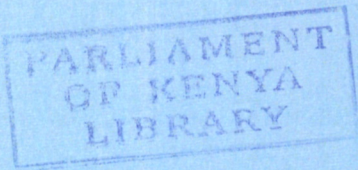


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

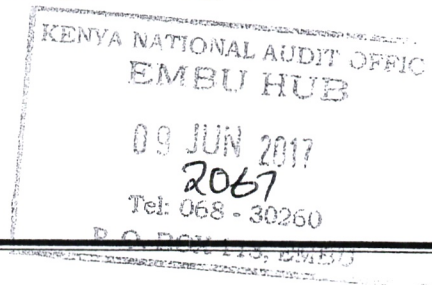
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND-
KITUI SOUTH CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2016**



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
KITUI SOUTH CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – KITUI SOUTH
CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016

Table of Content	Page
I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT.....	1
II. FORWARD BY THE CHAIRMAN CONSTITUENCY DEVELOPMENT FUND COMMITTEE (CDFC).....	3
III. STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES.....	4
IV. STATEMENT OF RECEIPTS AND PAYMENTS.....	5
V. STATEMENT OF ASSETS.....	6
VI. STATEMENT OF CASHFLOW.....	7
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED.....	8
VIII. SIGNIFICANT ACCOUNTING POLICIES.....	9
IX. NOTES TO THE FINANCIAL STATEMENTS.....	12

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *Constituencies Development Fund (CDF)* was established under the Constituencies Development Fund (CDF) Act, 2003, amended in 2007 and repealed by the CDF Act of 2013. In 2015, the Act of 2013 was declared unconstitutional and a new Act was enacted in 2015, being the National Government Constituencies Development Fund Act, NG-CDF Act, 2015. The National Government Constituencies Development Fund (NG-CDF) is under the Ministry of Devolution and Planning. The objective of the Fund is to provide mechanisms for supplementing implementation of the National Government development Agenda at the constituency level.

(b) Key Management

The *Kitui South National Government Constituency's* 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 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder(Ag)	Josephine Mutua
3.	Accountant	Njoroge Macharia
4.		

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NG-CDF Board provide overall fiduciary oversight on the activities of National Government Kitui South 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) KITUI SOUTH NG-CDF Headquarters

P.O. Box 155-90201
 CDF OFFICE –NHC HOUSE
 MUTOMO

*NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY*

Reports and Financial Statements
For the year ended June 30, 2016

(f) KITUI SOUTH NG-CDF Contacts

E-mail: www.kituisouthcdf.go.ke
Website: www.go.ke

(g) KITUI SOUTH NG-CDF Bankers

1. Equity Bank Ltd
Mutomo Branch
1670266577876
P.O. Box 143

(h) Independent Auditors

Auditor General
Office of the 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

Reports and Financial Statements
For the year ended June 30, 2016

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

I have the pleasure to forward the accounts of Kitui South NG-CDF for the financial year 2015/2016 which represents a true record of activities undertaken within the year.

I am also happy to report that during the year, the NG-CDFC was able to utilize the funds received .

The NG-CDFC is happy with the fund and would like to thank the board for its effort but request if disbursement can be done in a timely manner.

Sign

Florence

Florence Martin

CHAIRMAN CDFC

*NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY*

Reports and Financial Statements

For the year ended June 30, 2016

III. STATEMENT OF 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 CDF shall prepare financial statements in respect of that NG-CDF. 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 *KITUI SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND* is responsible for the preparation and presentation of the CDF's financial statements, which give a true and fair view of the state of affairs of the NG-CDF for and as at the end of the financial year 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 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.

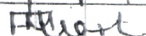
The Accounting Officer in charge of the *KITUI SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND* accepts responsibility for the NG-CDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International 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 CDF's transactions during the financial year ended June 30, 2016 and of the NG-CDF's financial position as at that date. The Accounting Officer charge of the *KITUI SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND* 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 *KITUI SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND* 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

20/9/2016



NG-CDFC CHAIRPERSON



FUND ACCOUNT MANAGER

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- KITUI SOUTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Government Constituencies Development Fund – Kitui South Constituency set out on pages 5 to 20, which comprise statement of financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and the summary statement of appropriation for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

The 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.

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 procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

*Report of the Auditor-General on the Financial Statements of National Government Constituencies
Development Fund – Kitui South Constituency for the year ended 30 June 2016*

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 adverse audit opinion.

