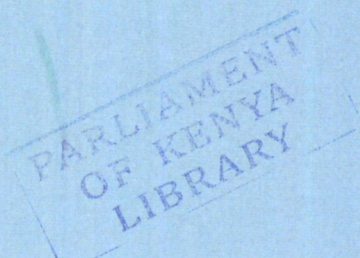
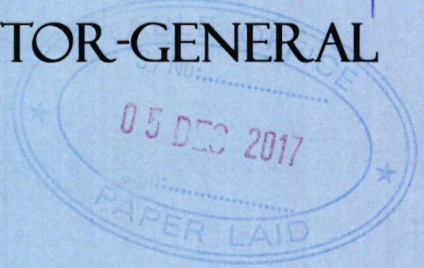


REPUBLIC OF KENYA



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5/12/2017
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OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2016**

KENYA NATIONAL AUDIT OFFICE
EMBU HUB

2^o APR 2017
2013
Tel: 068 - 30260
P. O. BOX 113, EMBU



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-
MWINGI WEST CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2016

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

NG-CONSTITUENCY DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016

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NG-CONSTITUENCY DEVELOPMENT FUND- MWINGI WEST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013.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

(b) Key Management

The *Mwingi west Constituency's* day-to-day management is under the following key organs:

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

(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	Japheth Musee
3.	District Accountant	Daudi Namba

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NG-CDF Board provide overall fiduciary oversight on the activities of Mwingi West Constituency. The reports and recommendation of ARMC when adopted by the NG-CDF Board are forwarded to the NG-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) Mwingi West NG-CDF Headquarters

Musila Building, Opposite DEO's Offices
Migwani Town
Mwingi-Migwani-Kitui Road
P.O. Box 395-90400
Mwingi, KENYA

NG-CONSTITUENCY DEVELOPMENT FUND- MWINGI WEST CONSTITUENCY
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(f) Mwingi West NG-CDF Contacts

Telephone: (254) 0719691060
E-mail: cdfmwingiwest@cdf.go.ke
Website: www.cdf.go.ke

(g) Mwingi West NG-CDF Bankers

Equity Bank Ltd
Mwingi Branch
Account Number:
0590260984982
P.O. Box 280-90400
Mwingi, Kenya

(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

ii.

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

CHAIRMANS REMARKS

a) Budget performance

Mwingi West has fully complied with the FY 2015/2016 budgetary allocation. We have utilized 100% the allocated fund based on the community prioritized projects (i.e. programmed activities) covering all the sectors. We have managed to achieve this by:-

- 1) Adherence to our work plans.
- 2) Strictly following procurement procedures and regulations.
- 3) Utilization of statutory votes.
- 4) Timely disbursement of project funds to PMCs.

b) Key achievements

(1) Reduction of poverty and inequality.

We have done this through:-

- a) Provision of employment opportunities by awarding NG-CDF tenders to the local community especially Women, youth and marginalized groups.

(2) Provision of Health facilities.

We have done this by construction of more evenly distributed health facilities as well as improving existing ones.

(3) Improved Education infrastructure.

-Developing primary and secondary schools infrastructure by construction of classrooms, dining halls, administration block, libraries, laboratories as well as renovation of existing infrastructure e.g classrooms.

-Equipping of schools by providing furniture and lab equipment.

-Giving NG-CDF bursaries to needy students and thus reducing drop –out rate.

NG-CONSTITUENCY DEVELOPMENT FUND- MWINGI WEST CONSTITUENCY
Reports and Financial Statements
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(4) Improved supply of water

Increasing access and connection of safe water through:-

- (i) Construction of earth dams/surface dams.
- (ii) Provision of water tanks to schools and dispensaries etc.

(5) Reduced environmental degradation.

-Adopting environmental friendly practices such as planting trees, construction of garbage pits in public places resulting to:-

- Increased forest cover.
- Improved garbage collection.

c) Emerging issues

1) Devolved government

-Difficulty in aligning project proposals with the county development plans and policies, sometimes resulting to duplication of the activities.

2) The CDF Act 2013 declared by the High Court unconstitutional and in valid on 20.02.2015 on the following grounds:-

- The process of the enactment of the CDF Act.
- The separation of powers.
- Sharing of National Revenue.
- Powers and functions of National Government and County Government.

-Thus, creating anxiety and fear as pertains to the final outcome of the case.

d) Implementation challenges

-Low funding: NG-CDF funds (i.e at 2.5% on National Government Revenue collected) are in adequate considering all prioritized community needs.

