

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



*Paper laid by LOM
Wednesday 8/11/17
Afternoon sitting
[Signature]*

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
LARI CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2016**



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P. O. Box 30084 - 00100, NAIROBI
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**NATIONAL GOVERNMENT - CONSTITUENCY DEVELOPMENT FUND -
LARI 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 – LARI
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The *Constituencies Development Fund (NG - CDF)* was set up under the NG - CDF Act, 2003 now repealed by the NG - CDF Act, 2013. The *Constituencies Development Fund* is represented by the Cabinet Secretary for Devolution and Planning, who is responsible for the general policy and strategic direction of the *Constituencies Development Fund*. The objective of the fund is to ensure a specific portion of the national annual budget is devoted to the constituencies for purposes of infrastructural development, wealth creation and the fight against poverty at the constituency level.

(b) Key Management

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

- i. 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 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Ayaan mahadhi
3.	Accountant	Peter Mwangi

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NG - CDF Board provide overall fiduciary oversight on the activities of Lari 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) LARI NG - CDF Headquarters

P.O. Box 71 – 00221
 NG - CDF Office Building
 Lari Sub County Headquarters
 Kimende – Kagwe Road
 Kimende, KENYA

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

(f) LARI NG - CDF Contacts

Telephone: lariNG - CDF office
E-mail: NG - CDFlari.go.ke
Website: www.NG - CDF.go.ke

(g) LARI NG - CDF Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Equity Bank
Kimende Branch
P.O Box 75104 – 00200
Nairobi, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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

INTRODUCTION

Lari Constituency is one of the twelve constituencies of Kiambu County in the republic of Kenya. The Constituency has a population of over 200,000 people, the main economic activity being farming majorly horticulture, tea and dairy farming. Due to the high population and predominantly wet and cold weather condition, the Constituency has a number of challenges which the NATIONAL GOVERNMENT - CONSTITUENCY DEVELOPMENT FUND committee has to deal with.

BUDGET PERFORMANCE

During the collection of the budget proposal meetings from the members of the public a large number of projects were presented to the committee but only a few were included in the final proposal to the Board due to limitation of funds. Some of the Major needs presented to the committee were: Roads repairs, renovation of classrooms for both primary and secondary schools, construction of new classrooms due to the increased number of students, upgrading of police lines and chiefs offices, upgrading/construction of health facilities among others.

MAJOR ACHIEVEMENTS

In the year under review, Lari NG - CDFC has awarded bursaries worth over Kshs. 16 M which has gone a long way in ensuring that both secondary and college students remain in class without being sent home for fees. In addition, NG - CDFC has completed new classrooms for Crossroads Pri, Iria ini Sec, St. Joseph the Worker Sec, Kirasha pri to mention but a few in addition to renovation of classrooms and other education facilities some completed and others ongoing. NG - CDFC also completed expansion and modernization of the NG - CDF office creating ample office space with IT facilities as well as a spacious board room for meetings. The NG - CDFC has also invested in security and health completing a number of dispensaries, Chief's offices and APs houses with some still ongoing. Environmental awareness has also received attention through environmental days involving tree planting and environmental clean ups in major trading centres. Sports especially soccer has also been a key achievement in organization of a well coordinated constituency tournament which has gone a long way in nurturing youth talents in sport and utilizing the gatherings to sensitize the youth on a number of issues like the drug abuse menace.

IMPLEMENTATION CHALLENGES

We have more needs and less funding thus the need for increasing of the allocation to NG - CDF though it is a policy issue. Lack of capacity amongst the project management committees who are responsible for implementation of the projects has also been an issue though the NG - CDFC has tried organizing a number of capacity building workshops in light of limited finances.

CONCLUSION

2014/15 has been a fairly good year for Lari NG - CDFC with a number of flagship projects implemented to completion, some of which have earned the honour of being commissioned by His Excellency the Deputy President. NG - CDF is a noble idea and needs to be supported by all. This fund also needs to be controlled from the National Government for realisation of the country's developmental goals as envisioned in Kenya's Vision 2030.