Basis for Adverse Opinion

1.0 Non-Compliance with the Prescribed Format

The Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS) prescribed by the Public Sector Accounting Standards Board requires that a report on follow-up of auditor recommendations made in the audit report for the previous year form part of the financial statements. Although the Fund had a qualified audit opinion in 2014/2015, the report on follow-up of the issues raised in the year's audit report has not been included in the financial statements for the year under review.

In the circumstances, the financial statements for the year under review do not comply with IPSAS (Cash Basis) financial presentation format as prescribed by the Public Sector Accounting Standards Board as at 30 June 2016.

2.0 Accuracy and Completeness of the Financial Statements

2.1 Unsupported Payments

Included in the total payments of Kshs.127,189,375 shown on the statement of receipts and payments for the year ended 30 June 2016 are expenditures amounting to Kshs.1,761,404 and Kshs.56,750,847 shown as having been incurred on compensation of employees, and other grants and transfers, respectively. However, the respective Notes 4 and 7 to the financial statements reflect expenditures of Kshs.1,589,082 and Kshs.57,161,287 leading to unexplained variances of Kshs.172,322 and Kshs.410,440 respectively.

Consequently, the accuracy, completeness and validity of the respective balances cannot be confirmed.

2.2 Cash and Cash Equivalents

The statement of assets reflects a bank balance of Kshs.35,273,843 as at 30 June 2016. However, review of the bank reconciliation statement revealed that the cash book balance was Kshs.28,564,516 leading to an unexplained variance of Kshs.6,709,327 between the bank balance reflected in the two records. Further, although the financial statements reflect a cash and cash equivalent balance of Kshs.35,273,843, the availed bank statements and bank confirmation certificates revealed that this balance did not include bank balances amounting to Kshs. 216,730

and Kshs.6,610,826 in respect to Kenya Commercial Bank, account number 1147222355 and National Bank of Kenya account number 01001082371400 respectively. In addition, no cash book for the National Bank account was maintained as required.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.35,273,843 as at 30 June 2016 cannot be confirmed.

2.3 Non-Disclosure of a Court Case

During the year under review, there existed an on-going court case referenced Constitutional Petition 407 of 2012 dated 7 October 2013 between Kelvin Mumo Sammy and the Fund. Management asserted that the petition was due to its failure to honor its financial obligations on contracts issued out to firms whose payments were outstanding and thus reflected as pending bills. However, contrary to financial reporting requirements, the management has not disclosed the existence of the court case or the pending bills in a note to the financial statements for the year under review.

Further, a letter from the Board referenced CDFB/Kitui South/Vol.I (2) dated 18 October 2013 to the Fund Manager revealed that all the funds in the old account were to be transferred to the new account save for Kshs.6,000,000 which was in the account at the time of issuance of the orders together with a service charge of a reasonable amount until directed otherwise. No further information has been availed to show how the case was concluded.

As a result, the disclosure and presentation of the financial statements do not comply with the International Public Sector Accounting Standards.

2.4. Summary Fixed Assets

The opening balance of the summary of fixed assets register balance of Kshs.15,430,642 in Annex 4 to the financial statements is understated by Kshs.6,380,430 being the value of assets acquired and reported on in the previous (2014/2015) financial year. As a result, the closing balance of Kshs.21,130,642 as at 30 June 2016 is understated by the same amount.

In view of the foregoing, the accuracy and completeness of the fixed assets balance reflected in the financial statements as at 30 June 2016 cannot be confirmed.

3.0 Irregular Procurement of Motor Vehicle

During the financial year under review, the Fund procured a 9-seater Land Rover Defender from CMC at a cost of Kshs.5,700,000. However, the National Government Constituency Development Fund Committee in its meeting did not constitute a negotiation committee or use the Government negotiated contract in place but instead approved for direct procurement of the vehicle. Further, no ownership documents were made available for audit reviewed.

In addition, a proforma invoice was used to prepare the payment made in advance. Further, there was no evidence that a contract agreement was signed between CMC Motor Group limited and Kitui South NGCDFC.

In the circumstances, the propriety fairness and value-for-money for the expenditure of Kshs.5,700,000 incurred on purchase of the vehicle cannot be confirmed.

4.0 Repair Works on Kamutei-Tiva River Road (E721)

During the year under review, the Fund awarded works on repair of Kamutei-Tiva river Road Project to Mutomo Kandai General Agencies at a contract sum of Kshs.1,523,903. However, the Fund allocated Kshs. 2,000,000 to the project leading to an over allocation of Kshs.476,097. Also, the expenditure of Kshs.1,523,903 was posted to the security project account instead of the road project account. In addition, the tender opening, evaluation and award was done by the tender committee instead of appropriate Committee. Further, the project evaluation report did not show preliminary and technical evaluations on works covered out. In the circumstance, the propriety, validity and value-for-money of the expenditure of Kshs.2,000,000 incurred on the project cannot be confirmed.

