

REPUBLIC OF KENYA



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by header of  
Majority party  
(Hon. Aden Duale)  
4/10/2018  
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**REPORT**

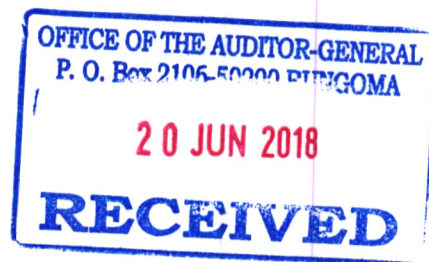
**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2017**



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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - BUTULA  
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)

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**CONSTITUENCY DEVELOPMENT FUND- BUTULA CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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**II. KEY CONSTITUENCY INFORMATION AND MANAGEMENT**

**(a) Background information**

The *Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003, repealed by the CDF Act, 2013 and now NG CDF (Amendment) Act 2015. The NG *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 NG *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 Butula constituency's day-to-day management is under the following key organs:

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

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Winston Lihanda
3.	Accountant	Stephen Mesa

**(d) Fiduciary Oversight Arrangements**

The Audit and Risk Management Committee (ARMC) of NG CDF Board provide overall fiduciary oversight on the activities of Butula 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.

**(e) Butula NGCDF Headquarters**

Butula NGCDF Office Building  
P. O. Box 53 - 50405  
Butula  
Busia, Kenya

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - BUTULA  
CONSTITUENCY**

**Reports and Financial Statements**

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

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**(f) Butula NGCDF Contacts**

Telephone: (254) 0 787 883 580

E-mail: [cdfbutula@ngcdf.go.ke](mailto:cdfbutula@ngcdf.go.ke)

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

**(g) Butula NGCDF Bankers**

National Bank of Kenya

Mumias Branch

P. O. Box 264 - 50400

Mumias, Kenya

**(h) Independent Auditors**

Office of Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**(i) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

# NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - BUTULA CONSTITUENCY

## Reports and Financial Statements

For the year ended June 30, 2017

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### III. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND COMMITTEE (NGCDFC)

#### Budget Performance

The budget performance against the actual amounts achieved an average of 99.9% utilization for the economic classification and programmes.

#### Key achievements of the fund

- It has led to the initiation of development projects at the local level thereby availing financial resources at the grassroots level, thus, empowering communities economically.
- It has led to the expansion of education infrastructure through construction of new schools.
- Bursary awards have increased enrolment and retention rates education institutions.
- It has led to the increase in accessibility of clean water.
- It has led to reduced insecurity through establishment of administration police camps and police stations

#### Emerging issues

- Piece meal funding of projects leading to its delayed benefit.
- Legal issues.

#### Challenges

- Insufficient annual allocated budget
- Increased population and poverty
- Insufficient technical support

#### Way forward

- Strengthening of audit systems and collaboration with investigating agencies i.e. Ethics and Anti-Corruption Commission and Director of Criminal Investigation on cases touching on fraud.
- To intensify Monitoring and Evaluation Unit,
- The NG CDF Board to hire registered Structural Engineers, Quality Surveyors and other staff on full-time basis.



Pamphil Opoya  
Chairperson - NGCDFC

# NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - BUTULA CONSTITUENCY

## Reports and Financial Statements

For the year ended June 30, 2017

### IV. 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.

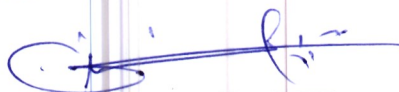
The Accounting Officer in charge of the Butula NGCDF is responsible for the preparation and presentation of the NGCDF's financial statements, which give a true and fair view of the state of affairs of the NGCDF for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NGCDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the NGCDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

#### Approval of the financial statements

The NGCDF's financial statements were approved and signed by the Accounting Officer on 14<sup>th</sup> July, 2017.



Winston Lihanda  
Fund Account Manager



Pamphil Opoya  
Chairperson NGCDFC

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- BUTULA 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 Constituencies Development Fund- Butula Constituency set out on pages 1 to 13, which comprise the statement of financial assets and liabilities as at 30 June 2017 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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 paragraph, the financial statements present fairly, in all material respects, the financial position of the National Government Constituencies Development Fund- Butula 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 section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money may not have been applied lawfully and in an effective manner.

#### Basis for Qualified Opinion

##### 1. Transfers to Other Government Units

Included in the Transfers to Other Government Units balance of Kshs.30,501,775 is an amount of Kshs.9,600,000 in respect of transfers to secondary schools which in turn includes Kshs.1,000,000 remitted to a local secondary school for construction of a modern library.

