REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

PAPER LAID BY MAJORITY PARTY WHIP, THE HON. BENJAMIN WASHIAHI ON 27-09-2017
IBM

REPORT

OF

THE AUDITOR-GENERAL

ON

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

FOR THE YEAR ENDED 30 JUNE 2016

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-MAGARINI CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016

AMMENDED

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

Table of Content Page

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2013.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

(b) Key Management

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

i. National 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	**Stephen Charo**
3.	Accountant	**Vincent Musumba**
4.		

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of Magarini 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) MAGARINI CDF Headquarters

NGCDF Office Building.
P.O Box 1907-80200
MALINDI

(f) MAGARINI NGCDF Contacts

Telephone: (254) 0721722246
E-mail:magarini@ngcdf.go.ke
Website: www.ngcdf.go.ke

(g) MAGARINI NGCDF Bankers

Kenya Commercial Bank Ltd
Malindi Branch
P.O BOX 9-80200
MALINDI
Account Number 1108017754

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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

Magarini NGCDF is the largest constituency in Kilifi with more than half of the County being in Magarini. It covers the whole of Magarini District and two locations of Malindi District, that is Sabaki (from Barclays Bank in Malindi) and Chakama (bordering Tsavo East National Park).

MAJOR MILESTONES AND OUTCOMES

Major milestones achieved during the year under review include completion of;

- Phase I of the Sabaki-Vibao Viri Water Project; bringing safe portable water for the first time in Magarini since Independence. Reducing the cost of water ten-fold and improved health and sanitation
- Magarini Teachers Training College; the only tertiary and higher education institution in Magarini. Accessibility to higher education and opening doors for national integration and ethnicity diversity
- Mapimo Girls Hostel; the only all-girls secondary school in Magarini. Improving performance of the girl child and reducing school dropouts
- The Sabaki Secondary School; the first project of Magarini Constituency in Sabaki Ward. Integration of Sabaki ward into Magarini, previously in Malindi Constituency
- and the Constituency Vehicle bringing impetus to CDF operations and giving that National Government presence

CHALLENGES FACED

Challenges faced include the disconnect between the end use department and the community who have different priorities when it comes to project proposals. The Act is clear; that projects should be initiated by the community. Only in implementation should the end user department be involved. Health and Security projects have given us quite a challenge in implementation.
Land ownership is another challenge in implementation of projects.
PMCs are also part of the problem in project implementation instead of a solution

LESSONS LEARNT

Lessons learnt include consulting with the end-user department after receiving proposals and getting engineers estimates for projects costs.
We have also learnt to build complete classrooms fully equipped with desks and electrical works and we hope to do the same for all the projects the we undertake.
Our classrooms are unique with 24 pillars and can support another floor upstairs.
Water is devolved and all the management of the line and operations including reticulation and distribution is with the County Government; ours is to offer the infrastructure.

Sign.....
CHAIRMAN NGCDFC

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 Magarini 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, 2016. This responsibility includes: (I) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Magarini 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, 2015, and of the NGCDF's financial position as at that date. The Accounting Officer charge of the Magarini 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 Magarini 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 26.05.2017.

Fund Account Manager	Chairman

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR–GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MAGARINI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Magarini Constituency set out on pages 5 to 23, which comprise the statement of assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and summary statement of appropriations: 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 believe, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statement

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 preparations of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

1.1 Bank Balance

The statement of assets as at 30 June 2016 reflects a bank balance of Kshs.80,476,069.89. However, the bank reconciliation statement availed for audit as at 30 June 2016 included; receipts in bank statement not recorded in cash book of Kshs.4,432,590 dating back to the year 2014, bank charges of Kshs.58,946.50, and stale cheque of Kshs.1,000. The management has not explained why these transactions have not been adjusted in the cash book.

1.2 Cash Balance

The statement of assets reflects nil cash balance as at 30 June 2016. However, the board of survey certificate was not availed for audit review. Consequently, the accuracy and completeness of cash and cash equivalent balance of Kshs.80,476,069.89 as at 30 June 2016 could not be ascertained.

