

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL



**REPORT**

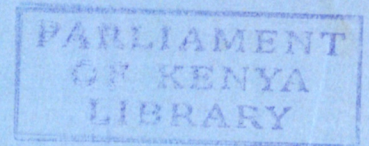
**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2016**







OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
- 4 MAY 2017  
**RECEIVED**

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**CONSTITUENCY DEVELOPMENT FUND - THARAKA**

**REPORTS AND FINANCIAL STATEMENTS**

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

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

KENYA NATIONAL AUDIT OFFICE  
EMBU HUB  
27 APR 2017  
2011  
Tel: 068 - 30260  
P. O. BOX 113, EMBU

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – THARAKA CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – THARAKA CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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**I: KEY CONSTITUENCY INFORMATION AND MANAGEMENT**

**(a) Background information**

The National Government Constituencies Development Fund (NG-CDF) was set up under the CDF Act, 2003 now repealed by the NG-CDF Act, 2015. The NG-CDF Act 2015 aligns the Fund with the Constitution of Kenya 2010 and the Public Finance Management Act 2012 that lay emphasis on citizen participation in public finance management and decision making, transparency and accountability together with equity in public resource utilization. The overall management of the Fund is the responsibility of the Constituencies Development Fund Board.

The objective of the fund is to ensure that specific portion of the national annual budget is devoted to the constituencies for the purpose of infrastructural development, wealth creation and in the fight against poverty at constituency level.

**(b) Key Management**

The Constituency's day-to-day management is under the following key organs:  
 National Government Constituencies Development Fund Board (NG-CDFB)  
 National Government Constituency Development Fund Committee (NG-CDFC)

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Yusuf Mbuno
2.	Fund Account Manager	Alex Muinde
3.	District Accountant	Titus Nabea

**(d) Fiduciary Oversight Arrangements**

No	Name	Designation	Category
1	Hon Alex Mburi	Member of parliament	Ex-official
2	Stanley Mutemi	Chairman	Men rep
3	Tabitha Gaceri	Secretary	Women rep
4	Teressa Kanoti	Member	Youth rep
5	Mark Murugu	Member	Youth rep

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – THARAKA CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

6	Judy Kareia	Member	Ngo rep
7	Stephen Njeru	Member	Disability rep
8	Gerald Matumo	Member	Men rep
9	Alex Muinde	Fund Manager	Ex-Official

**(e)Entity Headquarters**

Constituencies Development Fund Board  
P.O. Box 46682  
Nairobi, KENYA

**(f)Entity Contacts**

P.o. Box 33 Marimanti  
Telephone: (254) 0711181096  
E-mail: [cdftharaka@cdf.go.ke](mailto:cdftharaka@cdf.go.ke)  
Website: [www.cdf.go.ke](http://www.cdf.go.ke)

**(g)Entity Bankers**

Cooperative bank  
Chuka branch  
Ac Number 01120058205800

**(h)Independent Auditors**

Auditor General  
Office of 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

**FORWARD LETTER BY THE CHAIRMAN**

In the current fiscal year the committee has utilized substantial amount of money on education, bursary as well as water projects.

The net impact on funding the above mentioned projects is improved living standards for the inhabitants of the constituency. More than 2,500 students have managed to gainfully benefit from bursary up from the last years beneficiaries numbers  
Due to change of CDF Act, the committee will narrow its focus to national government functions such as Education and security.

In order to progressively improve the quality of projects implemented in the constituency, the committee will continue engaging all relevant technical heads in implementation of projects. Additionally the committee will enhance capacity of projects management committee through trainings so that all relevant PMCs can discharge their duties.

On behalf of the NG-CDFC, I wish to thank all stake holders who have been involved in achievement of this noble exercise

Regards

.....  
**Stanley Mutemi Mitambo**  
**Tharaka NG-CDFC**

## **II: STATEMENT OF CONSTITUENCY 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 government entity shall prepare financial statements in respect of that entity. 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.