5.0 Failure to Maintain Project Records

Included in the project status report were five projects costing Kshs.4.923,903 which lacked updated project files as follows;

No.	Project Name	Amount (Kshs.)
1.	Kamutei Market Street Lights	500,000
2.	Mutomo Mixed Secondary School	1,500,000
3.	Kawelu Secondary School	900,000
4.	UAE Secondary School	500,000
5.	Kamutei-Tiva River Road Borehole	1,523,903
	TOTAL	4,923,903

Further, the expenditure returns were not filed by the respective Project Monitoring Committees (PMCs):

In the circumstance, the propriety of the expenditure totalling Kshs.4,923,903 incurred on the projects cannot be confirmed.

6.0 Unsupported Committee Expenses

Committee expenses increased by Kshs.1,296,631 from Kshs.4,580,879 incurred during the previous year to Kshs.5,877,510 as at 30 June 2016. However, included in the Committee expense figure of Kshs.5, 877,510 was Kshs.2,009,000 for Committee Members that were not supported.

In the circumstances, the propriety and validity of the expenditure of Kshs.2,009,000 as at 30 June 2016 could not be confirmed.

7.0 Prior Year Adjustment

Included in the statement of assets is Kshs.410,440 relating to a prior-year adjustment. However, no supporting documents were made available for audit review.

As a result, the propriety and validity of the prior-year adjustment of Kshs.410,440 as at 30 June 2016 cannot be confirmed.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the National Government Constituencies Development Fund – Kitui South 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 do not comply with the National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

Other Matter

1.0 Budgetary Control and Performance

During the year under review, the Fund's approved budget amounted to Kshs.135,893,681. However, summary statement of appropriation reflected final budget of Kshs.145,793,681 and a further, un analyzed adjustment of Kshs.28,109,270 bringing the total final budget to Kshs.173,902,951 leading to an unexplained and unreconciled variance of Kshs. 38,009,270. Further, the statement of receipts and payment reflects total actual receipts of Kshs.139,664,388 whereas the summary statement of appropriation indicates a total actual receipt of Kshs.162,463,218 resulting to unexplained variance of Kshs.22,798,830.

In addition, the summary statement of appropriation reflects total actual expenditure of Kshs.127,189,375 and a final budgeted expenditure of Kshs.173,492,511 resulting to an under-expenditure of Kshs.46,713,576 as analyzed below:

Components	Final Budget (Kshs)	Actuals (Kshs)	Variance (Actual-Budget (Kshs))	Absorption rate %
Exchequer Receipt	173,492,511	139,253,948	-34,238,564	80%
Compensation to Employee	4,363,000	1,761,404	-2,601,596	40%
Use of Goods and Services	5,750,830	474,380	-5,276,450	8%
Committee Expenses	6,980,431	5,877,510	-1,102,921	84%
Transfers to Primary Schools	18,650,000	30,637,931	11,987,931	164%
Transfers to Secondary Schools	16,050,000	14,200,000	-1,850,000	88%

Transfers to Tertiary Institutions	19,100,000	2,304,544	-16,795,456	12%
Health Infrastructure	26,600,000	7,482,759	-19,117,241	28%
Bursary-secondary Schools	10,000,000	10,573,870	573,870	106%
Bursary-tertiary Institutions	5,000,000	3,193,000	-1,807,000	64%
Water Projects	30,000,000	34,070,074	4,070,074	114%
Security Projects	8,700,000	5,200,000	-3,500,000	60%
Environmental Projects	7,741,043	500,000	-7,241,043	6%
Emergency Projects	5,767,647	1,690,000	-4,077,647	29%
Roads Projects	8,450,000	1,523,903	-6,926,097	18%
Market Sheds Infrastructure	-	2,000,000	2,000,000	
Acquisition of Asset	750,000	5,700,000	4,950,000	760%
Grand Totals	173,902,951	127,189,375	-46,713,576	73%

The aggregate sum of Kshs.46,713,576 being the difference between the budget and actual expenditure translates to promised and expected services not delivered to the residents of Kitui South Constituency.

