

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



Paper laid on the Table of the House by the Majority Party Leader on Wednesday 15th August 2018

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SAKU CONSTITUENCY

FOR THE YEAR ENDED 30 JUNE 2017

Algeroon
[Signature]



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
SAKU 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)

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –
SAKU CONSTITUENCY**
Reports and Financial Statements
For the year ended June 30, 2017

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

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

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (CDF) was established under the Constituencies Development Fund (CDF) Act, 2003, amended in 2007 and repealed by the CDF Act of 2013. In 2015, the 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 30th 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 NG-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
Website: www.ngcdf.go.ke

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

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

(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, 2017**

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

Saku NG-CDFC has made tremendous achievements since its inception in 2003 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. 81,896,551. Out of this Ksh. 40,948,276.00 had been received by end of the financial year 2016/17. Saku which is situated in Marsabit County and being a marginalised area with very high illiteracy levels, priority was given to the education sector infrastructural projects which were allocated a budget of Ksh. 32.8 million translating to 40% of the total annual budget.

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 which was allocated 25% of total annual budget and the over 150 classrooms constructed by Saku NG-CDF since inception, has greatly enabled very many students to access education. Saku 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. However the CDFC has initiated programmes to refurbish them. The CDFC had also a big challenge in implementing/completing projects since only one half of the annual budget had been received from NG-CDF Board by close of the year.

I wish to urge the CDF Board/NASC to continually increase the CDF allocations to enable more projects uptake and also timely disbursement of funds to constituencies.

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, 2017**

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, 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 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, 2017, 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 _____ 2017.



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 NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SAKU 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 - Saku Constituency set out on pages 6 to 28, 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- recurrent and development for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Saku 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 Matter sections of the report, based on the procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Unaccounted for Bursaries

Note 7 to the financial statements for the year under review reflects bursaries totaling to Kshs.21,891,650 comprising of Kshs.7,824,000 and Kshs.14,067,650 to tertiary institutions and secondary schools respectively. However, a verification of the respective disbursement records revealed that tertiary institutions acknowledged Kshs.610,000 out of Kshs.7,824,000 disbursed leaving a balance of Kshs.7,214,000 unacknowledged while secondary schools did not acknowledge their total disbursement of Kshs.14,067,650 and therefore the total un-acknowledged bursaries amounted to Kshs.21,281,650.

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

In the circumstances, the propriety and validity of the expenditure on bursaries to both Tertiary institutions and Secondary schools totaling to Kshs.21,281,650 could not be confirmed.

2.0 Irregular Committee Expenses

Note 5 to the financial statements for the year under review reflects committee expenses balance of Kshs.5,261,980. However, records maintained by the Fund indicated that the committee held 72 meetings during the year under review exceeding the statutory limit of 24 meetings by 48 meetings.

In the circumstances, the propriety and validity of the Kshs.5,261,980 expenditure as at 30 June 2017 could not be confirmed.

3.0 Voidable Purchase of Sports Equipment and Apparel

Note 7 to the financial statements for the year under review reflects an expenditure of Kshs.1,036,200 on sports activities. A review of the supporting documents however, revealed that there was no project management committee in place to run the activities but instead the payments were made to the Fund Account Manager while the National Government Constituencies Development Fund Committee (NG-CDFC) acted as the Project Management Committee (PMC).

In the circumstances, Kshs.1,036,200 expenditure as at 30 June 2017 is voidable.

4.0 Emergency Projects

Note 7 of the notes to the financial statements for the year under review reflects an emergency projects balance of Kshs.4,422,040 which included Kshs.896,200 spent on projects which did not meet the threshold of an emergency as defined under Section 8(3) of the National Government Constituencies Development Fund Act, 2015 as follows;

Payee	Description	Amount (Kshs.)
Karare Mixed Secondary school	Payment for electrification of the Administration block	170,000
Karare Primary school	Payment for furniture supplied	299,000
Japhet Ngui	Being surrender of imperest	190,000
Japhet Ngui	Being surrender of imperest	150,000
Nasmi Enterprise	Payment of supply of building materials	87,200
TOTAL		896,200

In the circumstances, the propriety of the Kshs.896,200 expenditure on emergency projects as at 30 June 2017 could not be confirmed.

5.0 Construction of a Maternity Ward at Hula-Hula Dispensary

Note 6 to the financial statements reflects transfers to other government entities of Kshs.60,192,708 which includes a balance of Kshs.2,636,000 in respect to transfers to Health Institutions. However, the respective supporting documents showed a total

expenditure of Kshs.2,795,180 paid for the construction of a maternity ward at Hula-Hula dispensary leading to an unexplained over expenditure of Kshs.159,180.