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



However, physical verification conducted at the school revealed that the money was applied as part payment for purchase of the school bus without prior approval by the National Government Constituencies Development Fund Board.

In the circumstance, the planned construction of a modern library at the School was not implemented and therefore the funds were not used effectively.

## 2. Stalled Projects

The Fund implemented two projects for construction of administration blocks at Busiada Girls Secondary School and Lugulu A.C. Secondary School at a cost of Kshs.2,000,000 and Kshs.1,000,000 respectively. However, physical verification revealed that the projects were not completed and were therefore put to in use. At the time of the audit, the respective contract periods had lapsed and the contractors had left the sites.

Consequently, value for the money expended on the projects was not realized.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Butula 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 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. There were no Key Audit Matters to report in the year under review.

## Other Matter

### 1. Budgetary Performance

Butula NGCDF's approved budget for year under review was Kshs.146,754,143. However, only Kshs.110,185,454 was spent resulting in under-expenditure of Kshs.36,568,689 equivalent to 25% of the total budget as detailed below:

Audit Components	Current year Final Budget Figures	Actual Expenditure Figures	Difference between Budget and Actual expenditure	% Budget Absorption
	Kshs.	Kshs.	Kshs.	%
Transfers from NGCDF board	146,754,142	110,305,872	36,448,271	75%

<b>Payments</b>				
Compensation of Employees	2,719,121	2,419,121	300,000	89%
Use of Goods and Services	18,394,934	15,992,558	2,402,376	87%
Transfers to Other Government Units	47,892,846	30,501,775	17,391,071	64%
Other grants and Transfers	75,622,242	59,172,000	16,450,242	78%
Acquisition of Assets	2,125,000	2,100,000	25,000	99%
<b>Total</b>	<b>146,754,143</b>	<b>110,185,454</b>	<b>36,568,689</b>	<b>75%</b>

No plausible explanation has been provided by management for the under-absorption of the budget.

## 2. Project Performance

The Fund was to implement a total of 23 projects in various sectors during the financial year under review. Works on all the projects started during the year; 16 projects (representing 70% of the portfolio) were on-going and seven(7) representing 30% of the portfolio had been completed as at the time of audit as analyzed below:

<b>Butula NG-CDF</b>								
<b>Sector</b>	<b>Budgeted projects</b>		<b>Ongoing</b>			<b>Completed</b>		
	<b>No.</b>	<b>Kshs</b>	<b>No.</b>	<b>Kshs</b>	<b>%</b>	<b>No.</b>	<b>Kshs</b>	<b>%</b>
Primary School Infrastructure Project	5	3,500,000	3	2,100,000	60%	2	1,400,000	40%
Secondary School Project	8	12,200,000	7	10,200,000	88%	1	2,000,000	13%
Tertiary School Projects	1	4,675,000	1	4,675,000	100%	-	-	0%
Security Projects	5	4,000,000	5	4,000,000	100%	-	0	0%
Sports Activities	1	1,637,931	-	-	0%	1	1,637,931	100%
Environmental Activities	1	1,637,931	-	-	0%	1	1,637,931	100%
Acquisition of Assets	1	2,125,000	-	-	0%	1	2,125,000	100%
Bursaries	1	20,655,173	-	-	0%	1	20,655,173	100%
<b>Total</b>	<b>23</b>	<b>50,431,035</b>	<b>16</b>	<b>20,975,000</b>	<b>70%</b>	<b>7</b>	<b>29,456,035</b>	<b>30%</b>

In the circumstance, the residents of Butula Constituency did not receive all the services due from the budgeted projects that were not completed.

### **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 going concern basis of accounting unless management is aware of the intention to liquidate the Fund or cease its operations.. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

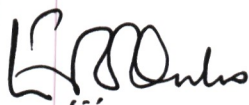
As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.