In addition, transfers to primary school projects, Bursaries to Secondary Schools, Water Projects and Acquisition of Assets expenditure exceeded their budgets by 64%, 6%, 14% and 660% respectively while market sheds though not budgeted for during the year recorded actual expenditure of Kshs. 2,000,000. No supplementary budget was made available to cover the over- expenditures.

Further three items namely Transfers to Tertiary Institutions, Health Projects, Environment and Roads projects recorded very low absorption rates of 12%, 28%, 6% and 18% respectively.

In the circumstances, the Funds' 2015/2016 budget may not have been realistic and as a result, the Fund did not meet its goals and service delivery targets.

2.0 Project Implementation and Management

The projects' budget was categorized into various sectors within the constituency namely Emergency, Bursary, Education, Health, Roads, Environment, Sports, Market Sheds and Water.

Review of the project implementation status report for 2015/2016 revealed that out of 98 projects budgeted for implementation, 90 were new and none had been completed as at 30 June 2016. Further, only eight of the 98 projects were ongoing as at 30 June 2016, as shown below:

Sector	Project Status	Amount Allocated (Kshs)	Amount Disbursed (Kshs)	No. of projects
Education	Completed		0	0
	Ongoing	200,000	200,000	1
	New	53,600,000	49,037,931	54
	Sub Total	53,800,000	49,237,931	55
Bursary	Completed	0	0	

	Ongoing	13,354,603	14,000,000	2
	Not started	0	0	0
	Sub Total	13,354,603	14,000,000	2
Health	Completed	0	0	0
	Ongoing	700,000	700,000,000	1
	New	7,482,759	19,900,000	12
	Sub Total	882,759	20,600,000	12
Market Shed	Completed	0	0	0
	Ongoing	0	0	0
	New	2,000,000	2,000,000	4
	Sub Total	2,000,000	2,000,000	4
Water	Completed	0	0	0
	Ongoing	2,200,000	2,200,000	2
	Not started	0	0	0
	Sub Total	2,200,000	2,200,000	2
Roads Bridges	Completed	0	0	0
	Ongoing	0	0	0
	Not started	1,523,903	1,523,903	1
	Sub Total	1,523,903	1,523,903	1
Environment	Completed	0	0	0
	Ongoing	0	0	0
	Not started	500,000	500,000	1
	Sub Total	500,000	500,000	1
Emergency	Completed	0	0	0
	Ongoing	0	0	0
	New	5,767,647	6,400,259	2
	Sub Total	5,767,647	6,400,259	2
Security	Completed	0	0	0
	Ongoing	0	0	0
	New	5,700,000	5,000,000	10
	Sub Total	5,700,000	5,000,000	10
Other	Completed	0	0	0
	Ongoing	7,380,689	7,380,689	2
	New	10,662,069	10,662,069	6
	Sub Total	18,042,758	18,042,758	8
	Grand Total	111,071,670	119,504,851	98

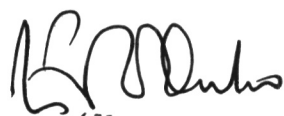
Out of the 98 projects, 90 projects allocated Kshs.87,145,000 and which were supposed to have been completed by 30 June 2016 had not been implemented. The delay in implementing the projects translated to failure to deliver promised and expected services to the residents of Kitui South.

In the circumstances, the Fund has not implemented all projects as budgeted to give the residents the expected planned budgeted and financed services as at 30 June 2016.

3.0 Irregularities in Human Resource Management

During the year under review, two employees of the Fund had reached the mandatory retirement age of 60 years. No explanation was provided for the retention of the employees in service beyond the mandatory retirement age.

Further, the Fund recruited an account assistant during the year. However, the advertisement and the selection criteria were not made available for audit review.



FCPA Edward R.O. Ouko, CBS

AUDITOR-GENERAL

Nairobi

05 October 2017

**CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016 Kshs	2014-2015 Kshs
RECEIPTS			
Transfers from Other Government Entities	1	139,253,947.50	160,124,317.20
Proceeds from Sale of Assets	2		
Other Receipts	3		
TOTAL RECEIPTS		139,253,947.50	160,124,317.20
PAYMENTS			
Compensation of Employees	4	1,761,404.00	1,752,676.00
Use of goods and services	5	6,351,890.00	7,520,621.40
Transfers to Other Government Units	6	54,625,234.00	68,421,210.50
Other grants and transfers	7	56,750,847.00	64,705,422.00
Acquisition of Assets	8	5,700,000.00	6,380,430.00
Other Payments	9	2,000,000.00	4,500,000.00
TOTAL PAYMENTS		127,189,375.00	153,280,359.90
SURPLUS/DEFICIT		12,064,572.50	6,843,957.30