Perusal of the contract award documents revealed that the contract was awarded to Nale Investment Ltd of P.O Box 404 Marsabit at a contract sum of Kshs.5,295,180 on 30 July 2015 and was to take a duration of twelve (12) weeks from the date the contract was signed. However, there was no project handing over minutes while Certificate of completion was issued on 15 Dec 2016, four months after the payment was made. Further, physical inspection carried out on 16 May 2018 revealed that the project was complete but was not in use.

In the circumstances, the accuracy, regularity and value for money for the expenditure amounting to Kshs.2,795,180 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 - Saku Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The combined summary statement of appropriation reflected an original budget of Kshs.81,896,552. However, the Fund received Kshs.91,728,612 which included Kshs.50,780,335 relating to the financial year 2015/2016 but received in the year under audit and Kshs.40,948,277 for the year 2016/2017. The Fund did not receive Kshs.40,948,275 of the sum of Kshs.81,896,552 budgeted for the year. Further, the combined summary statements of appropriation and the statement of receipts and payments reflected receipts of Kshs.115,061,068 and Kshs.91,728,612 respectively resulting into an unexplained and unreconciled variance of Kshs.23,332,456. In addition, the statement of receipts and payments reflects receipts of Kshs.91,728,612 and payments of Kshs.109,350,464 resulting to a deficit of Kshs.17,621,852.

In the circumstances, it was not possible to ascertain how the Fund financed the Kshs.17,621,852 deficit as at 30 June 2017.

2.0 Project Implementation Status

The Fund had planned to implement 34 projects during the year under review. However, 6 projects worth Kshs.8,900,000 had not started while 15 projects with a

total cost of Kshs.23,024,828 were ongoing and only 13 projects worth 47,820,000 had been completed as analyzed below;

Project Status	Sector	Amount Allocated (Kshs.)	Amount Disbursed (Kshs.)	No. of Projects
Completed	Education	27,320,000	10,039,788	12
	Bursary	20,500,000	20,500,000	1
	Sub Total	47,820,000	30,539,788	13
Ongoing	Education	18,730,000	4,300,000	13
	Emergency	4,094,828	2,193,530	1
	Others	200,000	0	1
	Sub Total	23,024,828	6,493,530	15
Not Started	Education	1,000,000	0	1
	Security	4,900,000	0	3
	Sports	1,000,000	0	1
	others	2,000,000	0	1
	Sub-Total	8,900,000	0	6
Grand Total		79,744,828	37,033,318	34

The residents of Saku Constituency did not therefore get promised and expected services equivalent to Kshs.8,900,000 being the budgeted for but unimplemented projects as at 30 June 2017.

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 continue as a going concern, 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 scepticism 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 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 to continue to sustain 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

17 July 2018

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU
CONSTITUENCY

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

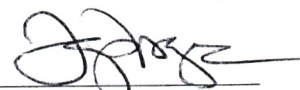
IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	91,728,612	97,599,377
Proceeds from Sale of Assets	2		-
Other Receipts	3		-
TOTAL RECEIPTS		91,728,612	97,599,377
PAYMENTS			
Compensation of employees	4	2,163,440	1,283,644
Use of goods and services	5	9,527,659	7,156,356
Transfers to Other Government Units	6	60,192,708	41,074,960
Other grants and transfers	7	31,466,657	32,534,512
Acquisition of Assets	8	6,000,000	-
Other Payments	9	-	-
TOTAL PAYMENTS		109,350,464	82,049,472
SURPLUS/DEFICIT		(17,621,852)	15,549,905

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 _____ 2017 and signed by:



Chairman - NGCDF



Fund Account Manager

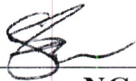
NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SAKU
CONSTITUENCY

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

V. STATEMENT OF ASSETS

	Note	2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS;-			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10.A	5,710,604	23,332,456
Cash Balances (cash at hand)	10. B	-	-
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		5,710,604	23,332,456
REPRESENTED BY;-			
Fund balance b/fwd 1st July 2015.	13	23,332,456	7,782,551
Surplus/Deficit for the year		(17,621,852)	15,549,905
Prior year adjustments	14	-	-
NET LIABILITIES		5,710,604	23,332,456

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The SakuNGCDF financial statements were approved on _____ 2017 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, 2017