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 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**

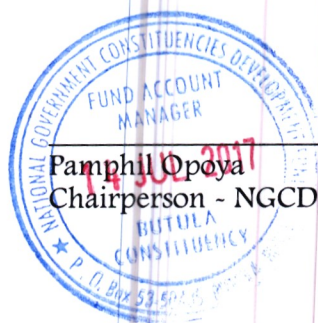
**13 July 2018**

**CONSTITUENCY DEVELOPMENT FUND- BUTULA CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**V. STATEMENT OF RECEIPTS AND PAYMENTS**

	Not e	2016 - 2017	2015 - 2016
		Kes	Kes
<b>RECEIPTS</b>			
Transfers from NG CDF board-AIE's Received	1	108,579,493	120,999,263
<b>TOTAL RECEIPTS</b>		<u>108,579,493</u>	<u>120,999,263</u>
<b>PAYMENTS</b>			
Compensation of employees	2	2,419,121	1,446,644
Use of goods and services	3	15,992,558	14,150,222
Transfers to Other Government Units	4	30,501,775	32,090,741
Other grants and transfers	5	59,172,000	82,362,652
Acquisition of Assets	6	2,100,000	-
<b>TOTAL PAYMENTS</b>		<u>110,185,454</u>	<u>130,050,259</u>
<b>SURPLUS/(DEFICIT)</b>		(1,605,961)	(9,050,996)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Butula NGCDF financial statements were approved on 14<sup>th</sup> July, 2017 and signed by:



Pamphil Opoya  
 Chairperson - NGCDFC

Winston Lihanda  
 Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - BUTULA  
CONSTITUENCY**

**Reports and Financial Statements**

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

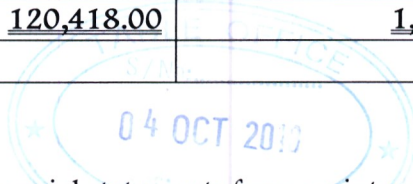
**VI. STATEMENT OF ASSETS AND LIABILITIES**


	Note	2016 – 2017	2015 – 2016
		Kes	Kes
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	7	120,418	1,726,380
<b>TOTAL FINANCIAL ASSETS</b>		<u>120,418</u>	<u>1,726,380</u>
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1 <sup>st</sup> July, 2016	8	1,726,380	10,777,376
Surplus/(Deficit) for the year		(1,605,962)	(9,050,996)
<b>NET LIABILITIES</b>		<u>120,418.00</u>	<u>1,726,380</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Butula NGCDF financial statements were approved on 14<sup>th</sup> July, 2017 and signed by:



Pamphil Opoya  
Chairperson - NGCDF



  
Winston Lihanda  
Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - BUTULA  
CONSTITUENCY**

**Reports and Financial Statements**


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

**VII. STATEMENT OF CASHFLOW**

Receipts for operating income		2016 – 2017	2015 – 2016
		Kes	Kes
Transfers from CDF Board	1	108,579,493	120,999,263
		<u>108,579,493</u>	<u>120,999,263</u>
<b>Payments for operating expenses</b>			
Compensation of Employees	2	2,419,121	1,446,644
Use of goods and services	3	15,992,558	14,150,222
Transfers to Other Government Units	4	30,501,775	32,090,741
Other grants and transfers	5	59,172,000	82,362,652
		108,085,454	130,050,259
<b>Net cash flow from operating activities</b>		494,039	(9,050,996)
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	6	(2,100,000)	-
<b>Net cash flows from Investing Activities</b>		(2,100,000)	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		(1,605,962)	(9,050,996)
<b>Cash and cash equivalent at BEGINNING of the year</b>	7	1,726,380	10,777,376
<b>Cash and cash equivalent at END of the year</b>		<u>120,418</u>	<u>1,726,380</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Butula NGCDF financial statements were approved on 14<sup>th</sup> July, 2017 and signed by:

  
 Pamphil Opya  
 Chairperson, NGCDFC

  
 Winston Lihanda  
 Fund Account Manager

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kes	Kes	Kes	Kes	Kes	Kes
<b>RECEIPTS</b>						
Transfers from NG CDF Board	81,896,552	64,857,591	146,754,143	110,305,872	36,448,271	75.2%
<b>TOTAL</b>	<b>81,896,552</b>	<b>64,857,591</b>	<b>146,754,143</b>	<b>110,305,872</b>	<b>36,448,271</b>	<b>75.2%</b>
<b>PAYMENTS</b>						
Compensation of Employees	2,027,751	691,370	2,719,121	2,419,121	300,000	89.0%
Use of goods and services	5,342,938	13,051,996	18,394,934	15,992,558	2,402,376	86.9%
Transfers to Other Government Units	26,500,000	21,392,846	47,892,846	30,501,775	17,391,071	63.7%
Other grants and transfers	45,900,863	29,721,379	75,622,242	59,172,000	16,450,242	78.2%
Acquisition of Assets	2,125,000	-	2,125,000	2,100,000	25,000	99.0%
<b>TOTAL</b>	<b>81,896,552</b>	<b>64,857,591</b>	<b>146,754,143</b>	<b>110,185,454</b>	<b>36,568,689</b>	<b>75.1%</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Butula NG CDF financial statements were approved on 14<sup>th</sup> July, 2017 and signed by:



