

REPUBLIC OF KENYA



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(Hon. J. Aden Duale)
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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
MT. ELGON CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2017**



OFFICE OF THE AUDITOR-GENERAL
P. O. Box 2106-50200, BUNGOMA

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**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-
MT. ELGON 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 – MT. ELGON
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The *Constituencies Development Fund (NG-CDF)* was set up under the NG-CDF Act, 2003 now repealed by the NG-CDF Act, 2013.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 *MT. ELGON Constituency's NG-CDF* day-to-day management is under the following key organs:

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

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Robert K serem
3.	Accountant	Simom Asava

(d) Fiduciary Oversight Arrangements

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

(e) MT. ELGON NG-CDF Headquarters

P.O. Box 267-50203
Mt Elgon Sub-County head quarters
Planning and Devolution Building
Kapsokwony, KENYA

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MT. ELGON
CONSTITUENCY**

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

(f) MT. ELGON NG-CDF Contacts

Telephone: (254) 721431120
E-mail: ngcdfmt.elgon@ngcdf.go.ke
Website: www.ngcdf.go.ke

(g) MT. ELGON NG-CDF Bankers

1. Cooperative Bank of Kenya
Kimilili Branch
P.O. Box 552-50204
Kimilili, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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

I have the pleasure to present to you the Financial Statement of Mt Elgon National Government Constituency Development Fund for the financial year 2016/17 which stands at 97% utilization. The fund was used to put up of infrastructure facilities for schools, security personnel, for award of bursaries to needy students, and for youth empowerment through acquisitions of sports kits for the football teams. The bursaries awarded enabled the retention in school and eventual completion of studies by a number of needy students.

Beside the successes, there has been emerging issues related to the fund like the court case which was finally determined by the high court. The PMCs and CDFC had been suit by contractor Felisha Agencies in relation to contractual agreements with the PMCs of Masaek Primary school and Cheptais Community Teachers college. The ruling brought a financial loss to the fund to a tune of Ksh 4,048,622.60 however we have filed an appeal on the same which is yet to be determined.

Court cases on the NG-CDFCs/PMCs, needs to be settle out of court where possible there is need to sensitize public on the dispute resolution outside court as per the spirit of the fund act

There was delay in implementation of projects at PMC level because of tussles on the land issues since the land vendors changed from their initial consents to sell land for projects.

Sign


CHAIRMAN NG-CDFC

MT. ELGON NG - CDF
FUND ACCOUNT MANAGER
P. O. Box 267 - 50203,
KAPSOKWONY

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MT. ELGON
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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.

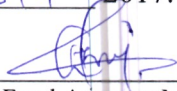
The Accounting Officer in charge of the MT. ELGON National Government Constituency Development Fund is responsible for the preparation and presentation of the MT. ELGON NG-CDF financial statements, which give a true and fair view of the state of affairs of the MT. ELGON NG-CDF for and as at the end of 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 NG-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 *NG-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 MT. ELGON 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 MT. ELGON NG-CDF further confirms the completeness of the accounting records maintained for the *NG-CDF*, 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 MT. ELGON 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 28th 2017.


Fund Account Manager


Chairman NG-CDFC

MT. ELGON NG - CDF
FUND ACCOUNT MANAGER
P. O. Box 267 - 50203,
KAPSOKWONY

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- MT. ELGON 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- Mt. Elgon Constituency set out on pages 5 to 18, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

Unsupported Land Acquisition

Included under transfers to other government units figure of Kshs.83,883,956 is an amount of Kshs.800,000 incurred in respect of purchase of two (2) acres of land by Chemositet Primary School. However, no title deed for the acquired land was availed for audit verification.

In the circumstances, it was not possible to ascertain the ownership of the acquired land.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund- Mt.Elgon 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. Budgetary Control and Performance

During the year under review, the Fund spent Kshs.163,931,417 against a budgeted amount of Kshs.168,540,276 resulting in an overall under-absorption of Kshs.4,808,860 or 3%. There were instances where the Fund had 43% under-absorption on compensation of employees while incurring 1,603% over absorption on other payments hence overspending the budgetary line as highlighted below.