2.0 Transfers to other Government Units

The statement of receipts and payments for the year ended 30 June 2016 reflects transfer to other government units figure of Kshs.50,586,573. Included in this figure is transfers to secondary schools amount of Kshs.31,300,000 and transfers to tertiary Institutions amounting to Kshs.7,500,000 as detailed in note 6 to the financial statements. However, perusal of project files revealed that the Constituency Development Fund Committee (CDFC) used request for quotations for works for four (4) projects above the Kshs.500,000 contrary to National Treasury legal notice No.106 of 2013 threshold matrix for class C entities as detailed below:

Project Name	Project Type	Contract Sum Kshs.
Kaembeni Secondary School	Construction of 4 classrooms with desks	5,110,240
Kibokoni Secondary	Construction and finish of a girls hostel	8,154,361

Magarini Teachers Training CDF	Construction of TTC	7,551,936
Majenjeni secondary school	Completion of a twin lab	7,853,242
Waresa Technical Training Institute	Construction of TTI	10,000,000
Total		**38,669,779**

Further, management did not avail for audit review pre-qualification and tender documents to show how the process of identifying, evaluating and awarding of the contract was done to support an expenditure of Kshs.10,000,000 related to funds transferred to Waresa Technical Training Institute for construction of a technical training institute which was a joint project of Magarini NG-CDF and the National Government. In addition, no project file was availed for audit verification to confirm whether the project design and construction met the specifications. The inspection of the project revealed that the project had stalled since March, 2016 after the demise of the contractor.

Consequently, the regularity of the expenditure of Kshs.38,669,779 as funding for various projects for the year ended 30 June 2016 could not be confirmed.

3.0 Acquisition of Assets

The statement of receipts and payments for the year ended 30 June 2016 reflects acquistion of assets figure of Kshs.7,245,411. However, Fixed Assets register at Annex 2 reflects movements of Kshs.7,160,944, resulting to unexplained nor reconciled variance of Kshs.84,467.

As a consequence, the accuracy and completeness of acquisition of assets of Kshs.7,245,411 for the year ended 30 June 2016 could not be ascertained.

Qualified Opinion

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 National Government Constituencies Development Fund – Magarini Constituency as at 30 June 2016, 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.

Other Matter

1.0 Budgetary Controls and Performance

The Constituency had a budget of Kshs.201,241,502 compared to the 2014/2015 budget of Kshs.219,698,845 representing a decrease of Kshs.18,457,343 or 8%. The Fund had an actual expenditure of Kshs.120,765,432 resulting to an overall under absorption of Kshs.80,476,070 or 40% as detailed below:-

Vote Item	Final Budget (Kshs)	Actual Receipt/ Expenditure (Kshs)	Under Absorption (Kshs)	% Under Absorption
Compensation of Employees	4,282,098	2,340,721	1,941,377	25.3%
Use of goods and services	21,517,158	14,689,118	6,828,040	48.99%
Transfers to Other Government Units	83,048,642	50,586,573	32,462,069	60.1%
Other grants and transfers	80,893,605	45,903,609	34,989,996	31.7%
Acquisition of Assets	11,500,000	7,245,411	4,254,589	61.3%
Total	**201,241,503**	**120,765,432**	**80,476,070**	**40%**

From the above analysis, there was an under absorption of Kshs.80,476,070 or 40% of the final budget. The underutilization of the budget implies development projects earmarked for implementation were not undertaken which affects delivery of goods and services to citizens of Magarini Constituency.

2.0 Project Implementation

According to the project implementation status report, fifty one (51) projects with an approved budget of Kshs.157,759,658 were budgeted for by Magarini CDF as at 30 June 2016. Thirty two (32) out of fifty one (51) projects were completed and put in use while nineteen (19) projects with a total budget of Kshs.40,500,000 had not started as were still awaiting for funds from the National Government Constituency Fund Board as summarized below:

	Name of the Project	Project Description	Allocation as per approved proposal	Expenditure in 2015/2016 (Kshs)	Amount Outstanding as at 30th June	Current Status
1	Bofu Primary School	Construction of New 2 no. of classrooms with desks	3,000,000.00		3,000,000.00	Awaiting for funds
2	Vuga Primary School	Construction of New 2 no. of classrooms with desks	3,000,000.00		3,000,000.00	Awaiting for funds
3	Kaguguta Primary School	Construction of New 2 no. of classrooms with desks	3,000,000.00		3,000,000.00	Awaiting for funds
4	Kinyaule primary school	Construction of New 2 no. of classrooms with desks	3,000,000.00		3,000,000.00	Awaiting for funds
5	Majengo primary school	Construction of 2-door toilets with 200 desks	1,000,000.00	1,000,000.00	-	Not Started
6	Kagombani Primary School	Provision of eight hundred desks	2,000,000.00		2,000,000.00	Not Started
7	Mawazo Primary	Construction of New 2 no. of classrooms with	3,000,000.00		3,000,000.00	Awaiting for funds