-Difficulty in getting a Government valuer to assess land to be purchased for a community project, resulting to a delay in project implementation.

NG-CONSTITUENCY DEVELOPMENT FUND- MWINGI WEST CONSTITUENCY
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e) **Way forward**

- Increase the NG-CDF funding to at least 5%.
- Government to increase hiring of land valuers to enhance easy project implementation.

In conclusion, the NG-CDF has achieved a lot in promoting the well being of the people of Mwingi West Constituency. I therefore, feel most honored and grateful to forward these financial statements FY 2015/2016 to the NG-CDF board, for onward submission to the office of the Auditor General before the deadline 30th September 2016.

Joseph N. Mutunga
NG-CDFC -CHAIRMAN

Sign..........Date..........



NG-CONSTITUENCY DEVELOPMENT FUND- MWINGI WEST CONSTITUENCY
Reports and Financial Statements
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III. STATEMENT OF NG-CDF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government 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 *Mwingi West NG-CDF* is responsible for the preparation and presentation of the NG-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 (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 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 *Mwingi West NG-CDF* accepts responsibility for the NG-CDF's Financial Statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NG-CDF's financial statements give a true and fair view of the state Of NG-CDF's transactions during the financial year ended June 30, 2016, and of the NG-CDF's financial position as at that date. The Accounting Officer in charge of the *Mwingi West NG-CDF* further confirms the completeness of the accounting records maintained for the NG-CDF, which have been relied upon in the preparation of the NG-CDF's financial statements as well as the adequacy of the systems of internal financial control.

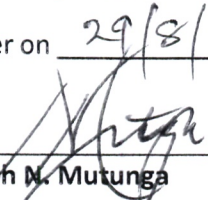
The Accounting Officer in charge of the *Mwingi West NG-CDF* confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the CDF's funds received during the year under audit were used for the eligible purposes for which they were

NG-CONSTITUENCY DEVELOPMENT FUND- MWINGI WEST CONSTITUENCY
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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 Mwingi West NG-CDF's financial statements were approved and signed by the Accounting Officer on 29/8/ 2016.



Joseph N. Mutunga
Chairman-NG-CDFC



Japheth K. Musee
Fund Account Manager



REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MWINGI WEST 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 – Mwingi West Constituency set out on pages 8 to 27 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 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 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

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

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'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

1.0 Irregular Disbursement of Emergency Funds

Note 7 to the financial statements reflects Kshs.5,110,000 in respect to emergency projects during the year under review. However, six projects with a total amount requested of Kshs.958,250 received a total disbursement of Kshs.1,860,000 resulting in an overall over funding of Kshs.901,750 as follows;

Project Name	Date	PV No.	Cheque No.	Amount Requested (Kshs)	Amount Disbursed (Kshs)	Over Funding (Kshs)
Kamandiko Pri School	2.3.16	597	2888	161,760	300,000	138,240
Mukuthu Pri. School	2.3.16	596	2891	250,000	300,000	50,000
Winzyeei Sec. School	2.3.16	600	2895	252,440	260,000	7,560
Mavoloni Pri. school	2.3.16	599	2897	94,050	100,000	5,950
Kavuoni Pri. School	2.3.16	594	2898	200,000	300,000	100,000
Mukuthu Sec. School	9.12.15	120	2143	-	600,000	600,000
Total				958,250	1,860,000	901,750

No explanation was given for over-funding of the six (6) projects by Kshs.901,750. In view of the foregoing, the propriety of the expenditure of Kshs. 901,750 as at 30 June 2016 could not be ascertained

2.0 Non Acknowledgement of Bursaries

Note 7 to the financial statements and records maintained at the CDF office indicate that a total of Kshs.21,647,813 had been disbursed as bursaries to various institutions as at 30 June 2016. However, only bursaries totaling to Kshs.5,812,000 (27%) were acknowledged by the beneficiary through letters of acknowledgement or issuance of official receipts leaving a balance of Kshs.15,835,813 (73%) unacknowledged.