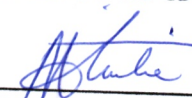
The Fund Account Manager in charge of the *TharakaNG-CDFC* is responsible for the preparation and presentation of the *Constituencies* financial statements, which give a true and fair view of the state of affairs of the *Constituency* as at the end of the financial year (period) ended on June 30, 2016. 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 entity; (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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Fund Account Manager in charge of the *TharakaNG-CDFC* accepts responsibility for the *entity'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) and relevant legal framework of the Government of Kenya. The Fund Account Manager is of the opinion that the *TharakaNG-CDF* financial statements give a true and fair view of the state of *Constituency's* transactions during the financial year ended June 30, 2016, and of the *Constituency's* financial position as at that date. The Fund Account Manager in charge of the *TharakaNG-CDFC* further confirms the completeness of the accounting records maintained for the *Constituency*, which have been relied upon in the preparation of the *Constituency* financial statements as well as the adequacy of the systems of internal financial control.

The Fund Account Manager in charge of the *Tharaka NG-CDFC* confirms that the Constituency has complied fully with applicable Government Regulations and that the entity'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 Fund Account Manager confirms that the *Constituency'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 Tharaka NG-CDF Financial Statements were Approved and Signed on   2<sup>ND</sup>   Sept    2016

  
STANLEY MUTEMI  
CHAIRMAN - CDFC

  
ALEX MUINDE  
FUND ACCOUNT MANAGER

  
NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - THARAKA  
20 SEP 2016  
P.O. Box 33-60215, MARIMANTI



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

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

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Tharaka Constituency set out on pages 6 to 17 which comprise the statement of assets and liabilities as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and 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 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 judgement, including the assessment of the risks of material misstatement

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

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 Fund 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**

### **1.0 Cash and Cash Equivalents**

The financial statements reflected a cash and cash equivalents balance of Kshs.21,524,613 as at 30 June 2016. However, included in the balance were unrepresented cheques totaling to Kshs.40,470,546 which further included five (5) stale cheques totaling Kshs.44,000 which had not been reversed in the cashbook as at 30 June 2016 as analyzed below;

<b>Cheque No.</b>	<b>Date</b>	<b>Payee</b>	<b>Amount (Kshs)</b>
8049	30.09.2015	Vision Empowerment	7,000
8055	30.09.2015	Nairobi School	10,000
8329	30.09.2015	JKUAT	10,000
8413	22.10.2015	Nyeri Technical	7,000
8433	11.12.2015	Tharaka Boys	10,000
		<b>Total</b>	<b>44,000</b>

As a result, the accuracy of the cash and cash equivalents balance Kshs.21,524,613 at as at 30 June 2016 could not be ascertained.

### **2.0 Non Acknowledgement of Bursaries**

Note 7 of the Notes to the financial statements reflected Kshs.8,551,000 and Kshs.6,073,482 totaling to Kshs.14,624,482 as bursaries transferred to secondary schools and tertiary institutions respectively as at 30 June 2016. However, only bursaries totaling to Kshs. 12,056,027 (82%) were acknowledged by the intended beneficiaries through letters of acknowledgement or issuance of official receipts leaving a balance of Kshs. 2,568,455 (18%) unacknowledged.

In the circumstances, it has not been possible to ascertain whether the bursaries totaling to Kshs. 2,568,455 benefited the intended beneficiaries or had been accounted for as at 30 June 2016.

### 3.0 Unutilized Water Pipes for Mukothima and Maragwa Water Projects

During the year under review, water pipes worth Kshs.9,863,295 were delivered on 2 December and 3 December 2015 by Silverspread Hardware Ltd for Mukothima and Maragwa Water Projects.

However, an audit inspection exercise carried out on 08 February 2017 revealed that the water pipes for the two projects were still lying in PCEA dispensary compound; approximately 14 months after the delivery and had not been laid in trenches. It was not clear as to why the huge order of pipes was made when the trenches to lay them in were not ready.

Under the circumstances, the value for money totaling to Kshs. 9,863,295 spent on the two (2) water projects as at 30 June 2016 could not be confirmed.