	School	desks				
8	Kibokoni Primary School	Renovation of 4 classrooms	1,000,000.00		1,000,000.00	Awaiting for funds
9	Sabaki Primary School	Renovation of 4 classrooms	1,000,000.00		1,000,000.00	Awaiting for funds
10	Mjanaheri Secondary school	Completion of two classrooms	600,000.00	600,000.00	-	Complete and in use
11	Kaembeni Secondary school	Construction of four classrooms with desks	5,250,000.00	4,000,000.00	1,250,000.00	Awaiting for funds
12	Waresa secondary school	Construction of two New classrooms with desks	3,000,000.00	3,000,000.00	-	On going
13	Watala Secondary school	Construction of 4 New classrooms with desks	5,250,000.00		5,250,000.00	Awaiting for funds
14	Kibokoni Secondary school	Construction and finish of a girls hostel	8,000,000.00	5,000,000.00	3,000,000.00	Awaiting for funds
15	Waresa Technical Training Institute	Constituency contribution towards National Government project - Construction of one workshop	10,000,000.00	5,000,000.00	5,000,000.00	Awaiting for funds
16	Adu Police Station	Construction of 10 rooms staff quarters	3,000,000.00		3,000,000.00	Not Started
17	Hawa Wanje Police Post	Construction of New police post	2,000,000.00		2,000,000.00	Not Started
18	Bura Chiefs office	Construction of New chief's office	1,000,000.00		1,000,000.00	Not Started
19	Gandini Assistant Chiefs Office	Construction of New chief's office	1,000,000.00		1,000,000.00	Not Started
	Total		**59,100,000.00**	**18,600,000.00**	**40,500,000.00**	

The delay in starting and non- completion of these projects may have impacted negatively on the delivery of goods and services to the residents of Magarini Constituency. The Project Management Committee (PMC) should be at the forefront in ensuring that projects are completed in a timely manner for the benefit of the residents of the Constituency.

3.0 Project Inspection

A total of twelve (12) projects with a budget of Kshs.47,700,000 were inspected during the month of March 2017. Six (6) of the projects visited were complete and in use while five (5) projects with allocation of Kshs.14,700,000 had outstanding issues as detailed in the table below:-

	Project Name	Description of Works	Amount Allocated Kshs	Remarks
1	Galana Girls secondary sch CDF	Construction of 2 no classrooms	3,000,000	The works were found to be ongoing. However, the contractor had been paid Kshs.2,800,000/- Which is 94% of the contract sum as at the date of visit yet the works appeared to be only 85% complete.
2	Majenjeni secondary school	Completion of a twin lab	2,351,358	The project was commissioned in August 2014 yet not certified as complete.
3	Majenjeni Secondary School	Completion of a twin lab	2,548,642	The project was commissioned in August 2014 yet not certified as complete.
4	Mapimo Boys Secondary school	Construction of 2 no classrooms	3,000,000	Project is complete and in use. However, land donated by MP is still in his name – Hon. Harrison Kombe, and not in the name of the school.
5	Mapimo Girls Secondary	Completion of girls hostel	3,800,000	Project is stalled. Records available indicate that there have been various changes in Contractors thus interfering with the contract period. The floor of the structure was peeling as at the date of visit on 10 March 2017.
	Total		**14,700,000**	

These projects had not been complete as at 30 June 2016. This is an indication of lack of focus in the budget making mechanism and therefore there is need for the management to prioritize projects with a view to undertaking the projects which will be completed within the year and improve the standards of living for the citizens of Magarini Constituency.