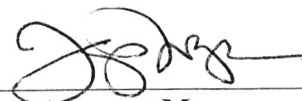
VI. STATEMENT OF CASHFLOW

Transfers from CDF Board	1	91,728,612	97,599,377
Other Receipts	3	-	-
		91,728,612	97,599,377
Payments for operating expenses			
Compensation of Employees	4	2,163,440	1,283,644
Use of goods and services	5	9,527,659	7,156,356
Transfers to Other Government Units	6	60,192,708	41,074,960
Other grants and transfers	7	31,466,657	32,534,512
Acquisition of Assets	8	6,000,000	-
Other Payments	9	-	-
		109,350,464	
Adjusted for:			
Adjustments during the year	14	-	-
			82,049,472
Net cash flow from operating activities		(17,621,852)	15,549,905
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	-	-
Net cash flows from Investing Activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(17,621,852)	15,549,905
Cash and cash equivalent at BEGINNING of the year	13	23,332,456	7,782,551
Cash and cash equivalent at END of the year	10.A	5,710,604	23,332,456

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 _____ 2017 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, 2017

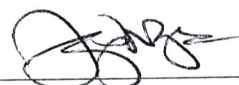
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND
DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	A	b	c=a+b	D	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	81,896,552	74,112,791	156,009,343	115,061,068	40,948,275	74
Proceeds from Sale of Assets	-	-	-	-	-	0
Other Receipts	-	-	-	-	-	0
Total Receipts	81,896,552	74,112,791	156,009,343	115,061,068	40,948,275	74
PAYMENTS						
Compensation of Employees	2,272,000	669,756	2,941,756	2,163,440	778,316	74
Use of goods and services	5,098,624	5,201,401	10,300,025	9,527,659	772,366	93
Transfers to Other Government Units	32,831,100	51,534,874	84,365,974	60,192,708	24,173,266	71
Other grants and transfers	41,694,828	10,706,760	52,401,588	31,466,657	20,934,931	60
Acquisition of Assets	-	6,000,000	6,000,000	6,000,000	-	100
Other Payments	-	-	-	-	-	0
TOTALS	81,896,552	74,112,791	156,009,343	109,350,464	46,658,879	70

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 _____ 2017 and signed by:



Chairman NGCDFC



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 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.

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, 2017.

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IX. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	AIE NO.S	2016 - 2017		2015 - 2016	
		Kshs		Kshs	
Normal Allocation	A825943	50,180,335	A790847	35,087,890	
	A829990	4,094,828	A724015	7,511,487	
	A855216	36,853,449	A724054	5,000,000	
	A855596	600,000	A796449	20,000,000	
			A820639	10,000,000	
			A820784	20,000,000	
TOTAL		91,728,612		97,599,377	

2. PROCEEDS FROM SALE OF ASSETS

3510000	Description	2016 - 2017		2015 - 2016	
		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	-		-	
	Total	-		-	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

1400000	Description	2016 - 2017	2015 - 2016
		Kshs	Kshs
1410107	Interest Received	-	-
1410405	Rents	-	-
1420601	Sale of tender documents	-	-
1450207	Other Receipts Not Classified Elsewhere (specify)	-	-
	Total	-	-

4. COMPENSATION OF EMPLOYEES

	Description	2016 - 2017	2015 - 2016
		Kshs	Kshs
2110201	Basic wages of contractual employees	1,339,127	1,270,644
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	824,313	-
2120101	Employer contribution to NSSF	-	13,000
2710120	Gratuity	-	-
	Total	2,163,440	1,283,644

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5. USE OF GOODS AND SERVICES

	Description	2016 - 2017	2015 - 2016
		Kshs	Kshs
2210100	Utilities, supplies and services	15,960	23,960
2210104	Office rent	225,000	315,000
2210200	Communication, supplies and services	-	4,640
2210300	Domestic travel and subsistence	1,048,200	461,250
2210500	Printing, advertising and information supplies & services	-	-
2210600	Rentals of produced assets	-	-
2210700	Training expenses	-	-
2210800	Hospitality supplies and services	-	-
2210802	Other committee expenses	80,000	90,000
2210809	Committee allowance	5,261,980	4,006,500
2210900	Insurance costs	-	-
2211000	Specialized materials and services	-	-
2211100	Office and general supplies and services	165,034	103,750
2211200	Fuel ,oil & lubricants	680,190	1,044,973
2211300	Other operating expenses	107,306	313,500
2220100	Routine maintenance – vehicles and other transport equipment	1,943,989	792,783
2220200	Routine maintenance – other assets	-	-
	Total	9,527,659	7,156,356

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

	Description	2016 – 2017	2015 - 2016
		Kshs	Kshs
2630204	Transfers to Primary schools	32,476,398	13,681,471
2630205	Transfers to Secondary schools	21,730,630	18,209,067
2630206	Transfers to Tertiary institutions	3,349,680	5,000,000
2630207	Transfers to Health institutions	2,636,000	4,184,422
	TOTAL	60,192,708	41,074,960