### 4.0 Shoddy Implementation of Matagige Bridge Project

During the year under review, the Fund spent Kshs.17,473,852 on Matagige Bridge Project. However, physical verification of the project done on 8 February 2017 and analysis of the fourth and final certificate of payment revealed that the bridge had been done but drainage works were incomplete and shoddily done as shown below;

BoQ Details	Units	Quantities	Remarks
Provide, place compact and cure concrete class 20/20	M3	50	Not done
Provide materials and carry out stone pitching	M2	500	Not done
Provide and install boxes size 2x1x1m	No.	128	Only 19 done
Provide and place rock fill to gabions	M3	300	Only 38 done
Provide and place BRC A142 mesh reinforcement	M2	120	Not done

Further, as a result of the partially done drainage works, the sides of the road on which the bridge rests has eroded and exposed the underlying rocks and gabions. In addition, there is imminent danger of the gabions being washed away by rain water and cutting off the bridge during the rainy season.

Under the circumstances, the propriety and value for money of Kshs.17,473,852 spent on Matagige Bridge Project had not been received as at 30 June 2016.

### 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 the National Government Constituencies Development Fund – Tharaka 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 Budget Control and Performance

The Fund had an approved budget in the year under review of Kshs.127,235,359. In addition to the Kshs.127,235,359 approved budget for the year, the Fund had a cash balance of Kshs.49,645,252 brought forward from the 2014/2015 and a further Kshs.300,000 and Kshs.650,000 which was budgeted for in 2010/2011 and 2011/2012 respectively but was released by the Board in 2015/2016. Therefore, the total budget for the Fund during the year totaled to Kshs.177,830,611. However, out of the Kshs.177,830,611 total budget for the year, Kshs.156,305,998 (87.9%) was spent during the year while Kshs.21,524,613 remained unutilized as at 30 June 2016 as shown below;

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference
	a	b	c=a+b	D	e=c-d
RECEIPTS	Kshs	Kshs	Kshs	Kshs	Kshs
Balance B/F	0	49,645,252	49,645,252	49,645,252	
Transfers from NG-CDF Board	127,235,359	950,000	128,185,359	128,185,359	0
<b>Total</b>	<b>127,235,359</b>	<b>50,595,252</b>	<b>177,830,611</b>	<b>177,830,611</b>	<b>0</b>
PAYMENTS					
Compensation of Employees	1,280,000	200,000	1,480,000	1,423,738	56,262
Use of goods and services	8,698,109	1,800,000	10,498,109	10,414,173	83,936
Transfers to Other Government Units	50,662,115	10,549,000	61,211,115	47,761,115	13,450,000
Other grants and transfers	66,595,135	37,105,031	103,700,166	95,806,972	7,893,194
Acquisition of Assets	0	941,221	941,221	900,000	41,221
<b>TOTALS</b>	<b>127,235,359</b>	<b>50,595,252</b>	<b>177,830,611</b>	<b>156,305,998</b>	<b>21,524,613</b>

The residents of Tharaka Constituency did not therefore get promised and expected services worth Kshs.21,524,613 as at 30 June 2016.

### 2.0 Project Implementation and Management

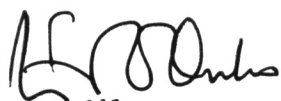
The approved budget for development project was apportioned among various sectors within the constituency namely Education, Water, Roads, Sports, Bursaries, Security, Environment and Emergency. The funds allocated amounted to Kshs.113,739,176 which represented 89.5% of the total budget.

Review of the project implementation status report revealed that 2 projects with approved budget of Kshs.14,500,000 were completed, 97 projects with a budget of

Kshs.86,239,176 were ongoing and 2 projects of Kshs.13,000,000 had not started as shown below;

<b>Project Status</b>	<b>Sector</b>	<b>Amount Allocated (Kshs)</b>	<b>Amount Disbursed (Kshs)</b>	<b>No of Projects</b>
<b>Completed</b>	Bursaries	14,500,000	14,500,000	2
<b>Ongoing</b>	Education	38,162,115	37,862,115	59
	Water	9,500,000	8,242,737	1
	Security	5,700,000	5,645,000	11
	Roads	22,000,000	15,559,724	5
	Sports	2,554,707	2,554,707	10
	Environment	2,554,707	2,554,707	10
	Emergency	5,767,647	5,767,647	1
	<b>Sub Total</b>		<b>86,239,176</b>	<b>78,186,637</b>
<b>Not Started</b>	Education	13,000,000	0	2
<b>Grand Total</b>		<b>113,739,176</b>	<b>92,686,637</b>	<b>101</b>