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

Nairobi

16 August 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015 - 2016	2014 - 2015
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	195,013,847	168,653,130
Proceeds from Sale of Assets	2	-	
Other Receipts	3	-	
TOTAL RECEIPTS		**195,013,847**	**168,653,130**
PAYMENTS			
Compensation of employees	4	2,340,721	1,962,169
Use of goods and services	5	14,689,118	9,482,687
Transfers to Other Government Units	6	50,586,573	78,159,139
Other grants and transfers	7	45,903,609	78,469,714
Acquisition of Assets	8	7,245,411	8,143,291
Other Payments	9	-	-
TOTAL PAYMENTS		**120,765,432**	**176,217,001**
SURPLUS/DEFICIT		**74,248,414**	**(7,563,870)**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Magarini financial statements were approved on 26.05.2017 and signed by:

Chairman - NGCDFC

Fund Account Manager

V. STATEMENT OF ASSETS

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	80,476,070	6,227,656
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	11	-	
TOTAL FINANCIAL ASSETS		80,476,070	6,227,656
REPRESENTED BY			
Retention	12		
Fund balance b/fwd 1st July...	13	6,227,656	13,791,526
Surplus/Defict for the year		74,248,414	(7,563,870)
Prior year adjustments	14	-	-
NET LIABILITIES		80,476,070	6,227,656

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Magarini NGCDF financial statements were approved on 26.05.2017 and signed by:

Chairman - NGCDFC **Fund Account Manager**

VI. STATEMENT OF CASHFLOW

		2015 - 2016	2014 - 2015
Receipts for operating income			
Transfers from CDF Board	1	195,013,847	168,653,130
Other Receipts	3	-	-
		195,013,847	
Payments for operating expenses			
Compensation of Employees	4	2,340,721	1,962,169
Use of goods and services	5	14,689,118	9,482,687
Transfers to Other Government Units	6	50,586,573	78,159,139
Other grants and transfers	7	45,903,609	78,469,714
Other Payments	9	-	-
		113,520,022	**168,073,710**
Adjusted for:			
Adjustments during the year	14	-	-
Net cash flow from operating activities		**81,493,825**	**579,420**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	9	(7,245,411)	(8,143,291)
Net cash flows from Investing Activities		(7,245,411)	**(8,143,291)**
NET INCREASE IN CASH AND CASH EQUIVALENT		**74,248,414**	**(7,563,870)**
Cash and cash equivalent at BEGINNING of the year	13	**6,227,656**	**13,791,526**
Cash and cash equivalent at END of the year		**80,476,070**	**6,227,656**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Magarini NGCDF financial statements were approved on 26.05.2017 and signed by:

Chairman NGCDFC **Fund Account Manager**

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	157,759,658	43,481,844	201,241,502	195,013,847	6,227,656	97%
Proceeds from Sale of Assets				-	-	
Other Receipts	-			-	-	
TOTAL	**157,759,658**	**43,481,844**	**201,241,502**	**195,013,847**	**6,227,656**	97%
PAYMENTS						
Compensation of Employees	2,600,000	1,682,098	4,282,098	2,340,721	1,941,377	55%
Use of goods and services	11,643,369	9,873,789	21,517,158	14,689,118	6,828,039	68%
Transfers to Other Government Units	81,298,642	1,750,000	83,048,642	50,586,573	32,462,069	61%
Other grants and transfers	51,217,647	29,675,958	80,893,605	45,903,609	34,989,995	57%
Acquisition of Assets	11,000,000	500,000	11,500,000	7,245,411	4,254,589	63%
Other Payments			-		-	
TOTAL	**157,759,658**	**43,481,844**	**201,241,502**	**120,765,432**	**80,476,070**	60%

The Magarini NG-CDF financial statements were approved on 26.05. 2016 and signed by:

Chairman NG-CDF

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.

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, 2016.

IX. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

AGENCIES			
Description		**2015 - 2016**	**2014 -2015**
		Kshs	**Kshs**
Normal Allocation	A796051	37,254,189	56,890,564
	A724122	10,000,000	32,254,189
	A820604	10,000,000	22,352,513
	A796485	20,000,000	-
	A796322	10,000,000	19,901,676
	A825538	29,000,000	37,254,189
	A825824	78,759,658	
Conditional grants			-
	AIE NO...	-	
Receipt from other Constituency	AIE NO...	-	
TOTAL		**195,013,847**	**168,653,130**

2. PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS			
Description		**2015 - 2016**	**2014 - 2015**
		Kshs	**Kshs**
Receipts from the Sale of Buildings		-	
Receipts from the Sale of Vehicles and Transport Equipment		-	-
Receipts from the Sale Plant Machinery and Equipment		-	
Receipts from the Sale of office and general equipment		-	
	Total	-	-

3. OTHER RECEPTS

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
Interest Received		-	-
Rents		-	-
Interest Received		-	-
Other Receipts Not Classified Elsewhere (specify)		-	-
Total		-	-

4. COMPENSATION OF EMPLOYEES

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
Basic wages of contractual employees		2,140,101	1,926,569
Basic wages of casual labour		-	-
Personal allowances paid as part of salary		-	
House allowance		-	-
Transport allowance			-
Leave allowance		-	-
Other personnel payments		-	-
Employer contribution to NSSF		200,620	35,600
gratuity			
Total		**2,340,721**	**1,962,169**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
Utilities, supplies and services		959,720	720,355
Office rent		-	
Communication, supplies and services		576,000	108,000
Domestic travel and subsistence		720,000	450,000
Printing, advertising and information supplies & services		480,000	360,000
Rentals of produced assets		484,000	210,000
Training expenses		584,000	600,000
Hospitality supplies and services		980,000	720,000
Other committee expenses		-	-
Committee allowance		4,717,000	4,268,500
Insurance costs			
Specialized materials and services			
Office and general supplies and services		648,000	288,000
Fuel ,oil & lubricants		1,520,000	120,000
Other operating expenses		605,200	105,000
Routine maintenance – vehicles and other transport equipment		1,200,000	960,000
Routine maintenance – other assets		900,000	360,000
Electricity		48,043	-
Advertisements		140,870	-
Postal Services		6,960	-
Litigation		119,325	-
specify (Other payments		-	212,832
Total		**14,689,118**	**9,482,687**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
Transfers to primary schools		11,336,573	33,200,000
Transfers to secondary schools		31,300,000	23,000,000
Transfers to Tertiary institutions		7,500,000	11,000,000
Transfers to Health institutions		450,000	10,959,139
TOTAL		**50,586,573**	**78,159,139**

7. OTHER GRANTS AND OTHER PAYMENTS

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
Bursary -Secondary		12,550,000	17,031,659
Bursary -Tertiary		11,819,437	7,163,162
Bursary-Special schools		-	-
Mocks & CAT		-	-
water		15,000,000	30,000,000
Agriculture (food security)			-
Electricity projects		-	3,700,000
Security		700,000	5,700,000
Roads		-	5,000,000
Sports		280,335	4,219,122
Other capital grants and transfer			
Environment			2,980,335
Emergency Projects (specify)		5,553,837	2,675,436
Total		**45,903,609**	**78,469,714**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

Non-Financial Assets		2015 - 2016	2014 - 2015
		Kshs	Kshs
Purchase of Buildings		-	-
Construction of Buildings		-	-
Refurbishment of Buildings		544,758	853,647
Purchase of Vehicles		6,700,653	6,967,223
Purchase of Bicycles & Motorcycles		-	-
Overhaul of Vehicles		-	-
Purchase of office furniture and fittings			-
Purchase of computers ,printers and other IT equipments			322,421
Purchase of photocopier		-	-
Purchase of other office equipments		-	-
Purchase of soft ware		-	-
Acquisition of Land		-	
			-
Total		**7,245,411**	**8,143,291**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. OTHER PAYMENTS

		2015-2016	2015-2016
		Kshs	Kshs
specify		-	-
specify		-	-
specify		-	-
TOTAL		-	-

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency		2015 - 2016	2014 - 2015
	Account Number	Kshs (30/6/2016)	Kshs (30/6/2015)
KCB Malindi Branch	1108017754	80,476,070	6,227,656
		-	-
		-	-
Total		**80,476,070**	**6,227,656**
10B: CASH IN HAND)			
		2015 - 2016	2014 - 2015
		Kshs (30/6/2015)	Kshs (30/6/2015)
Location 1		-	-
Location 2		-	-
Location 3		-	-
Other receipts (specify)		-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

Name of officer or Institution	Date Imprest Taken	Amount Taken	Amount Surrendered	Balance
		Kshs	**Kshs**	**Kshs**