7. OTHER GRANTS AND OTHER PAYMENTS

	Description	2016 – 2017	2015 - 2016
		Kshs	Kshs
2640101	Bursary -Secondary	14,067,650	14,671,100
2640102	Bursary -Tertiary	7,824,000	10,299,390
2640104	Bursary-Special schools	-	-
2640105	Mocks & CAT	-	-
2640504	Water	2,928,570	1,098,658
2640505	Agriculture (food security)	-	-
2640506	Electricity projects	-	-
2640507	Security	188,197	872,999
2640508	Roads		-
2640509	Sports	1,036,200	761,340
2640510	Environmental projects	1,000,000	694,000
2640200	Emergency Projects (specify)	4,422,040	4,137,025
	Total	31,466,657	32,534,512

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

	Non Financial Assets	2016 - 2017	2015 – 2016
		Kshs	Kshs
3110102	Purchase of Buildings	-	-
3110202	Construction of Buildings	-	-
3110302	Refurbishment of Buildings	-	-
3110701	Purchase of Vehicles	6,000,000	-
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	-	-
	Total	-	-

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9. OTHER PAYMENTS

		2016 - 2017	2015 - 2016
		Kshs	Kshs
Retention money		-	-
TOTAL		-	-

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	Account Number	2016 – 2017	2015 - 2016
		Kshs (30/6/2017)	Kshs (30/6/2016)
Kenya Commercial Bank, Marsabit Branch	1102647977	5,710,604.00	23,332,456.30
Total		5,710,604.00	23,332,456.30

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10B: CASH IN HAND

		2016 - 2017	2015 - 2016
		Kshs (30/6/2017)	Kshs (30/6/2016)
Location 1		-	-
Location 2		-	-
Location 3		-	-
Other receipts (specify)		-	-
Total		-	-

11: OUTSTANDING IMPRESTS

Name of Officer	Date imprest taken	Amount Taken	Amount Surrendered	Balance (30/6/2017)	Balance (30/6/2016)
		Kshs	Kshs	Kshs	Kshs
None		-	-	-	-
Total		-	-	-	-

12. Retention

Supplier/Contractor	PV no	2016 - 2017	2015 - 2016
		Kshs	Kshs
Total		-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. BALANCES BROUGHT FORWARD

	2016 - 2017	2015 - 2016
	Kshs (1/7/2016)	Kshs (1/7/2015)
Bank accounts	7,782,552	39,560,318
Cash in hand	-	-
Imprest	-	-
Total	7,782,552	39,560,318

14. PRIOR YEAR ADJUSTMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Imprest	-	-
Total	-	-

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15. OTHER IMPORTANT DISCLOSURES

15.1. PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Construction of buildings	15,968,350	17,827,406
Construction of civil works	-	-
Supply of goods	672,700	1,939,845
Supply of services	332,540	299,470
Total	16,973,590	20,066,721

15.2. PENDING STAFF PAYABLE (See Annex 2)

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Contractual employees	582,630.00	902,220.00
Total	582,630.00	902,220.00

15.3. OTHER PENDING PAYABLES (See Annex 3)

	2016 - 2017 Kshs	2015 - 2016 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>)	-	-
Total	-	-

15.4. PROJECT MANAGEMENT COMMITTEE ACCOUNT BALANCES

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
N/A	N/A	N/A	Nil	Nil

15.5: TOTAL AMOUNT OWING TO THE CONSTITUENCY FROM THE CDF BOARD

	2016 - 2017 Kshs	2015 - 2016 Kshs
Total	40,948,275	50,780,335

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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
				2016 - 2017	2015 - 2016	
	a	b	c	d=a-c		
Construction of buildings						
Kubi Qallo Primary School	1,200,000	30.6.17	-	1,200,000	-	Construction of one classroom
Gachacha Primary School	1,100,000	30.6.17	-	1,100,000	-	Construction of one classroom
SKM Primary School	1,500,000	30.6.17	-	1,500,000	-	Rehabilitation of Dorm
Boru Haro Primary School	1,600,000	30.6.17	-	1,600,000	-	Construction of staff house
Dirib Gombo Primary School	800,000	30.6.17	-	800,000	-	Refurbishment of four classrooms
Lakartinya Primary School	1,200,000	30.6.17	-	1,200,000	-	Construction of one classroom
Loruko Primary School	1,200,000	30.6.17	-	1,200,000	-	Construction of one classroom
Dakabaricha Mixed Secondary School	1,500,000	30.6.17	-	1,500,000	-	Supply of Computer equipment
Karare Chief's office	2,000,000	30.6.17	-	2,000,000	-	Construction of Chief's office
Sagante Chief's office	2,000,000	30.6.17	-	2,000,000	-	Construction of Chief's office
Hula Hula Chief's office	299,400	30.6.17	-	299,400	-	Supply of Furniture & fittings
Gadamoji High School	800,000	30.6.17	-	800,000	-	Electric connection and fencing of Dorm and 2 tanks