Signed



ISAAC NJOKA
CHAIRPERSON, LARI NG - CDFC

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 NG - 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 Lari NG - CDF is responsible for the preparation and presentation of Lari NG - CDF's financial statements, which give a true and fair view of the state of affairs of Lari 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 Lari 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 Lari NG - CDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

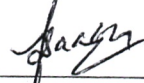
The Accounting Officer in charge of Lari NG - CDF accepts responsibility for the Lari NG - CDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Lari NG - CDF's financial statements give a true and fair view of the state of Lari NG - CDF's transactions during the financial year ended June 30, 2016, and of the Lari NG - CDF's financial position as at that date. The Accounting Officer in charge of Lari NG - CDF further confirms the completeness of the accounting records maintained for Lari NG - CDF, which have been relied upon in the preparation of the Lari NG - CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of Lari NG - CDF confirms that Lari NG - CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Lari 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 Lari 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 Lari NG - CDF's financial statements were approved and signed by the Accounting Officer on 6/9/2016 2016.


Ayaan Mahadhi
Fund Account Manager, Lari


Isaac Njoka
Chairperson, Lari NG - CDFC

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - LARI 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 - Lari Constituency set out on pages 7 to 24 which comprise the statement of financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and a summary of statement of appropriation; recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

*Report of the Auditor-General on the financial statements of National Government Constituencies Development Fund
- Lari Constituency for the year ended 30 June 2016*

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

1.1 Unsupported Prior Year Adjustment

The statement of financial assets as at 30 June 2016 includes prior year adjustment figure of Kshs.24,866,921.20. However, no explanation in notes to the financial statements and supporting documents for the adjustment were provided for audit review. Consequently, the accuracy and validity of prior year adjustment of Kshs.24,866,921.20 for the year ended 30 June 2016 could not be confirmed.

1.2 Non-compliance with IPSAS Reporting Template

The statement of receipts and payments, statement of assets and the statement of cash flows indicates notes 1 to 12. However, the referenced notes to the financial statements were not numbered and the financial statements lacked page numbers making it difficult to understand the financial statements. In the circumstances, the financial statements under review do not comply with the requirements of International Public sector Accounting Standards prescribed by Public Sector Accounting Standards Board.

1.3 Accuracy of Receipts from CDF Board

The statement of receipts and payments for the year ended 30 June 2016 reflects transfer from CDF Board of Kshs.76,862,921.20. However, the summary statement of appropriation; recurrent and development combined reflects actual receipts of Kshs.88,792,870.45, resulting in unexplained and unreconciled difference of Kshs.11,929,948.80. Consequently, the accuracy of receipts of Kshs.76,862,921.20 for the year ended 30 June 2016 could not be confirmed.

2.0 Use of Goods and Services

The statement of receipts and payments reflects use of goods and services balance of Kshs.6,892,072 for the year ended 30 June 2016. However, review of records presented for audit revealed expenditure of Kshs.1,856,780 were not included in the reported balance. Consequently, the accuracy of use of goods and services balance of Kshs.6,892,072 for the year ended 30 June 2016 could not be confirmed.

3.0 Other Grants And Transfers - Grading and Gravelling of Roads

The statement of receipts and payments reflects other grants and payments of Kshs.45,608,010, for the year ended 30 June 2016. Included in the balance are various projects totaling Kshs.9,672,000 awarded to various contractors for grading, gravelling and bush clearing of various roads. However, no completion certificate and inspection reports from the Ministry of Works were provided for audit review to confirm that the work was done and completed before the payments were made. In the circumstances, the

propriety of expenditure of Kshs.9,672,000 during the year under review could not be confirmed.

4.0 Bank Balances

The statement of financial assets as at 30 June 2016, reflects bank balance of Kshs.21,205,995.45. However, the bank reconciliation statement includes un-presented cheques totaling to Ksh.711.310, that were stale as at 30 June 2016, and could not be presented in the bank for payment. No reason was provided for the failure to reverse the cheques into the cashbook. Consequently the accuracy of bank balances of Kshs.21,205,995.45 as at 30 June 2016 could 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, the financial position of National Government Constituencies Development Fund–Lari 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 National Government Constituencies Development Fund Act, 2015.

Other Matter

1.0 Budget Performance

1.1 Overall Budget Execution

Review of statement on budget appropriation revealed 62% and 61% overall budget utilization on receipts and expenditure respectively as follows:

Item	Budget Kshs	Actual Kshs	Difference Under Kshs	Actual as % of Budget
Receipts	142,115,472	88,792,870	53,322,602	62%
Expenditure	142,115,472	86,586,875	55,528,597	61%

The above analysis reflects actual receipts of Kshs.88,792,870 against the budgeted amount of Kshs.142,115,472, resulting in a shortfall in receipts of Kshs.53,322,602. Further, the CDF incurred expenditure of Kshs.86,586,875 or 61% of the approved budget of Kshs.142,115,472, resulting to under-expenditure of Kshs.55,528,597 or 39% under-utilization. The underutilization of the budget provision was not explained. Delay in completion of projects and poor budget execution which translates to under spending denies residents the project benefits as well as risk of cost escalation.