In the circumstance, the residents of Tharaka Constituency did not get services equivalent to the Kshs.13,000,000 budgeted but not started projects and it was not possible to ascertain that the Fund would implement all projects as budgeted.



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

**Nairobi**

**05 October 2017**

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – THARAKA CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**IV: STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2015-2016	2014-2015
RECEIPTS		(Kshs)	(Kshs)
Transfers from NG-CDF Board	1	128,185,359	120,436,795
<b>TOTAL RECEIPTS</b>		<b>128,185,359</b>	<b>120,436,795</b>
<b>PAYMENTS</b>			
Compensation of Employees	2	1,423,738	1,378,078
Use of goods and services	3	10,414,173	5,722,520
Transfers to Other Government Units	4	47,761,115	26,635,531
Other grants and transfers	5	95,806,972	73,067,575
Committee expenses	6	-	4,966,400
Social security expense	7	-	86,384
Acquisition of Assets	8	900,000	114,300
<b>TOTAL PAYMENTS</b>		<b>156,305,998</b>	<b>111,970,788</b>
<b>SURPLUS/DEFICIT</b>		<b>(28,120,639)</b>	<b>8,466,007</b>

The accounting policies and explanatory notes to these Financial Statements form an integral part of the financial statements. The Tharaka NG CDF Financial Statements were Approved on \_\_\_\_\_2<sup>nd</sup> Sept\_\_ 2016 and Signed by:

**STANLEY MUTEMI**  
**NG-CDFC CHAIRMAN**



**ALEX MUINDE**  
**FUND ACCOUNT MANAGER**



**V: STATEMENT OF FINANCIAL ASSETS AND LIABILITIES**

ITEM	Note	2015-2016	2014-2015
<b>FINANCIAL ASSETS</b>		<b>(Kshs)</b>	<b>(Kshs)</b>
<b>Cash and Cash Equivalents</b>			
Bank Balances	9	20,994,723	49,449,707
Cash Balances	10	529,890	195,545
<b>TOTAL FINANCIAL ASSETS</b>		<b>21,524,613</b>	<b>49,645,252</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	11	49,645,252	41,179,245
<b>Surplus/Deficit for the year</b>		<b>(28,120,639)</b>	<b>8,466,007</b>
<b>NET FINANCIAL POSITION</b>		<b>21,524,613</b>	<b>49,645,252</b>

The accounting policies and explanatory notes to these Financial Statements form an integral part of the Financial Statements. The TharakaCDF Financial Statements were approved on \_\_\_2<sup>nd</sup> Sept \_\_\_ 2016 and Signed by:



STANLEY MUTEMI  
NG-CDFC CHAIRMAN



ALEX MUINDE  
FUND ACCOUNT MANAGER



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – THARAKA CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**VI: CASH FLOW STATEMENT**

<b>RECEIPTS FROM OPERATING ACTIVITIES</b>	<b>NOTE</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>(Kshs)</b>	<b>(Kshs)</b>
Transfers from NG-CDF Board	1	128,185,359	120,436,795
<b>TOTAL RECEIPTS</b>		<b>128,185,359</b>	<b>120,436,795</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Compensation of Employees	2	(1,423,738)	(1,378,078)
Use of goods and services	3	(10,414,173)	(5,722,520)
Transfers to Other Government Units	4	(47,761,115)	(26,635,531)
Other grants and transfers	5	(95,806,972)	(73,067,575)
Committee expenses	6	-	(4,966,400)
Social security expenses	7	-	(86,384)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(155,405,998)</b>	<b>(111,856,488)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	8	(900,000)	(114,300)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(900,000)</b>	<b>(114,300)</b>
<b>NET DECREASE/ IN CASH AND CASH EQUIVALENT</b>		<b>(28,120,639)</b>	<b>8,466,007</b>
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	11	<b>49,645,252</b>	<b>41,179,245</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>		<b>21,524,613</b>	<b>49,645,252</b>