In the circumstances, it has not been possible to ascertain whether the bursaries totaling to Kshs.15,835,813 benefited the intended beneficiaries and had been accounted for 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 – Mwingi West 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 for the year under review of Kshs.111,583,348. In addition to the approved budget for the year, the Fund had a cash balance of Kshs.45,997,948 brought forward from the 2014/2015. Therefore, the total budget for the year under review was Kshs.157,581,296. However, out of the Kshs.157,581,296 total budget for the year, only Kshs. 93,341,647 (59%) was spent during the year while Kshs.63,840,462 remained unutilized as at 30 June 2016 as shown below;

Revenue/Expenses	Original Budget (Kshs.)	Adjustments (Kshs.)	Final Budget (Kshs.)	Actual on Comparable Basis (Kshs.)	Variance (Kshs.)	Performance (%)
RECEIPTS						
Cash Balance b/f	-	45,997,948	45,997,948	45,997,948	-	100
Transfers from NG-CDF Board	111,583,348	-	111,583,348	55,000,000	56,583,348	49
Total Receipts	111,583,348	45,997,948	157,581,296	100,997,948	56,583,348	64
PAYMENTS						
Compensation of employees	2,576,508	1,239,972	3,816,480	2,067,984	1,748,496	54
Use of goods and services	7,465,992	4,329,869	11,795,861	6,027,177	5,768,684	51
Transfers to other government units	50,837,000	23,559,197	74,396,197	45,782,587	28,613,610	62
Other grants and transfers	44,982,974	16,650,310	61,633,284	39,828,837	21,804,447	65
Acquisition of assets	5,720,874	218,600	5,939,474	-	5,939,474	0
Other payments				34,249	(34,249)	
TOTAL	111,583,348	45,997,948	157,581,296	93,740,834	63,840,462	59

The residents of Mwingi West Constituency did not therefore, get promised and expected services worth Kshs. 63,840,462 equivalent to the unutilized budgeted fund as at 30 June 2016.

2.0 Project Implementation and Management

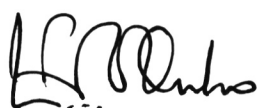
The approved budget for development project was apportioned among various sectors within the constituency namely Education, Health, Sports, Bursaries,

Security, Emergency and CDF Office Construction. The funds allocated amounted to Kshs.101,540,848 which represented 91% of the total budget.

Review of the project implementation status report revealed that 58 projects with approved budget of Kshs.50,441,535 were completed, 56 projects or 48.7% worth budget of Kshs.46,599,313 were ongoing and 1 project of Kshs.4,500,000 had not started as shown below;

Project Status	Sector	Amount Allocated (Kshs)	Amount Disbursed (Kshs)	No of Projects
Completed	Bursaries	20,901,995	20,901,995	2
	CDF Office Construction	5,720,874	5,720,874	1
	Education	14,950,000	14,950,000	26
	Health	5,087,000	5,087,000	4
	Security	1,550,000	1,550,000	3
	Sports	2,231,666	2,231,666	22
	Sub Total	50,441,535	50,441,535	58
Ongoing	Emergency	5,767,647	5,767,647	1
	Education	23,331,666	23,331,666	38
	Health	9,900,000	9,900,000	9
	Water	5,100,000	5,100,000	2
	Security	2,500,000	2,350,000	6
	Sub Total	46,599,313	46,449,313	56
Not Started	Water	4,500,000	-	1
Grand Total		101,540,848	96,890,848	115

As a result, the residents of Mwingi West Constituency did not get services equivalent to the Kshs.4,500,000 budgeted but not implemented project and it was not possible to ascertain that the Fund would implement all projects as budgeted and planned.



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

Nairobi

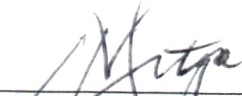
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NG-CONSTITUENCY DEVELOPMENT FUND- MWINGI WEST CONSTITUENCY
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For the year ended June 30, 2016

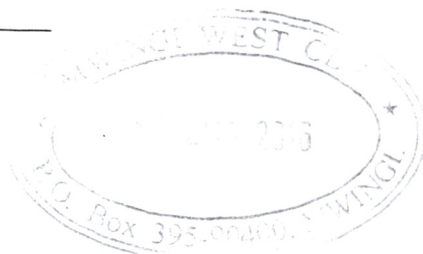
IV. STATEMENT OF RECEIPTS AND PAYMENTS


	Note	2015-2016	2014-2015
		Kshs	Kshs
RECEIPTS			
Transfers from Other Government Entities	1	55,000,000	105,313,635
Proceeds from sale of Assets	2	-	-
Other Receipts	3	-	14,000
TOTAL RECEIPTS		55,000,000	105,327,635
PAYMENTS			
Compensation of Employees	4	2,067,984	2,033,272
Use of goods and services	5	6,027,177	6,393,764
Transfers to Other Government Units	6	45,182,587	28,991,288
Other grants and transfers	7	40,029,650	28,267,774
Acquisition of Assets	8	-	5,601,400
Other Payments	9	34,249	29,910
TOTAL PAYMENTS		93,341,647	71,317,408
DEFICIT		(38,341,647)	34,010,227

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Mwingi west NG-CDF financial statements were approved on 29/8/2016 2016.