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Ilpus Primary School	149,950	30.6.17		149,950	-	supply of 15 metal-frame desks
Comboni Primary School	619,000	30.6.17		619,000	-	Refurbishment of two classrooms & kitchen
Sub-Total	15,968,350			15,968,350		
Supply of goods						
Saku Investment	440,300	30.6.17	-	440,300		supply of Fuel and MV tyres/accessories,
Modis and Bros	232,400	30.6.17	-	232,400		supply of MV tyres/accessories,
Sub-Total	672,700			672,700		
Supply of services						
Suada Ahmed Ali	225,000	30.6.17	-	225,000		Office rent for the months of February-June 2017
Kenya Power and Lighting sh	8,000	30.6.17	-	8,000		Office electricity bill
Jupiter Computer Services	56,340	30.6.17	-	56,340		Office stationery
Robert Githieki	43,200	30.6.17	-	43,200		servicing of CDFC Motor Vehicle
Sub-Total	332,540			332,540		
Grand Total	16,973,590		-	16,973,590		

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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
					2017	2016	
		a	b	c	d=a-c		
Contractual Employees							
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
Sub-Total		902,220			902,220		

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		
None							

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost	Historical Cost
	(Kshs)	(Kshs)
	2016 - 2017	2015 - 2016
Land	-	-
Buildings and structures	-	-
Transport equipment	10,335,050	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	-	-
Total	10,609,600	4,609,600

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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 for Fy 2014/15. 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.(i)	Accuracy and Presentation of the Financial statements	(a). The prior year adjustment of Ksh.703,297 was in respect of retention money/deposits still held at the CDF Account and were expensed during Fy 2015/16	Japhet Ngui (FAM)/Benson Macharia (DA)	Resolved	
	”	(b). Bank charges amounting to Ksh. 72,885.15 were expensed and recorded in the cash book during the Fy2015/16	Japhet Ngui (FAM)/Benson Macharia (DA)	Resolved	
	”	The certified/audited comparative balance of total financial assets for Fy 2013/2014 & Fy 2014/15 had a variance of Ksh.284,000 which was an amount of un surrendered imprest and was since surrendered	Japhet Ngui (FAM)/Benson Macharia (DA)	Resolved	
2.0.	Budgetary Control and Performance	As observed by the audit team, Saku CDF had been allocated a total Ksh. 95,198,754.00 during the Financial year	Mr. Yusuf Mbuno (CEO-CDF Board)	Being acted upon	

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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)
		<p>2014/15. Out of this, only Ksh. 47,599,377.00 had been disbursed by the CDF Board to the constituency. The actual expenditure of Ksh. 80,080, 440 made during the year, represent partly funds brought down from the previous financial year i.e. Ksh. 39,560,318. It should thus not be construed that the Ksh. 80,080, 440 were only funds for Fy 2014/15 parse. It should be noted that CDFs, unlike most other Government funds, unspent balances during the financial year are carried forward to the following year and not credited back to the Consolidated Fund.</p> <p>As noted in the above paragraph, because of the essence that funds were carried forward from the previous year, the actual expenditure of Ksh. 49,872,605.00 for the referred six projects include funds brought forward from the</p>			

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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)
		<p>previous financial year as some projects for the previous year but implemented during Fy 2014/15. Please note that some four projects rather with a budget of Ksh. 6,650,000 had not been implemented by the end of the Fy 2014/15 including others worth Ksh. 40,949,377.00 totaling to Ksh. 47,599,377 (rather than Ksh. 15,118,313) being funds yet to be received from the CDF Board for financial year 2014/15. The slow disbursement of funds to constituencies by the CDF Board has largely been due to slow exchequer receipts from the National Treasury as experienced by nationally by all Government departments including even the County Governments. This issue of slow disbursements has severally been</p>			

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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)
		addressed to the CDF Board and are constantly addressing it with the National Treasury for them to enhance exchequer issues.			
3	Project Implementation Status	As earlier explained in the last paragraph of 2.0 above , some projects worth Ksh. 23,846,931 had not been started because funds were yet to be received from the CDF Board and this has severally been addressed to them	CEO- CDF Board	Resolved	