1.2 Budget Performance on Transfers to Other Government Units

During the financial year 2015/2016, Lari NG-CDF approved budget for the transfers to other government units amounted to Kshs.44,550,000. A total of Kshs.32,057,000.00 was spent representing a 72.96% budget performance on transfers to other government units.

Further, out of forty three (43) projects budgeted for implementation in the year, only fifteen (15) of them were implemented while 29 had not been started as at June, 2016 as shown in the table below:

Project category	2015/2016 Budget Kshs.	No. of projects	No. of projects implemented		Projects not started	Actual expenditure Kshs	Absorption rate (%)
			2014/2015	2015/2016			
Primary schools	33,750,000	30	6	12	18	16,257,000	48
secondary schools	9,800,000	11	3	1	10	2,500,000	26
Tertiary institutions		0	0	1	0	10,000,000	
Health institutions	1,000,000	2	6	1	1	3,300,000	330
Total	44,550,000	43	15	15	29	32,057,000	72


The CDF management committee has not provided explanation for the underutilization of the funds and slow implementation of the projects.

2.0 Employment of CDF Staff

The statement of receipts and payments for the year ended 30 June 2016 reflects employees cost of Kshs.2,029,793. However, a review of records maintained by CDF office revealed that during the year under review, the CDF engaged five (5) employees at a gross salary of Kshs.263,204 per month on a contractual basis for three (3) years. However, the process of appointing the staff appears not competitive since there was no evidence of advertisements requesting for applications, subsequent short-listing and appointment were presented for audit verification. Further, although employee salaries were reviewed and increased by an average of over 213% during the year, the necessary approval for the increment from the NG-CDF Board was not made available for audit review. In addition, employees' contracts indicated entitlement to a 31% gratuity after the end of the contract, no funds have been set aside to cater for the gratuity. As a result of the foregoing, the propriety of employees cost for the year ended 30 June 2016 could not be ascertained.

3.0 Delayed Project Implementation-Kamahindu Police Post

Available records indicates that Lari CDF awarded construction of Kamahindu Police Post project to Moses Kuria Njuguna in 2009 and has since spent cumulative amount of Kshs.3,150,000 as at 30 June 2016 on the project. An amount of Kshs.500,000 was disbursed to the project during the financial year 2015/2016. However, site visit to the project revealed that it was incomplete since electrical works were yet to be done despite the significant funding. Consequently, value for money for the cumulative expenditure of Kshs.3,150,000 as at 30 June 2016 on this project could not be confirmed.



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

Nairobi

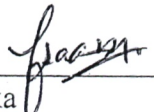
7 September 2017

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

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016	2014-2015
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	76,862,921.20	134,238,297.50
Proceeds from Sale of Assets	2		-
Other Receipts	3		35,000.00
TOTAL RECEIPTS		76,862,921.20	134,273,297.50
PAYMENTS			
Compensation of employees	4	2,029,793.00	1,285,100.00
Use of goods and services	5	6,892,072.00	5,223,405.00
Transfers to Other Government Units	6	32,057,000.00	35,899,385.00
Other grants and transfers	7	45,608,010.00	53,176,814.50
Acquisition of Assets	8	-	7,500,000.00
Other Payments	9	-	
TOTAL PAYMENTS		86,586,875.00	103,084,704.50
SURPLUS/DEFICIT		(9,723,953.80)	31,188,593.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The LARI NG - CDF financial statements were approved on 6th SEPTEMBER 2016 and signed by:

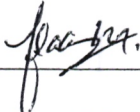

Isaac Njoka
Chairperson, Lari NG - CDFC



Ayaan Mahadhi
Fund Account Manager, Lari

V. STATEMENT OF ASSETS

	Note	2015-2016	2014-2015
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	2,205,995.45	11,929,949.25
Cash Balances (cash at hand)	10B		-
Outstanding Imprests	10C		-
TOTAL FINANCIAL ASSETS		2,205,995.45	11,929,949.25
REPRESENTED BY			
Fund balance b/fwd 1st July...2015	11	11,929,949.25	5,608,277.45
Surplus/Deficit for the year		(9,723,953.80)	31,188,593.00
Prior year adjustments	12		(24,866,921.20)
NET LIABILITIES		2,205,995.45	11,929,949.25

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The LARI NG - CDF financial statements were approved on 6th September 2016 and signed by:


 Isaac Njoka
 Chairperson, Lari NG - CDFC


 Ayaan Mahadhi
 Fund Account Manager, Lari

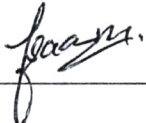
NATIONAL GOVERNMENT - CONSTITUENCY DEVELOPMENT FUND - LARI
CONSTITUENCY

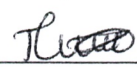
Reports and Financial Statements
For the year ended June 30, 2016

VI. STATEMENT OF CASHFLOW

Receipts for operating income		2015 - 2016	2014 - 2015
Transfers from CDF Board	1	76,862,921.20	134,238,297.50
Other Receipts	3	-	35,000.00
TOTAL		76,862,921.20	134,273,297.50
Payments for operating expenses			
Compensation of Employees	4	2,029,793.00	1,285,100.00
Use of goods and services	5	6,892,072.00	5,223,405.00
Transfers to Other Government Units	6	32,057,000.00	35,899,385.00
Other grants and transfers	7	45,608,010.00	53,176,814.50
Other Payments	8	-	-
			95,584,704.50
Adjusted for:			
Adjustments during the year		-	(24,866,921.20)
		86,586,875.00	13,821,671.80
Net cash flow from operating activities		(9,723,953.80)	
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	
Acquisition of Assets	9	-	7,500,000.00
Net cash flows from Investing Activities (2 - 10)			(7,500,000.00)
NET INCREASE IN CASH AND CASH EQUIVALENT (a + b)		(9,723,953.80)	6,321,671.80
Cash and cash equivalent at BEGINNING of the year	11	11,929,949.25	5,608,277.45
Cash and cash equivalent at END of the year	10A	2,205,995.45	11,929,949.25

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The LARI NG - CDF financial statements were approved on 6th September 2016 and signed by:


Isaac Njoka
Chairperson, Lari NG - CDFC

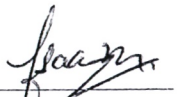

Ayaan Mahadhi
Fund Account Manager, Lari


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	105,322,602.00	11,929,949.25	117,252,551.25	76,862,921.20	40,389,630.05	66.00%
Proceeds from Sale of Assets						
Other Receipts						
	105,322,602.00	11,929,949.25	117,252,551.25	76,862,921.20	40,389,630.05	66.00%
PAYMENTS						
Compensation of Employees	2,060,000.00	-	2,060,000.00	2,029,793.00	30,207.00	99.00%
Use of goods and services	7,419,034.00	1,000,000.00	8,419,034.00	6,892,072.00	1,526,962.00	82.00%
Transfers to Other Government Units	42,050,000.00	6,500,000.00	48,550,000.00	32,057,000.00	16,493,000.00	66.00%
Other grants and transfers	53,793,568.00	4,429,949.25	58,223,517.25	45,608,010.00	12,615,507.25	78.00%
Acquisition of Assets	-		-		-	0.00%
Other Payments						
TOTALS	105,322,602.00	11,929,949.25	117,252,551.25	86,586,875.00	30,665,676.25	74.00%

- i. Social Security Benefits: NG - CDFC had budgeted to spend Kshs. 25,000 as employer's contribution to NSSF on the basis of information that the NSSF Act was to be amended resulting in increase in NSSF contribution. However, the increase was not effected with contribution remaining at Kshs. 200 per employee and thereby utilization was at 24%. NG - CDFC plans to factor the surplus c/f in the subsequent f/y's budget.
- ii. Acquisition of Assets: NG - CDFC settled for reallocation of Kshs. 7.8m budgeted for purchase of a NG - CDFC vehicle to other priority projects thus utilization at 43%.
- iii. Other Payments: The Kshs. 800,000 budgeted for roofing of Kimende community hall was received towards end of June 2016 with limited time at hand for release of the funds to the project thus utilization at 0%. Release of the funds was prioritized in the beginning of 2016/16 f/y.

The LARI NG - CDF financial statements were approved on ^{6th} ~~September~~ 2016 and signed by:


 Isaac Njoka
 Chairperson, Lari NG - CDFC


 Ayaan Mahadhi
 Fund Account Manager, Lari

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 Lari 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 Lari 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

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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, 2016.