 Joseph N. Mutunga
 Chairman-NG-CDFC





 Japheth K. Musee
 Fund Account Manager

NG-CONSTITUENCY DEVELOPMENT FUND- MWINGI WEST CONSTITUENCY
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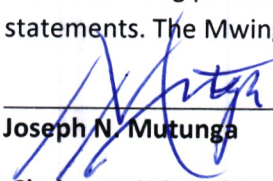
V. STATEMENT OF ASSETS

	Note	2015-2016	2014-2015
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per cash book)	10A	7,801,117	45,991,948
Cash Balances (cash at hand)	10B	6,000	6,000
TOTAL FINANCIAL ASSETS		7,807,117	45,997,948

REPRESENTED BY

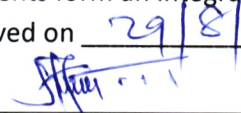
Fund balance b/fwd	11	45,997,948	11,987,721
Deficit for the year		(38,341,647)	34,010,227
Prior year adjustments	10C	150,816	-
NET FINANCIAL POSITION		7,807,117	45,997,948

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Mwingi West NG-CDF financial statements were approved on 29/8/2016 2016 and signed by



 Joseph N. Mutunga
 Chairman-NG-CDFC





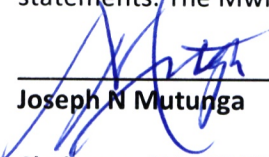
 Japheth K. Musee
 Fund Account Manager

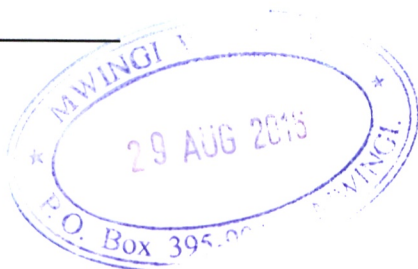
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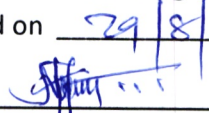
VI. STATEMENT OF CASH FLOW

Receipts for operating income		2015 - 2016	2014 – 2015
Transfers from NG-CDF Board	1	55,000,000	105,313,365
Other Receipts	3	-	14,000
Payments for operating expenses			
Compensation of Employees	4	2,067,984	2,033,272
Use of goods and services	5	6,027,177	6,393,764
Transfers to Other Government Units	6	45,182,587	28,991,288
Other grants and transfers	7	40,029,650	28,267,774
Other Payments	9	34,249	29,910
Adjusted for:			
Adjustments during the year	10C	150,816	-
Net cash flow from operating activities		(38,190,831)	39,611,357
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	-	(5,601,400)
Net cash flows from Investing Activities		-	(5,601,400)
NET INCREASE IN CASH AND CASH EQUIVALENT		(38,190,831)	34,010,227
Cash and cash equivalent at BEGINNING of the year	11	45,997,948	11,987,721
Cash and cash equivalent at END of the year		7,807,117	45,997,948

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Mwingi West NG-CDF financial statements were approved on 29/8/2016 2016 and signed by:


 Joseph N Mutunga
 Chairman -NG- CDFC




 Japheth K Musee
 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 Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from NG-CDF Board	111,583,348	45,997,948	157,581,296	100,997,948	56,583,348	64
Other Receipts						
TOTAL	111,583,348	45,997,948	157,581,296	100,997,948	56,583,348	-
PAYMENTS						
Compensation of Employees	2,576,508	1,239,972	3,816,480	2,067,984	1,748,496	54
Use of goods and services	7,465,992	4,329,869	11,795,861	6,027,177	5,768,684	51
Transfers to Other Government Units	50,837,000	23,559,197	74,396,197	45,182,587	29,213,610	61
Other grants and transfers	44,982,974	16,650,310	61,633,284	40,029,650	21,603,634	65
Acquisition of Assets	5,720,874	218,600	5,939,474	-	5,939,474	0
Other Payments	-			34,249	(34,249)	-
TOTAL	111,583,348	45,997,948	157,581,296	93,341,647	64,239,649	

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NB: The Mwingi West NG-CDF had done prior year adjustments of Kshs 150,816 (Note 10C).