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

VII: SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	Percentage of utilization difference
	a	b	c=a+b	d	e=c-d	F=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>RECEIPTS</b>						
Transfers from NG-CDF Board	127,235,359	50,595,252	177,830,611	177,830,611	-	100
<b>PAYMENTS</b>						
Compensation of Employees	1,280,000	200,000	1,480,000	1,423,738	56,262	96
Use of goods and services	8,698,109	1,800,000	10,498,109	10,414,173	83,936	99
Transfers to Other Government Units	51,162,115	10,549,000	61,711,115	47,761,115	13,950,000	79
Other grants and transfers	66,095,135	37,105,031	103,700,166	95,806,972	7,893,194	91
Acquisition of Assets	-	941,221	941,221	900,000	41,221	96
<b>TOTALS</b>	<b>127,235,359</b>	<b>50,595,252</b>	<b>177,830,611</b>	<b>156,305,998</b>	<b>21,524,613</b>	<b>88</b>

The Tharaka NG-CDF Financial Statements were Approved on \_\_\_2nd Sept\_\_\_ 2016 and Signed by:

STANLEY MUTEMI  
 NG-CDFC CHAIRMAN



ALEX MUINDE  
 FUND MANAGER



#### VIII: SIGNIFICANT ACCOUNTING POLICIES

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

##### (a) 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 and relevant legal framework of the Government of Kenya. 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 *TharakaNG-cdf*. 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 recognizes transactions and events only when cash is received or paid by the *entity*.

##### (b) Recognition of revenue and expenses

Tharaka Ng-cdfc recognizes all revenues from the various sources when the event occurs and the related cash has actually been received by the *entity*. In addition, the *entity* recognises all expenses when the event occurs and the related cash has actually been paid out by the *Tharaka Ng-cdf*.

##### (c) In-kind contributions

In-kind contributions are donations that are made to the *entity* 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 *entity* 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.

##### (d) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

##### (e) 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

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reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the *entity* 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.

**(f)Receivables and payables**

These relate to provisioning balances for the GAV and Exchequer accounts as required by the current Government Financial Regulations and Procedures. These provisioning balances do not have an impact on the receipts and payments and therefore do not contravene the principles on the cash based IPSAS.

**(g)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 *entity'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 *entity's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

**(h)Comparative figures**

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

**(i)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

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**IX: NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM NG-CDF BOARD**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
A.I.E NO A825686/A796160	32,235,359	14,065,519.25
A.I.E NO A825579/A797158	32,000,000	16,043,679.50
A.I.E NO A820797/A759541	33,000,000	30,109,198.75
A.I.E NO A796378/796880	10,000,000	30,109,199.00
A.I.E NO A796400/A796649	10,000,000	30,109,198.50
A.I.E NO 820651	10,000,000	
A.I.E NO 796182	650,000	
A.I.E NO 796185	300,000	
<b>Total</b>	<b>128,185,359</b>	<b>120,436,795</b>

**2. COMPENSATION OF EMPLOYEES**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
Basic wages of temporary employees	1350,018	1,378,078
Social Security	73,720	-
<b>Total</b>	<b>1,423,738</b>	<b>1,378,078</b>

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**3. USE OF GOODS AND SERVICES**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
Utilities, supplies, services	16,960	2,517,920
Communication, supplies and services	316,000	352,500
Hospitality expenses	173,000	
Training expenses	627,380	465,000
Insurance costs	178,788	246,142
Office and general supplies and services	939,920	405,323
Fuel and lubricants	1,688,800	549,328
Routine maintenance – vehicles and other transport equipment	1,127,464	692,907
Routine maintenance – other assets	421,600	493,400
Committee expenses	3,992,715	-
Other Committee expenses	931,546	-
<b>Total</b>	<b>10,414,173</b>	<b>5,722,520</b>