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KITUI SOUTH NG-CDF financial statements were approved on 25/9 2016 and signed by:

Albert
Chairman - CDFC

[Signature]
Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI SOUTH
CONSTITUENCY

Reports and Financial Statements
For the year ended June 30, 2016

V. STATEMENT OF ASSETS

	Note	2015-2016 Kshs	2014-2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per cash book)	10	35,273,842.75	22,798,830.25
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		35,273,842.75	22,798,830.25
REPRESENTED BY			
Retention	12	0	0
Fund balance b/fwd	13	22,798,830.25	15,388,872.95
Surplus/Deficit for the year		12,064,572.50	6,843,957.30
Prior year adjustments	14	410,440.00	566,000.00
NET FINANCIAL POSITION		35,273,842.75	22,798,830.25

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KITUI SOUTH NG-CDF financial statements were approved on 20/9 2016 and signed by:

Atlast
Chairman - CDFC

[Signature]
Fund Account Manager

Reports and Financial Statements
 For the year ended June 30, 2016

VI. STATEMENT OF CASHFLOW

		2015-2016	2014-2015
Receipts for operating income			
Transfers from CDF Board	1	139,253,948	160,124,317.20
Proceeds from sale of assets	2	0	0
Other Receipts	3	0	566,000.00
 Payments for operating expenses			
Compensation of Employees	4	1,761,404.00	1,752,676.00
Use of goods and services	5	6,351,890.00	7,520,621.40
Transfers to Other Government Units	6	54,625,234.00	68,421,210.50
Other grants and transfers	7	57,161,287.00	64,705,422.00
Other Payments	9	2,000,000.00	4,500,000.00
 Adjusted for:			
Adjustments during the year		0	100,000.00
 Net cash flow from operating activities.		18,175,013.00	13,890,387.30
 CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	(5,700,000.00)	(6,380,430.00)
Net cash flows from Investing Activities		12,064,572.50	7,509,957.30
 NET INCREASE IN CASH AND CASH EQUIVALENT		12,064,572.50	7,509,957.30
Cash and cash equivalent at BEGINNING of the year	13	22,798,830.25	15,288,872.95
Cash and cash equivalent at END of the year	10	35,273,842.75	22,798,830.25

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KITUI SOUTH NG- CDF financial statements were approved on 20/9/2016 and signed by:


 Chairman CDFC


 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	145,793,681.00	27,698,830.25	173,492,411.50	161,952,777.75	11,539,733.50	57
Proceeds from Sale of Assets						
Other Receipts						
TOTAL	145,793,681.00	27,698,830.25	173,492,411.50	161,952,777.75	11,539,733.50	
PAYMENTS						
Compensation of Employees	2,641,000.00	1,722,000.00	4,363,000.00	1,761,404.00	2,601,596.00	40
Use of goods and services	9,730,431.00	3,000,830.25	12,731,261.25	6,351,890.00	6,379,371.25	50
Transfers to Other Government Units	60,400,000.00	20,000,000.00	80,400,000.00	54,625,234.00	25,774,776.00	72
Other grants and transfers	72,272,250.00	2,976,000.00	75,248,250.00	56,750,847.00	18,497,403.00	75
Acquisition of Assets	750,000.00		750,000.00	5,700,000.00	(4,950,000.00)	91
Other Payments				2,000,000.00	(2,000,000)	
	145,793,681.00	22,698,830.25	168,492,511.25	127,189,375.00	35,273,842.75	

The KITUI SOUTH NG-CDF financial statements were approved on 20/9 2016 and signed by:

Almont
Chairman CDF

[Signature]
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 NG-CDF and all values are rounded to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

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

2. Recognition of revenue and expenses

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

3. In-kind contributions

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

4. Cash and cash equivalents

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

5. Pending bills

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

6. Budget

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

7. Comparative figures

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

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

NATIONAL GOVERNMENT ENTITY - (indicate actual name of the entity)
Reports and Financial Statements
 For the year ended June 30, 2014 (Kshs'000)

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2015-2016		2014-2015	
		Kshs		Kshs
CDF Board				
AIE NO		34,366,209.00		78,495,723.70
AIF NO	820512	62,672,418.00		47,292,384.50
AIE NO	820920	42,215,320.50		34,336,209.00
(other constituency e.g, parent constituency)				
TOTAL		139,253,947.50		160,124,317.20