The Mwingi West NG-CDF financial statements were approved on 29/8/ 2016 and signed by:



Joseph N Mutunga
Chairman- NG-CDFC





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

3. In-kind contributions

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

4. Cash and cash equivalents

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

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the 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, 2016.

9. Follow up on issues raised in audit report

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)
01	Unexplained Cash and cash equivalents balance of Kshs 45,997,948, which includes unrepresented cheques Kshs 5,591,076.38 and	The Cashbook Balance was reconciled with the financial statements. Imprest of Kshs 369,000 was	Fund Manager	Resolved	Before 30 June 2016

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	stale cheques worth Kshs 130,000, not reversed in the cashbook.	captured in the cashbook on 1.7.2014 and treated as expenditure after surrender. While monthly return recognises expenditure once cheque written. The stale cheques were reversed in the cashbook and replacements done.			
02	Non-acknowledgement of Bursary funds totalling to Kshs 14,413,000	The NG-CDFC has written to all institutions benefited from bursary funds to acknowledge the same.	NG-CDF Committee.	Being resolved	Before 30 June 2017.
03	Budgetary control and performance, unutilized funds totalling to Kshs 45,997,635	All PMCs were encouraged to submit the expenditure returns on time, for the previous grants. Hence promoting high funds absorption rate in the financial year 2015/2016. Cashbook balance was Kshs 7,801,117 as at 30 th June 2016.	NG-CDF Committee.	Resolved.	Before 30 June 2016.



 Joseph N. Mutunga
 Chairman-NG-CDFC





 Japheth K. Musee
 Fund Account Manager

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
NG-CDF Board		
AIE NO....A724134/A750360	20,000,000	7,300,000
AIE NO....A796342/A759505	10,000,000	19,028,408.75
AIE NO....A820759/A796620	25,000,000	14,797,045.25
AIE NO....A796840		11,531,363.50
AIE NO....A797202		26,328,408.75
AIE NO....A796090		26,328,408.75
TOTAL	55,000,000	105,313,635

NG-CONSTITUENCIES DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY**Reports and Financial Statements****For the year ended June 30, 2016***NOTES TO THE FINANCIAL STATEMENTS (Continued)***3. OTHER RECEIPTS**

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Receipts from Sale of tender documents	-	14,000
Total	-	14,000

4. COMPENSATION OF EMPLOYEES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Basic wages of contractual employees	1,775,586	1,463,884
Personal allowances paid as part of salary:		
House allowance	204,918	125,772
Gratuity	-	356,802
Employer contribution - NSSF	87,480	86,814
Total	2,067,984	2,033,272

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Utilities, supplies and services-water	35,760	126,240
Office Rent	535,200	778,800
Communication, supplies and services	22,000	44,000
Domestic travel and subsistence	-	67,500
Committee expenses	4,015,850	3,043,000
Rentals (Postal Address Box)	13,920	-
Training expenses(NG-CDFC, Staff/PMCs)	390,800	738,375
Hospitality supplies and services	-	124,408
Office and general supplies and services	208,605	359,894
Fuel, oil & Lubricants	370,000	700,000
Other operating expenses - PAYE	185,465	312,907
Routine maintenance – vehicles and other transport equipment	162,155	69,000
Routine maintenance – other assets	-	29,640
Kenya power bills payments(KPLC)	87,422	-
Total	6,027,177	6,393,764

NG-CONSTITUENCIES DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY**Reports and Financial Statements****For the year ended June 30, 2016***NOTES TO THE FINANCIAL STATEMENTS (Continued)***6. TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2015 – 2016	2014 - 2015
	Kshs	Kshs
Transfers to primary schools	16,124,197	5,935,000
Transfers to secondary schools	20,400,000	11,550,000
Transfers to tertiary institutions	300,000	3,766,000
Transfers to health institutions	8,358,390	7,740,288
TOTAL	45,182,587	28,991,288