Pamphil Opoya  
Chairperson NGCDFC

Winston Lihanda  
Fund Account Manager



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

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**IX. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**1. Statement of compliance and basis of preparation**

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

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

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

**2. Recognition of revenue and expenses**

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

**3. In-kind contributions**

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

**4. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

**5. Pending bills**

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

**6. Budget**

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

**7. Comparative figures**

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

**8. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

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**X. NOTES TO THE FINANCIAL STATEMENTS**

**I. Transfers from other government entities**

Description		2016 – 2017	2015 - 2016
NG CDF Board	<b>AIE NO.</b>	<b>Kes</b>	<b>Kes</b>
	790829		46,487,776
	750425		12,511,487
	796414		20,000,000
	820708		20,000,000
	825517		22,000,000
	825900	20,000,000	
	825948	37,631,211	
	825948	4,094,833	
	855163	36,853,449	
	839666	10,000,000	
<b>Total</b>		<b><u>108,579,493</u></b>	<b><u>120,999,263</u></b>

**II. Compensation of Employees**

Description	2016 – 2017	2015 - 2016
	<b>Kes</b>	<b>Kes</b>
Basic wages of contractual employees	2,419,121	1,446,644
<b>Total</b>	<b><u>2,419,121</u></b>	<b><u>1,446,644</u></b>

**III. Use of goods and services**

Description	2016 - 2017	2015 - 2016
	<b>Kes</b>	<b>Kes</b>
Committee Expenses	7,010,000	-
Communication, supplies and services	400,000	-
Printing, advertising and information supplies & services	4,200,000	-
Hospitality supplies and services	750,000	-
Office and general supplies and services	3,395,000	-
Fuel ,oil & lubricants	100,000	-

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Description	2016 - 2017	2015 - 2016
	Kes	Kes
Other operating expenses	17,558	-
Routine maintenance - other assets	120,000	-
<b>Total</b>	<b><u>15,992,558</u></b>	<b><u>14,150,222.</u></b>

**IV. Transfers to Other Government Units**

Description	2016 - 2017	2015 - 2016
	Kes	Kes
Transfers to primary schools (see attached list)	3,700,000	10,787,931
Transfers to secondary schools (see attached list)	9,600,000	13,300,000
Transfers to tertiary institutions (see attached list)	11,875,000	4,853,810
Transfers to health institutions (see attached list)	5,326,775	3,149,000
<b>Total</b>	<b><u>30,501,775</u></b>	<b><u>32,090,741</u></b>

**V. Other grants and other payments**

Description	2016 - 2017	2015 - 2016
	Kes	Kes
Bursary - secondary schools (see attached list)	15,957,000	17,264,554
Mock & CAT (see attached list)	500,000	300,000
Water projects (see attached list)	11,665,000	16,669,079
Security projects (see attached list)	3,000,000	6,050,000
Roads projects (see attached list)	10,500,000	23,531,019
Sports projects (see attached list)	5,000,000	2,500,000
Environment projects (see attached list)	2,400,000	-
Emergency projects (see attached list)	10,150,000	2,650,000
<b>Total</b>	<b><u>59,172,000</u></b>	<b><u>82,362,652</u></b>

**VI. Acquisition of Assets**

Description	2016 - 2017	2015 - 2016
	Kes	Kes

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Refurbishment of buildings	2,100,000	-
<b>Total</b>	<b><u>2,100,000</u></b>	<b>=</b>

**VII. Bank Accounts (cash book bank balance)**

Name of Bank, Account No. & currency	2016 - 2017	2015 - 2016
	Kes	Kes
<i>National Bank of Kenya - Busia Branch, 1021037115600, Kes</i>	120,418	1,726,380
<b>Total</b>	<b><u>120,418</u></b>	<b><u>1,726,380</u></b>

**VIII. Balances brought forward**

Description	2016 - 2017	2015 - 2016
	Kes	Kes
<i>Bank accounts</i>	7,597,796	35,737,450
<b>Total</b>	<b><u>7,597,796</u></b>	<b><u>35,737,450</u></b>

**IX. PMC account balances (see attached list)**

Description	2016 - 2017	2015 - 2016
	Kes	Kes
PMC account balances	131,926	6,066,356
<b>Total</b>	<b><u>131,926</u></b>	<b><u>6,066,356</u></b>