Receipt/Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilisation Difference Kshs.	% of Utilisation
Receipts				
Transfers from NG-CDF Board	168,740,276	163,931,417	4,808,860	97%
Payments				
Compensation of Employees	5,356,520	2,277,270	3,079,250	43%
Use of goods and services	11,316,252	9,751,920	1,564,332	86%
Transfers to Other Government Units	84,484,356	83,883,956	600,400	99%
Other grants and transfers	67,118,756	63,820,048	3,298,708	95%
Acquisition of Assets	211,832	149,600	62,232	71%
Other Payments	252,560	4,048,623	-3,796,063	1603%
Totals	168,540,276	163,931,417	4,808,860	97%

2. Project Implementation Status

The Fund was to implement a total of 44 projects/programmes through different Project Management Committee (PMCs) during the financial year under review. Further analysis indicated 17 representing 39% of the projects were ongoing while 27 representing 61% of the projects had been completed as at the time of audit as highlighted below.

Sector	Ongoing	Ongoing %	Completed	Completed %	Total
Education Primary	10	37%	17	63%	27
Education Secondary	4	44%	5	56%	9
Security	3	75%	1	25%	4
Bursary Secondary	-	0%	1	100%	1
Bursary Special	-	0%	1	100%	1
Bursary Tertiary	-	0%	1	100%	1
Emergency	-	0%	1	100%	1
Total	17	39%	27	61%	44

Consequently, the Fund had not achieved its projects completion targets and could therefore not provide its constituents with all the services planned and budgeted for the year ended.

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/ 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 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

12 July 2018

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MT. ELGON
CONSTITUENCY**

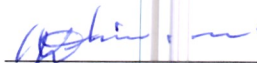
Reports and Financial Statements

For the year ended June 30, 2017


IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Transfers from NG-CDF board-AIEs' Received	1	149,742,142	67,000,000
TOTAL RECEIPTS		149,742,142	67,000,000
PAYMENTS			
Compensation of employees	2	2,277,270	1,771,280
Use of goods and services	3	9,751,920	7,693,723
Transfers to Other Government Units	4	83,883,956	48,100,000
Other grants and transfers	5	63,820,048	31,323,104
Acquisition of Assets	6	149,600	-
Other Payments	7	4,048,623	1,860,000
TOTAL PAYMENTS		163,931,417	90,748,107
DEFICIT		(14,189,275)	(23,748,107)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MT. ELGON NG-CDF financial statements were approved on 28/9 2017 and signed by:


Chairman - NG-CDFC

MT. ELGON NG - CDF
FUND ACCOUNT MANAGER
P. O. Box 267 - 50203,
KAPSOKWONY


Fund Account Manager


**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MT. ELGON
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**Reports and Financial Statements
For the year ended June 30, 2017**

V. STATEMENT OF ASSETS


	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	8	5,358,860	18,998,135
TOTAL FINANCIAL ASSETS		5,358,860	18,998,135
REPRESENTED BY			
Fund balance b/fwd.	9	18,998,135	42,746,242
Deficit for the year		(14,189,275)	(23,748,107)
Prior year adjustments	10	550,000	-
NET LIABILITIES		5,358,860	18,998,135

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MT. ELGON NG-CDF financial statements were approved on 28/9 2017 and signed by:



Chairman - NG-CDFC

MT. ELGON NG - CDF
FUND ACCOUNT MANAGER
P. O. Box 267 - 50203,
KAPSOKWONY



Fund Account Manager

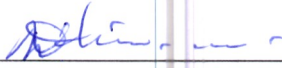
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MT. ELGON
CONSTITUENCY**

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

VI. STATEMENT OF CASHFLOW

		2016-2017	2015-2016
Receipts for operating income			
Transfers from NG-CDF Board	1	149,742,142	67,000,000
Payments for operating expenses			
Compensation of Employees	2	2,277,270	1,771,280
Use of goods and services	3	9,751,920	7,693,723
Transfers to Other Government Units	4	83,883,956	48,100,000
Other grants and transfers	5	63,820,048	31,323,104
Other Payments	7	4,048,623	1,860,000
		163,781,817	90,748,107
Adjusted for:			
Adjustments during the year	10	(550,000)	-
Net cash flow from operating activities		(13,489,674)	(23,748,107)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	149,600	-
Net cash flows from Investing Activities		149,600	-
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year	9	18,998,135	42,746,242
Cash and cash equivalent at END of the year	8	5,358,860	18,998,135