**4. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

<b>Description</b>	<b>2015-2016</b>	<b>2014-2015</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
Transfers to Primary Schools	36,879,000	15,000,000
Transfers to secondary schools	10,882,115	11,635,513
<b>TOTAL</b>	<b>47,761,115</b>	<b>26,635,513</b>

**5. OTHER GRANTS AND OTHER PAYMENTS**

<b>Description</b>	<b>2015-2016</b>	<b>2014-2015</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
Bursary –Secondary	8,551,000	5,717,680
Bursary –Tertiary	6,073,482	2,647,860
CATS/Mocks	783,978	-
Water	27,815,935	19,964,410
Security	8,940,000	2470,000

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Roads	28,453,277	25,186,166
Sports	2,207,600	3,924,000
Environment	3,236,700	2,710,700
Emergency Projects	6,555,000	5,269,000
Health	-	5,177,759
Others	3190,000	
<b>Total</b>	<b>95,806,972</b>	<b>73,067,575</b>

**6. COMMITTEE EXPENSES**

Description	2015-2016	2014-2015
	(Kshs)	(Kshs)
Committee expenses	-	2,165,950
Other Committee expenses	-	2,800,450
<b>Total</b>		<b>4,966,400</b>

**7. SOCIAL SECURITY EXPENSES**

Description	2015-2016	2014-2015
	(Kshs)	(Kshs)
Social Security expenses	-	86,384
<b>Total</b>		<b>86,384</b>

**8. ACQUISITION OF ASSETS**

Non Financial Assets	2015-2016	2014-2015
	(Kshs)	(Kshs)
Purchase of tablet		114,300
Construction of a storeroom	900,000	
<b>Total</b>	<b>900,000</b>	<b>114,300</b>

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**9. Bank Accounts**

	<b>2015-2016</b>	<b>2014-2015</b>
<b>Name of Bank, Account No. &amp; currency</b>	<b>(Kshs)</b>	<b>(Kshs)</b>
<i>Tharaka NG Cdf ac no 01120058205800 coop bank chukka branch</i>	20,994,723	49,449,706.71

**10. CASH IN HAND**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
<b>Total</b>	529,890	195,545.70

**11. BALANCES BROUGHT FORWARD**

	<b>2015-2016</b>	<b>2014-2015</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
Bank accounts	49,449,707	40,620,612
Cash in hand	195,545	
<b>Total</b>		

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**12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown Below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported bursary expenditure	Acknowledged bursary receipts were shown to auditors	Fund Accounts Manager	Resolved	N/A
2	Budgetary control and performance	Funds were utilized in the subsequent financial year	Fund Accounts Manager	Resolved	N/A
3	Implementation of projects	Un implemented projects were implemented	Fund Accounts Manager, CDFC and PMCs	Resolved	N/A



Alex Muinde  
Fund Manager




Stanley Mutemi  
Chairman



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**ANNEX 1 ANALYSIS OF OTHER PENDING PAYABLES**

Amounts due to projects	Brief Transaction description	Original amount Kshs	Outstanding balance 2015/2016 Kshs
Igumo secondary	Purchase of school bus	6,500,000	6,500,000
Gatue day secondary	Purchase of school bus	6,500,00	6,500,000
Bursary	Award of bursary	500,000	500,000
Maragwa water	Trenching and fixing pipes	8,000,000	529,890
Kiamirambaap	Construction of an ap camp	500,000	500,000
Matagige bridge	Construction of a bridge	14,000,000	6,994,723
<b>TOTAL</b>			<b>21,524,613</b>

**ANNEX 2**

**SUMMARY OF FIXED ASSET REGISTER**

ASSET CLASS	HISTORICAL COST 2015/2016 (Kshs)	HISTORICAL COST 2014/2015 (Kshs)
Buildings	6,810,523	5,910,523
Transport equipment	4,079,250	4,079,250
Office equipment, furniture and fittings	425,000	425,000
ICT equipment, software and other ICT Assets	313,296	313,296
<b>TOTAL</b>	<b>11,628,069</b>	<b>10,728,069</b>