2. PROCEEDS FROM SALE OF ASSETS

2015-2016	2014-2015
Kshs	Kshs
0	0

3. OTHER RECEIPTS

	2015-2016 Kshs	2014-2015 Kshs
Other Receipts Not Classified Elsewhere	0	566,000
Total	0	566,000

4. COMPENSATION OF EMPLOYEES

	2015-2016 Kshs	2014-2015 Kshs
Basic wages of contractual employees	1,416,760	1,333,850
Social security benefits	172,322	68,250
Personal allowances paid as part of salary		
House allowance	-	217,500
Gratuity	-	24,030
Other personnel payments	-	109,046
Total	1,589,082	1,684,426

NATIONAL GOVERNMENT ENTITY - (indicate actual name of the entity)
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

	2015-2016 Kshs	2014-2015 Kshs
Utilities, supplies and services	110,079.00	139,290.00
Communication, supplies and services	-	22,960.00
Domestic travel and subsistence	-	1,455,000.00
Printing, advertising and information supplies & services	-	19,750.00
Hospitality supplies and services	-	13,750.00
Office and general supplies and services	136,220.00	530,990.00
Other operating expenses	228,081.00	595,352.90
Routine maintenance – vehicles and other transport equipment	-	159,650.00
Routine maintenance – other assets	-	3,000.00
Committee expenses	5,877,510.00	4,580,878.50
Total	6,351,890.00	7,520,621.40

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015-2016	2014-2015
	Kshs	Kshs
Transfers to National Government entities	-	-
Transfers to primary schools	30,637,931	36,621,210.50
Transfers to secondary schools	14,200,000	19,150,000
Transfers to tertiary institutions	2,304,544	-
Transfers to health institutions	7,482,759	12,650,000
TOTAL	54,625,234	68,421,210.50

7. OTHER GRANTS AND OTHER PAYMENTS

	2015-2016	2014-2015
	Kshs	Kshs
Bursary – secondary schools	10,573,870	7,780,000
Bursary – tertiary institutions	3,603,440	4,399,000
Water projects	34,070,074	42,940,700
Agriculture projects	0	2,250,000
Security projects	7,223,903	2,000,000
Sports projects	0	2,147,861
Environment projects		2,147,961
Emergency projects	1,690,000	1,040,000
Total	57,161,287	64,705,422

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

Non Financial Assets

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Construction of Buildings	-	6,380,430
Purchase of Vehicles and Other Transport Equipment	5,700,000	-
Total	5,700,000	6,380,430

NATIONAL GOVERNMENT ENTITY - (indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. OTHER PAYMENTS

	2015-2016	2014-2015
	Kshs	Kshs
Markets	2,000,000	1,500,000
Strategic Plan	-	1,500,000
Social Halls & Ikutha DEO's office		1,500,000
	2,000,000	4,500,000

10: Bank Accounts (cash book bank balance)

Kitui South NG-CDF by 30/06/2016 had three accounts with the following balances; KCB-Ksh216,730, Equity Bank-Ksh35,273,842.75 and National Bank- Ksh6,611,826.85. However, The operational Account was the one Maintained with Equity Bank. The Account at National Bank had a Legal issue and the account had since been frozen till the conclusion of the legal Issue. On the Account at KCB, the management had since written to the Bank to close the account but agreed on a six months grace period for clearance of any cheques written against the account. We only disclosed the balance of the Active account which is Maintained with Equity Bank.

Name of Bank, Account No. & currency	2015-2016	2014-2015
	Kshs	Kshs
<i>KCB Mutomo Branch A/C No. 1147222355</i>	-	16,005,603.40
<i>National Bank Mutomo Branch A/c No. 01001082371400</i>	-	6,693,226.85
Equity Bank, Mutomo Branch A/c No.1670266577876	35,273,842.75	-
Total	35,273,842.75	22,698,830.25

LOCAL GOVERNMENT ENTITY - (indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		0	0	0

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. RETENTION

		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		0	0	0

13. BALANCES BROUGHT FORWARD

	2015-2016	2014-2015
	Kshs	Kshs
Bank accounts	22,798,830.25	15,388,872.95
Total	<u><u>22,798,830.25</u></u>	<u><u>15,388,872.95</u></u>

NATIONAL GOVERNMENT ENTITY - (indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Land		
Buildings and structures	11,380,430.00	11,380,430.00
Transport equipment	9,750,212.00	4,050,212.00
Office equipment, furniture and fittings		
ICT Equipment, Software and Other ICT Assets		
Other Machinery and Equipment		
Heritage and cultural assets		
Intangible assets		
Total	21,130,642.00	15,430,642.00