travel and subsistence	-	-
Printing, advertising and information supplies & services	169,360	-
Rentals of produced assets	-	-
Training expenses	11,259,700	4,307,600
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	<b>5,334,411</b>	13,671,432.00
Other operating expenses	-	-
Routine maintenance – vehicles and other transport equipment	1,556,851	886,599
Routine maintenance – other assets	-	-
<b>Total</b>	<b>27,828,552</b>	<b>25,744,205</b>



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**6. TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to National Government entities	-	-
Transfers to primary schools (see attached list)	27,716,000	27,887,931
Transfers to secondary schools (see attached list)	14,700,000	19,600,000
Transfers to tertiary institutions (see attached list)	500,000	-
Transfers to health institutions (see attached list)	-	3,820,000
<b>TOTAL</b>	<b>42,916,000</b>	<b>51,307,931</b>

**7. OTHER GRANTS AND OTHER PAYMENTS**

	2016 - 2017	2015- 2016
	Kshs	Kshs
Bursary – secondary schools (see attached list)	2,779,983.99	1,435,483
Bursary – tertiary institutions (see attached list)	7,026,300	948,500
Bursary – special schools (see attached list)	8,000	-
Mock & CAT (see attached list)	-	300,000
Water projects (see attached list)	7,965,517	4,450,000
Agriculture projects (see attached list)	-	-
Electricity projects (see attached list)	-	-
Security projects (see attached list)	14,000,000	4,873,000
Roads projects (see attached list)	5,624,700	19,053,993.10
Sports projects (see attached list)	-	451,070
Environment projects (see attached list)	90,000	1,411,568
Emergency projects (see attached list)	7,724,990	6,587,976
<b>Total</b>	<b>45,219,490.99</b>	<b>39,511,590</b>

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**8. ACQUISITION OF ASSETS**

<u>Non Financial Assets</u>	2016 - 2017	2015 - 2016
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	-	-
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	-	-
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Purchase of Specialised Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
<b>Total</b>	-	-



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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**9. OTHER PAYMENTS**

specify	2016 - 2017 Kshs	2015 - 2016 Kshs
	-	-
	-	-

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

Name of Bank, Account No. & currency	2016 - 2017 Kshs	2015 - 2016 Kshs
<i>Kenya Commercial Bank Wote Branch A/C No:- 1105347109</i>	18,566,214.52	7,338,873.40
<b>Total</b>	<b>18,566,214.52</b>	<b>7,338,873.40</b>

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**10B: CASH IN HAND**

	2016 - 2017 Kshs	2015 - 2016 Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other Locations ( <i>specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*[Provide cash count certificates for each]*

**11: OUTSTANDING IMPRESTS**

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>Name of Officer or Institution</i>	dd/mm/yy	-	-	-
<i>Name of Officer or Institution</i>	dd/mm/yy	-	-	-
<i>Name of Officer or Institution</i>	dd/mm/yy	-	-	-
<i>Name of Officer or Institution</i>	dd/mm/yy	-	-	-
<i>Name of Officer or Institution</i>	dd/mm/yy	-	-	-
<i>Name of Officer or Institution</i>	dd/mm/yy	-	-	-
<b>Total</b>				<b>-</b>

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



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**12. RETENTION**

	<b>2016 - 20167</b>	<b>2015 - 20156</b>
	<b>Kshs</b>	<b>Kshs</b>
Supplier 1	-	-
Supplier 2	-	-
Supplier 3	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*[Provide short appropriate explanations as necessary]*

**13. BALANCES BROUGHT FORWARD**

	<b>2016- 2017</b>	<b>2015 - 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	18,566,214.52	7,338,873.40
Cash in hand	-	-
Imprest	-	-
<b>TOTAL</b>	<b><u>18,566,214.52</u></b>	
<b>7,338,873.40</b>		

*[Provide short appropriate explanations as necessary]*

**14. PRIOR YEAR ADJUSTMENTS**

	<b>2016- 2017</b>	<b>2015 - 2016</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: ANALYSIS 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	-	-
	-	-

**15.2: PENDING STAFF PAYABLES (See Annex 2)**

	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others ( <i>specify</i> )	-	-
	-	-

**15.3: OTHER PENDING PAYABLES (See Annex 3)**

	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> )	-	-
	-	-

**15.4: FIXED ASSET REGISTER (See Annex 4)**

	Kshs	Kshs
Fixed Assets	28,716,020	28,716,020
	28,716,020	28,716,020



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**15.5: PMC account balances (See Annex 5)**