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MT. ELGON NG-CDF financial statements were approved on 28/9 2017 and signed by:



Chairman NG-CDFC

MT. ELGON NG-CDF
FUND ACCOUNT MANAGER
P. O. Box 267 - 50203,
KAPSOKWONY



Fund Account Manager

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

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

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 NG-CDF Board	81,896,552	86,843,725	168,740,276	163,931,417	4,808,860	97%
PAYMENTS						
Compensation of Employees	2,122,000	3,234,520	5,356,520	2,277,270	3,079,250	43%
Use of goods and services	5,248,690	6,067,563	11,316,252	9,751,920	1,564,332	86%
Transfers to Other Government Units	40,956,897	43,527,459	84,484,356	83,883,956	600,400	99%
Other grants and transfers	33,568,965	33,549,791	67,118,756	63,820,048	3,298,708	95%
Acquisition of Assets	-	211,832	211,832	149,600	62,232	71%
Other Payments	-	252,560	252,560	4,048,623	-3,796,063	1603%
TOTALS	81,896,552	86,843,725	168,540,276	163,931,417	4,808,860	97%

- i. Compensation of Employees is below 50% since gratuity has not been paid for the four-year period similarly it had been anticipated that another employee was to be engaged immediately but it was not until the last quarter of the year when it was done.
- ii. Other payment was occasioned by the court ruling where emergency was used to settle adjust the payments

The MT. ELGON NG-CDF financial statements were approved on 28/19 2017 and signed by:


Fund Account Manager

Chairman NG-CDF

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 *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 *NG-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 changes in

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MT. ELGON
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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, 2017.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MT. ELGON
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**Reports and Financial Statements
For the year ended June 30, 2017**

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2016 - 2017	2015 - 2016
		Kshs	Kshs
NG-NG-CDF Board			
AIE NO	A825938	67,345,590	10,000,000
AIE NO	A829938	4,094,828	10,000,000
AIE NO	A839635	36,853,449	10,000,000
AIE NO	A855532	500,000	20,000,000
AIE NO	A855663	40,948,275	17,000,000
TOTAL		149,742,142	67,000,000

2. COMPENSATION OF EMPLOYEES

	2016 - 2017	2015-2016
	Kshs	Kshs
Basic wages of contractual employees	1,926,000	1,694,800
Personal allowances paid as part of salary		
Leave allowance	25,000	16,000
Employer NSSF Contribution	68,040	60,480
Gratuity	258,230	-
Total	2,277,270	1,771,280

3. USE OF GOODS AND SERVICES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Committee Expenses	4,996,770	3,393,160
Utilities, supplies and services	35,000	29,000
Communication, supplies and services	376,805	6,960
Domestic travel and subsistence	249,700	124,700
Training expenses	500,000	640,250
Specialized materials and services	18,600	600,865
Office and general supplies and services	273,750	315,990
Other operating expenses	106,234	1,263,819
Routine maintenance – vehicles and other transport equipment	3,195,061	1,318,979
Total	9,751,920	7,693,723

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to National Government entities		
Transfers to primary schools	51,590,427	37,600,000
Transfers to secondary schools	32,293,529	10,500,000
TOTAL	83,883,956	48,100,000

5. OTHER GRANTS AND OTHER PAYMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bursary – secondary schools	17,718,600	13,121,500
Bursary – tertiary institutions	19,161,500	12,494,000
Bursary – special schools	75,000	-
Mock & CAT	-	66,000
Security projects	12,000,000	1,000,000
Roads projects	9,022,248	-
Sports projects	1,742,700	499,604
Environment projects	-	142,000
Emergency projects	4,100,000	4,000,000
Total	63,820,048	31,323,104

6.0 ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2016 - 2017	2015 - 2016
	Kshs	Kshs
Purchase of ICT Equipment, Software and Other ICT Assets	149,600	0
Total	149,600	0

7.0 OTHER PAYMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Other Payments	4,048,623	1,860,000
	4,048,623	1,860,000

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8.0: BANK ACCOUNTS (CASH BOOK BANK BALANCE)