NOTES TO THE FINANCIAL STATEMENTS

I. NOTES TO THE FINANCIAL STATEMENTS					
1 TRANSFERS FROM OTHER GOVERNMENT AGENCIES					
Description			2015-2016	2014-2015	
			Kshs	Kshs	
1330407	Normal Allocation	AIE NO...A709973	24,862,921.20 ⁴	34,786,610.50	
		AIE NO...A735547	20,000,000.00	24,862,921.75	
		AIE NO...A796759	20,000,000.00	14,917,753.05	
			12,000,000.00	9,945,169.00	
				24,862,922.00	
				24,862,921.20	
1330408	Conditional grants	AIE NO...			
		AIE NO...			
1330409	Receipt from other Constituency				
	TOTAL		76,862,921.20	134,238,297.50	
2 PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS					
Description			2015-2016	2014-2015	
			Kshs	Kshs	
3510202	Receipts from the Sale of Buildings				
3510601	Receipts from the Sale of Vehicles and Transport Equipment				

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3510801	Receipts from the Sale Plant Machinery and Equipment				
3510803	Receipts from the Sale of office and general equipment				
		Total	-		
1400000	3 OTHER RECEIPTS				
	Description		2015-2016	2014-2015	
			Kshs	Kshs	
1410107	Interest Received		-		
1410405	Rents		-		
1420601	Sale of tender documents		-	35,000.00	
1450207	Other Receipts Not Classified Elsewhere (specify)		-		
	Total		-	35,000.00	
2110000	4 COMPENSATION OF EMPLOYEES				
	Description		2015-2016	2014-2015	
			Kshs	Kshs	
2110201	Basic wages of contractual employees		2,000,393.00	979,300.00	
2110202	Basic wages of casual labour		-	114,000.00	
	Personal allowances paid as part of salary				
2110301	House allowance		-	185,800.00	
2110314	Transport allowance		-		
2110320	Leave allowance				
2110320	Employer contribution to NSSF		29,400.00	6,000.00	
2110326	Other personnel payments		-		
2710120	gratuity				

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	Total		2,029,793.00	1,285,100.00	
2200000	5 USE OF GOODS AND SERVICES				
	Description		2015-2016	2014-2015	
			Kshs	Kshs	
2210100	Utilities, supplies and services		150,000.00	12,000.00	
2210104	Office rent		-		
2210200	Communication, supplies and services		300,000.00	36,000.00	
2210300	Domestic travel and subsistence		200,000.00	111,000.00	
2210500	Printing, advertising and information supplies & services		823,200.00	90,000.00	
2210600	Rentals of produced assets		-		
2210700	Training expenses		500,000.00	1,720,600.00	
2210802	Other committee expenses		3,045,882.00	801,700.00	
2210809	Committee allowance		1,368,000.00	1,995,000.00	
2210800	Hospitality supplies and services		-	95,500.00	
2210900	Insurance costs		-		
2211000	Specialised materials and services		-		
2211100	Office and general supplies and services		300,000.00	162,000.00	
2211200	Fuel ,oil & lubricants				
2211300	Other operating expenses		204,990.00	199,605.00	
2220100	Routine maintenance – vehicles and other transport equipment				
2220200	Routine maintenance – other assets				

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

	Total		6,892,072.00	5,223,405.00	
2630200	6 TRANSFER TO OTHER GOVERNMENT ENTITIES				
	Description		2015-2016	2014-2015	
			Kshs	Kshs	
2630204	Transfers to primary schools		16,257,000.00	10,533,840.00	
2630205	Transfers to secondary schools		12,500,000.00	13,200,000.00	
2630206	Transfers to Tertiary institutions			1,700,000.00	
2630207	Transfers to Health institutions		3,300,000.00	10,465,545.00	
	TOTAL		32,057,000.00	35,899,385.00	
2640000	7 OTHER GRANTS AND OTHER PAYMENTS				
	Description		2015-2016	2014-2015	
			Kshs	Kshs	
2640101	Bursary -Secondary		12,088,120.00	9,028,100.00	
2640102	Bursary -Tertiary		12,088,120.00	6,919,230.00	
2640104	Bursary-Special schools			893,000.00	
2640105	Mocks & CAT		2,100,000.00	6,400,000.00	
2640504	water/Sewers		2,700,000.00	1,179,460.00	
2640505	Electricity Projects			-	
2640506	Security		2,925,000.00	4,300,000.00	
2640507	Roads		9,672,000.00	13,185,006.50	
2640508	Sports		940,000.00	2,751,809.00	