	2016/2017	
2015/2016	Kshs	Kshs
PMC account Balances (see attached list)	1,042,684.10	-
	<hr/>	<hr/>
	1,042,684.10	-
	<hr/>	<hr/>

**15.5: Amounts Due from NG~CDF Board (See Annex 6)**

	2016/2017	
2015/2016	Kshs	Kshs
	11,000,000.00	1,000,000.00
	<hr/>	<hr/>
	<b>11,000,000.00</b>	<b>1,000,000</b>
	<hr/>	<hr/>

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

<b>Asset class</b>	<b>Historical Cost (Kshs) 2016/17</b>	<b>Historical Cost (Kshs) 2015/16</b>
Land	-	-
Buildings and structures	6,100,000	6,100,000
Transport equipment	4,343,000	4,343,000
Office equipment, furniture and fittings	-	-
ICT Equipment, Software and Other ICT Assets	267,500	267,500
Other Machinery and Equipment	18,005,520	18,005,520
Heritage and cultural assets	-	-
Intangible assets	-	-
<b>Total</b>	<b>28,716,020</b>	<b>28,716,020</b>



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**ANNEX 5 –PMC BANK BALANCES AS AT 30<sup>TH</sup> JUNE 2017**

S/N	PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
1.	Kaeani Pri. School	Kenya Commercial Bank	1183388217	950.00	-
2.	Kyale Pri. School	Kenya Commercial Bank	1113061782	4,374.50	-
3.	Mutongu Primary School	Kenya Commercial Bank	1112256164	548.60	-
4.	Thome andu Primary	Kenya Commercial Bank	1204240760	0	-
5.	Ikalyoni Primary School	Equity	0600269756143	500.00	-
6.	Nzouni Primary School	Kenya Commercial Bank	1157386105	780.00	-
7.	Kithembe Primary School	Kenya Commercial Bank	1197756434	200.00	-
8.	Kikoko Girls Primary School	Kenya Commercial Bank	1204011885	105.00	-
9.	Kaumoni HGM Primary School	Equity	0670299305202	0.00	-
10.	Kyangunzu Primary School	Kenya Commercial Bank	1116340542	385.00	-
11.	Iuani AIC Primary School	Kenya Commercial Bank	1111112878	1,480.80	-
12.	Katulye Primary School	Co-operative	01139550113700	3,282.50	-
13.	Mukuyuni Primary School	Equity	0670297062422	1,000,000	-
14.	Muthethe Primary School	Kenya Commercial Bank	1110982305	656.00	-
15.	Itumbule Primary School	Kenya Commercial Bank	1205743588	0.00	-
16.	Kyangela Primary School	Equity		2,926.00	-
17.	Matua Primary School	Kenya Commercial Bank	1205884564	0.00	-
18.	Nthongoni Primary School	Equity	0670297085395	192.50	-
19.	Mungeli Primary School	Equity	067297029990	1,882.50	-
20.	Kavani Primary School	Equity	0670295094128	1,520.70	-
21.	Kyenzeni Primary School	Kenya Commercial Bank	1200547896	0.00	-
22.	Nthunguni Primary School	Kenya Commercial Bank	1208892584	0.00	-
23.	Kavutini Primary School	Equity	0670273258805	800.00	-
24.	St. Monica Wautu Sec.School	Kenya Commercial Bank	1167965329	175.00	-

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S/N	PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
25.	St. Patrick Kyamatheka Sec. School	Kenya Commercial Bank	1113088737	7,840.00	-
26.	Iuani Sec. School	Kenya Commercial Bank	1157473563	500.00	-
27.	AIC Nunguni Sec. School	Equity	1080294430847	7,580.00	-
28.	ACK Ukia mixed Secondary School	Kenya Commercial Bank	1124428216	344.00	-
29.	Kithangathini Secondary School	Kenya Commercial Bank	1113080795	4,690.00	-
30.	Muiu Secondary School	Kenya Commercial Bank	1157614655	421.00	-
31.	Thome andu Secondary School	Kenya Commercial Bank	1206332085	0.00	-
32.	Ilima Police Station	Equity	0670270631135	25.00	-
33.	Iuani AP Line Community Project	Equity	0670863795985	525.00	-
	<b>TOTAL</b>			<b>1,042,684.10</b>	<b>-</b>



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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)
1.	Non – Compliance with the prescribed format	The issue raised in the report was responded through a letter dated 6 <sup>th</sup> July, 2016	Daniel Maluki- FAM	Resolved	
2.	Unsupported Project Expenditures	The project files are now available for verification.	Daniel Maluki- FAM	Resolved	