Name of Bank, Account No. & currency	2016 - 2017 Kshs	2015 - 2016 Kshs
<i>COOPERATIVE BANK 01120050483200.</i>	5,358,850	18,998,135
Total	5,358,850	18,998,135

9.0. BALANCES BROUGHT FORWARD

	2016 - 2017 Kshs	2015-2016 Kshs
Bank accounts	18,998,135	42,746,242
	18,998,135	42,746,242

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10. OTHER IMPORTANT DISCLOSURES

ANNEX 1 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2017	Comments
	a	b	c	d=a-c		
Others (NGCDF STAFF)						
1. VALMA CHEPCHUMBA	186,000	1/6/13	0	186,000	119,040	31% GRATUITY
2. MOSES SULULIA	130,200	1/6/13	0	130,200	111,600	31% GRATUITY
3. MONTEY IRAEL	182,280	1/6/13	0	182,280	111,600	31% GRATUITY
4. CATERINE CHEREN	141,360	1/6/13	0	141,360	104,160	31% GRATUITY
5. BATHOLEMEW CHENA	83,700	1/7/13	0	83,700	83,700	31% GRATUITY
6. GEOFREY NDATWA	-	1/7/15		-	104,160	
Totals				723,540	634,260	

ANNEX 2- ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2017	Comments
Amounts due to other grants and other transfers							
1. Kimaswa ap camp						348,456	
Sub-Total						348,456	

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2017/15	Historical Cost (Kshs) 2013/14
Land	1,000,000	1,000,000
Buildings and structures	10,000,000	10,000,000
Transport equipment	9,750,000	9,750,000
Office equipment, furniture and fittings	201,600	201,600
ICT Equipment, Software and Other ICT Assets	566,495	416,895
Total	21,518,095	21,368,495

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ANNEX 4 –PMC BANK BALANCES AS AT 30TH JUNE 2017

S/NO	PROJECT NAME	ACCOUNT NO.	B.BALANCE
1	KIPSIS GIRLS SEC SCHOOL	01139049243302 CO- OP BGM	4,649
2	KIM GIRLS KAPKOTA	0480294574654 – EQUITY BGM	12,300
3	CATHOLIC SEC SCHOOL	01141687885900 – CO OP KIM	539,105
4	CHELEBEI SEC SCHOOL	01139469433200 – COP KIMILILI	28,846
5	CHESITO SEC SCHOOL	01139469477300 CO – OP KIMILILI	18,870
6	KONGIT SEC SCHOOL	01141049884500 CO – OP KIMILILI	3,320
7	CHEMOGE SEC SCHOOL	011411469763100 – CO – OP KIMILILI	33,783
8	KAMOSONG PRI SCHOOL	01141049291400 BGM CO –OP	1,432
9	CHESIKAKI R.C PRIMARY	01141049584500 BGM EQU	2,325
10	KIBUMET PRI SCHOOL	01141050031600 CO – OP KIM	525
12	TEREM PRI SCHOOL	01141050031400 CO – OP KIM	591
13	NOMORIO PRIMARY SCHOOL	1.14105E+12	2,483
14	MLIMANI PRI SCHOOL	01141050864300 CO –OP KIM	2,483
15	KABOROM FYM PRIMARY	0114105003500 – CO – OP KIMILILI	4,055
16	CHERONGOS PRI SCHOOL	01139291655800 – BGM CO – OP	2,350
17	KAMUKATA PRI SCHOOL	01141470740100 – CO –OP KIMILILI	4,334
18	KIPKAMA PRI SCHOOL	01141050043300 – CO –OP KIM	963
19	CHEPTOROR PRI SCHOOL	01141049012800 – CO – OP KIM	299
20	BUERKENWO PRIMARY	01141536925100 CO – OP BGM	2,344
21	NAMATOTOA PRIMARY SCHOOL	01141409849800 CO – OP BGM	3,510
22	PANTAP – TAY PRIMARY SCHOOL	0141668037600 – CO – OP BGM	1,163
23	CHESIKAKI FYM PRI SCHOOL	01141409243200 – BGM – KIMILILI	11,280
24	TULWO PRIMARY SCHOOL	01139085000601 – CO –OP KITALE	24,385
25	SOSAPLEI PRIMARY SCHOOL	01141050031000 CO –OP KIMILILI	62,825
26	KAMABUS PRI SCHOOL	01141669273900 – BGM COP	1,694
27	WASIO PRIMARY SCHOOL	01141049679300 – CO –OP BGM	1
28	MURWANI PRI SCHOOL	0480294093155 EQUITY BGM	1,270
29	CHEBIN PRI. SCHOOL	01139290435800 – BGM CO-OP	2,412
30	ACK KABOROM PRIMARY	01139469316400 – CO – OP KIMILILI	2,675
31	KABERO PRI SCHOOL	01141657955000 CO – OP KIM	19,522
32	KABOYWO AP CAMP	01141687956606 – CO – OP KIM	1,325
33	KAPTALELIO AT CAMP	01141657883900 – CO – OP KIM	13,375
35	KAPSAMBU AP CAMP	01141687880000 – CO – OP KIMILILI	1,026
	Total		811,518