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**XI. ANNEXURE**

**Annex 1 - Summary of fixed asset register**

Asset class	Historical Cost (Kes) 2016 - 17	Historical Cost (Kes) 2015 - 16
Land	250,000	250,000
Buildings and structures	6,300,654	4,200,654
Transport equipment	4,565,000	4,565,000
Office equipment, furniture and fittings	487,387	487,387
ICT Equipment, Software and Other ICT Assets	1,228,129	1,228,129
Other Machinery and Equipment	18,005,520	18,005,520
<b>Total</b>	<b>30,836,690</b>	<b>28,736,690</b>

**Annex 2 - Analysis of other pending payables**

**Amounts due to other government entities**

Project Name	Amount (Kes)
<b>PRIMARY SCHOOL PROJECTS</b>	
Burinda Primary	700,000
Igula Primary School	700,000
Sikura Primary School	700,000
Butunyi Mixed School	700,000
<b>SECONDARY SCHOOL PROJECTS</b>	
Bujumba Boys Secondary School	2,500,000
Bumala B Secondary School	2,000,000
Kingandole Secondary School	2,000,000
Madola Secondary School	700,000
Buduma Girls Secondary School	700,000
Elukhari Secondary School	800,000

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Project Name	Amount (Kes)
Bujumba Girls Secondary School	1,500,000
<b>Total</b>	<b>13,000,000</b>

**Amounts due to other grants and other transfers-**

Project Name	Amount (Kes)
<b>SECURITY PROJECTS</b>	
Bumala Chief Camp	2,000,000
Burinda Chief Camp	2,000,000
Namwitsula Chief Camp	2,000,000
Bukhalalire Chief Camp	2,000,000
Bulemia AP Camp	2,000,000
Malambisia Chief Camp	2,000,000
Sigulu Police Station	2,000,000
Tingolo AP Camp	2,000,000
Mauko AP Camp	2,000,000
Butula Resource Centre	5,000,000
<b>Total</b>	<b>23,000,000</b>

**Annex 3 - PMC account balances**

PMC	Bank	Account number	Bank Balance 2016 -17 (Kes)	Bank Balance 2015 -16 (Kes)
Bumala A.C Mixed Sec	NBK	01242036877902	3,018	7,860
Siunga Dispensary	NBK	01242076627400	0	0
Nyalwanda Dispensary	NBK	01245076687700	263	97
Bujumba Girls Sec	NBK	01243076668900	19	22,879
Bujumba Boys Sec	NBK	01242036500601	17,564	21,999
Busike Primary Sch	NBK	01047101094000	2,404	0

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PMC	Bank	Account number	Bank Balance 2016 -17 (Kes)	Bank Balance 2015 -16 (Kes)
Ikonzo Mixed Sec	NBK	01242037592702	530	0
Burinda Primary	KCB	1161038329	3,180	1,560
Madola Secondary	KCB	1176167235	8,000	5,000
Busiada Girls Sec	KCB	1119914752	2,136	46,982
Benga Dispensary	KCB	1160630704	6,590	3,090
Butula Water	NBK	2711456080	17,700	5,000
Butula Roads	NBK	01021038985800	17,000	3,400
Bumala B Health Centre	KCB	1148924558	3,764	113,764
Esibembe Primary	KCB	1148418482	2,253	1,413
St. Joseph Ogongo	KCB	1147599009	61,075	13,295
Mafubu Dispensary	KCB	1159492018	17,592	11,612
Sigulu AP Line	KCB	1178556980	2,000	3,000
<b>Total</b>			<b>165,087</b>	<b>260,950</b>

**Annex 3 - Trial Balance as at 30<sup>th</sup> June, 2017**

		DR	CR
		Kes	Kes
<b>Cash and Cash equivalents</b>			
	Bank Balances	120,418	
<b>Payments</b>			
	Compensation of Employees	2,419,121	
	Use of goods and services	15,992,558	
	Transfers to Other Government Units	30,501,775	
	Other grants and transfers	59,172,000	
	Acquisition of assets	2,100,000	
<b>Receipts</b>			
	Transfers from the Board		108,579,492



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		DR	CR
Fund Balance b/f			1,726,380
<b>Total</b>		<b>110,305,872</b>	<b>110,305,872</b>

**XII. 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	Incomplete project - Bwaliro Girls Secondary School	The NG CDFC is considering allocating more funds to complete the project in 2018/19 FY	Winston Lihanda - FAM	Resolved	Immediately