7. OTHER GRANTS AND OTHER PAYMENTS

Description	2015 - 2016	2014- 2015
	Kshs	Kshs
Bursary – secondary schools	13,214,000	11,000,500
Bursary – tertiary institutions	8,433,813	6,772,000
Bursary – special schools	-	170,000
Water projects	8,704,131	665,350
Security projects	350,000	1,200,000
Strategic Plan	-	2,196,924
Sports projects	2,104,192	1,379,000
Environment projects	2,113,514	1,379,000
Emergency projects	5,110,000	3,505,000
Total	40,029,650	28,267,774

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2015 - 2016	2014 - 2015
	Kshs	Kshs
Construction of Buildings	-	4,600,000
Purchase of Office Furniture and General Equipment	-	737,400
Purchase of ICT Equipment, Software and Other ICT Assets	-	264,000
Total	-	5,601,400

NG-CONSTITUENCIES DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY**Reports and Financial Statements****For the year ended June 30, 2016***NOTES TO THE FINANCIAL STATEMENTS (Continued)***9. OTHER PAYMENTS**

Description	2015 – 2016	2014 - 2015
	Kshs	Kshs
Bank Charges	34,249	29,910
	34,249	29,910
	34,249	29,910

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & Currency	2015 - 2016	2014 - 2015
	Kshs	Kshs
Equity Bank Ltd, Mwingi Branch, Account Number: 0590260984982	7,801,117	45,991,948
Total	7,801,117	45,991,948

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10B: CASH IN HAND

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Sale of Tender documents	6,000	6,000
Total	6,000	6,000

10C: PRIOR YEAR ADJUSTMENTS

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Cash and bank Balances	150,816	-
Total	150,816	-

Note: This was an error noted between the reconciled Cash book balance as at 30-6-2015 and the reported Cash and bank balance for that period. Now amended in the Financial Year 2015/2016.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. BALANCES BROUGHT FORWARD

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	45,997,948	11,987,721
Total	45,997,948	11,987,721

12. OTHER IMPORTANT DISCLOSURES

12.1: PENDING ACCOUNTS PAYABLE

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Construction of buildings	-	-
	-	-

12.2: OTHER PENDING PAYABLES (See Annex 1)

Description	Kshs	Kshs
Amounts due to other Government entities	1,450,000	23,559,197
Amounts due to other grants and other transfers	5,435,837	16,650,310
Others –compensation of employees, use of goods and services, acquisition of assets.	915,280	5,788,441
	7,801,117	45,997,948

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ANNEX 1 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
					2016	2015	
		a	b	c	d=a-c		
Amounts due to other Government entities							
1. Primary Schools	Structures Construction	16,824,197	-	16,124,197	700,000	11,089,197	
2. Secondary Schools	Structures Construction	20,400,000	-	20,400,000	-	10,004,000	
3. Tertiary	Structures Construction	300,000	-	300,000	-	-	
4. Health	Structures Construction	9,108,390	-	8,358,390	750,000	2,466,000	
	Sub-Total	46,632,587			1,450,000	23,559,197	

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Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
Amounts due to other grants and other transfers							
5. Bursaries	students fee/Boda Boda Training	23,663,859	-	22,047,000	1,616,859	2,385,905	
6. Water	Surface/Earth Dam Construction	9,110,960	-	8,704,131	406,829	8,156,602	
7. Sports	Sports Equipments	4,338,131	-	2,104,192	2,233,939	2,106,272	
8. Environment	Environment equipments	2,806,465	-	2,113,514	692,951	2,106,272	
9. Emergency	Emergencies	5,595,259	-	5,110,000	485,259	1,895,259	
10. Security	Structures Construction	350,000	-	350,000	-	-	

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Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
					2016	2015	
Sub-Total		45,864,674			5,435,837	16,650,310	
Others (specify)							
11.Compensation of employees	Salary payment.	2,416,545	-	2,067,984	348,561	1,239,972	
12.Use of goods and services	Office running expenses, committee expenses, Audit fee	6,593,896	-	6,027,177	566,719	4,329,869	
13.Acquisition of assets	Purchase of furniture	-	-	-	-	218,600	
14. Other Payments	Bank charges	34,249	-	34,249	-	-	
Sub-Total		9,044,690			915,280	5,788,441	
Grand Total		101,541,951			7,801,117	45,997,948	

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ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset Class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Buildings and structures	4,600,000	4,600,000
Transport equipment	3,629,683	3,629,683
Office equipment, furniture and fittings	1,136,676	1,136,676
ICT Equipment, Software and Other ICT Assets	730,500	730,500
Intangible assets	12,835	12,835
Total	10,109,694	10,109,694