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11.0 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.

Referen ce 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)	Timefram e: (Put a date when you expect the issue to be resolved)
1.0	<p>Budgetary Control Performance</p> <p>The Fund had an approved budget of Kshs 177,591,832 and spent Kshs 90,748,107 resulting to under expenditure of Kshs 86,843,724 or overall budget utilization of 51%.Further, all budgetary expenditure items incurred absorption rating of below 90%. Consequently, the budget target was not met and various projects budgeted were not done within the financial year. It is not clear how the CDF intended to clear this backlog of projects as low budget absorption will negatively affect service delivery.</p>	<p><i>The operations of the CDF committee stopped on the night of 18th February 2016 with the lapse of the one year window granted by the court to realign the CDF act 2013 with the constitution. The NGCDF Act 2015 came in to force thus it rendered the tenure of the then committee under the CDF act 2013 invalid. It was not until 30th of March 2016 that the regulations that operationalized the NGCDF 2015 act was published and thus commencement of the process of selecting a new Committee under the NGCDF 2015 Act. The selection of the Committee was challenged in court through a petition thus the process delayed, the new committee was gazetted on July 2016 when the financial year</i></p>	NGCDFC	Resolved	30 th June 2017

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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)
		<i>had lapsed. However immediately the committee come in it has fast tracked the projects implementation and the back lock has been cleared</i>			
2.0	<p>Project Implementation Status</p> <p>During the year under review, The Fund had not commenced implementation of various projects and programmes amounting to Kshs 49,723,810 representing 74% of fund received during that year. Therefore, the fund did not fully meet the budget target and effective delivery of service.</p>	<p>We did not receive the entire allocation from NGCDF board since from February 19th 2016 till the closure of the financial year there was no Committee to oversee the implementation of the programmes since the term of the committee under the CDF act 2013 lapsed on the night of 18th February 2016 and the new committee come in place on 17th July 2016.</p>	NGCDFC	Resolved	30 th June 2017
3.0	<p>Undisbursed Allocation</p> <p>The Fund received Kshs 67,000,000 in the year against total National Allocation of Kshs.177,591,832 resulting to undisbursed allocation of Kshs 127,094,119. This will hinder the implementation of this year's projects and subsequently have an impact on next year's</p>	<p><i>The CDF Board did not disburse the remainder of the funds before the end of the financial year since the NGCDF committee mandate to manage the funds had not been formed due to the court petition. It gazette notice of appointment come in July 2016. The back lock has since been addressed in</i></p>	NGCDF	Resolved	30 th June 2017

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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)
	delivery of targets.	2016/17 financial year.			
4.0	<p>Purchase of Land by Chebich Primary School</p> <p>Mr Eliud Keton Mengwa agreed to sell a plot of land measuring 1 Acre at a cost of Kshs. 450,000 to Chebich Primary School. However, the title deed for the land has not been transferred to the school. In the absence of the title deed, we are unable to confirm that the ownership of the land.</p>	<p>The school was given kshs 500,000 where kshs 450,000 paid the seller of the land- Mr Eliud Keton Mengwa, kshs 24,000 for surveying, and drawing of sell agreement and kshs 26,000 for the project Management committee administrative expenses thus there was no funds left to process the transfer of the title deed. However it is planned that the school be allocated funds in 2017/18 to process the title deed.</p>	NGCDF	NOT RESOLVED	30 th June 2018