12: Retention

Supplier/ Contractor	**PV no**	**2015-2016**	**2014-2015**
		Kshs	**Kshs**

13: BALANCES BROUGHT FORWARD

		2015-2016	2014-2015
		Kshs (1/7/2015)	Kshs (1/7/2014
Bank accounts		6,227,656	13,791,526
Cash in hand		-	-
Imprest			
Total		6,227,656	13,791,526

14: PRIOR YEAR ADJUSTMENTS

		2015-2016	2014-2015
Bank accounts		Kshs	Kshs
Cash in hand		-	-
Imprest		-	-
		-	-
Total		-	-

TRIAL BALANCE AS AT 30TH JUNE 2016			
		DR	CR
Cash and Cash equivalents		**Kshs**	**Kshs**
	Bank Balances	80,476,070	
	Cash Balances	-	
	Outstanding Imprest	-	
Payments			
	Compensation of Employees	2,340,721	
	Use of goods and services	14,689,118	
	Committee Expenses		
	Transfers to Other Government Units	50,586,573	
	Other grants and transfers	45,903,609	
	Social Security Benefits		
	Acquisition of Assets	7,245,411	
	Other Payments	-	
Receipts			
	Transfers from the Board		195,013,847
	Proceeds from sale of assets		-
	Others receipts		-
Prior Year Adjustment			-
Fund Balance b/f			6,227,656
TOTAL		**201,241,502**	**201,241,502**

15.2 OTHER IMPORTANT DISCLOSURES

15.2: 1 OTHER PENDING PAYABLES (see Annex)	Kshs	Kshs
Amounts due to other Government entities	33,500,000	15,500,000
Amounts Due other grants and other transfers	30,700,563	
	64,200,563	**15,500,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANNEX 1 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Activity	Amount Kshs.	Comments
Amounts due to other Government entities			
Bofu Primary School	Construction of two new classrooms with 40 desks	3,000,000.00	Not started
Vuga Primary School	Construction of two new classrooms with 40 desks	3,000,000.00	Not started
Kaguguta Primary School	Construction of two new classrooms with 40 desks	3,000,000.00	Not started
Kinyaule Primary School	Construction of two new classrooms with 40 desks	3,000,000.00	Not started
Mawazo Primary School	Construction of two new classrooms with 40 desks	3,000,000.00	Not started
Kagombani Primary School	Provision of 800 desks	2,000,000.00	Not started
Kibokoni Primary School	Renovation of 4 classrooms	1,000,000.00	Not started
Sabaki Primary School	Renovation of 4 classrooms	1,000,000.00	Not started
Kaembeni Secondary School	Construction of four new classrooms	1,250,000.00	Not started
Watala Secondary School	Construction of four new classrooms	5,250,000.00	Not started
Kibokoni Secondary School	Construction of four new classrooms	3,000,000.00	Not started
Waresa TTI	Contribution towards National Government project	5,000,000.00	Not started
Sub-Total		**33,500,000**	Not started

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Amounts due to other grants and other transfers			Not started
Adu Police Station	Construction of 10-room staff housing	3,000,000.00	Not started
Garashi AP Post	Construction of 5-room staff housing	2,000,000.00	Not started
Bura Chief's office	Construction of new office	1,000,000.00	Not started
Gandini Chief's office	Construction of new office	1,000,000.00	Not started
Hawewanje Police Post	Construction of new post	2,000,000.00	Not started
Bursary	Payment of bursary to needy student	15,700,563.00	Not started
Environmental Project planting	Tree planting and 6-2door toilets	3,000,000.00	Not started
Sports project	Carry out constituency sports tournament and the winning team/schools to be awarded with trophies, balls and games kit	3,000,000.00	Not started
Sub-Total		**30,700,563.00**	
Grand Total		**64,200,563.00**	

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Land	**N/A**	**N/A**
Buildings and structures	12,398,405	**11,853,647**
Transport equipment	42,098,836	**35,398,183**
Office equipment, furniture and fittings	99,300	**183,767**
ICT Equipment, Software and Other ICT Assets	336,492	**336,492**
Other Machinery and Equipment	N/A	**N/A**
Heritage and cultural assets	N/A	**N/A**
Intangible assets	N/A	**N/A**
Total	**54,933,033.**	**47,772,089.**