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260	Environment		89,000.00	2,601,809.00	
2640200	Emergency Projects (specify)		1,205,770.00	5,918,400.00	
2640511	Development - factories/stadiums		1,800,000.00		
	Total		45,608,010.00	53,176,814.50	
1100000	8 ACQUISITION OF ASSETS				
	Non Financial Assets		2015-2016	2014-2015	
			Kshs	Kshs	
1110102	Purchase of Buildings		-		
1110202	Construction of Buildings			7,500,000.00	
1110302	Refurbishment of Buildings				
1110701	Purchase of Vehicles		-		
1110704	Purchase of Bicycles & Motorcycles		-		
1110801	Overhaul of Vehicles		-		
1111001	Purchase of Office furniture and fittings		-		
1111002	Purchase of computers ,printers and other IT equipments		-		
1111005	Purchase of photocopier				
1111009	Purchase of other office equipments				
1111112	Purchase of soft ware				
1130101	Acquisition of Land				
	Total		-	7,500,000.00	
	9 OTHER PAYMENTS				
			2015-2016	2014-2015	
			Kshs	Kshs	
	specify		-		
	specify		-		

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TOTAL			-	
10A: Bank Balances (cash book bank balance)				
Name of Bank	Account Number	2015 - 2016	2014 - 2015	
		Kshs (30/6/2016)	Kshs (30/6/2015)	
Equity Bank Kimende No. 1110295360924 KSHS		2,205,995.45	36,792,870.45	
		-		
		-		
Total		2,205,995.45	36,792,870.45	
10B: CASH IN HAND				
		2015 - 2016	2014 - 2015	
		Kshs (30/6/2016)	Kshs (30/6/2015)	
Location 1		-		
Location 2		-		
Location 3		-		
Other receipts (specify)		-		
Total		-		
		<i>[Provide cash count certificates for each]</i>		
10C: OUTSTANDING IMPRESTS				
Name of Officer	Date imprest taken	Amount Taken	Amount Taken	Balance (30/6/2015)
		Kshs	Kshs	Kshs
Name of Officer	dd/mm/yy	-		-
Name of Officer	dd/mm/yy	-		-
Name of Officer	dd/mm/yy	-		-
Name of Officer	dd/mm/yy	-		-

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

Name of Officer	dd/mm/yy	-	-
Name of Officer	dd/mm/yy	-	-
Total			
11 BALANCES BROUGHT FORWARD			
		2015 - 2016	2014 - 2015
		Kshs (1/7/2015)	Kshs (1/7/2014)
Bank accounts		11,929,949.25	5,608,277.45
Cash in hand		-	
Imprest		-	
Total		11,929,949.25	5,608,277.45
<i>[Provide short appropriate explanations as necessary]</i>			
12 PRIOR YEAR ADJUSTMENTS			
		2015 - 2016	2014 - 2015
		Kshs	Kshs
Bank accounts			
Cash in hand		-	11,929,949.25
Imprest		-	
Total		-	11,929,949.25
13 OTHER IMPORTANT DISCLOSURES			
13.1: PENDING ACCOUNTS PAYABLE (See Annex 1)			
		2015 - 2016	2014 - 2015
		Kshs	Kshs
Construction of buildings		-	
Construction of civil works		-	
Supply of goods		-	
Supply of services		-	
TOTAL		-	

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13.2: PENDING STAFF PAYABLES (See Annex 2)			
		2015 - 2016	2014 - 2015
		Kshs	Kshs
Senior management		-	550,565.58
Middle management		-	
Unionisable employees		-	
Others (specify)		-	
		-	550,565.58
13.3: OTHER PENDING PAYABLES (See Annex 3)			
		2015 - 2016	2014 - 2015
		Kshs	Kshs
Amounts due to other Government entities (see attached list)		-	12,900,000.00
Amounts due to other grants and other transfers (see attached list)		-	7,065,192.00
Others (specify)		-	
		-	

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance
				2014
	a	b	c	
Construction of buildings				
1.				
2.				
3.				
Sub-Total				
Construction of civil works				

4.				
5.				
6.				
Sub-Total				
Supply of goods				
7.				
8.				
9.				
Sub-Total				
Supply of services				
10.				
11.				
12.				
Sub-Total				
Grand Total				

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Outstanding Balance
				2015
		a	b	d=a-c
Senior Management				
1.				
2.				
3.				
Sub-Total				
Middle Management				
4.				
5.				
6.				
Sub-Total				
Unionisable Employees				
7.				
8.				
9.				
Sub-Total				
Others (specify)				
10.				
11.				
12.				

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Sub-Total			
Grand Total			

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Outstanding Balance
				2015
		a		c
Amounts due to other Government entities				
1.				
2.				
3.				
Sub-Total				
Amounts due to other grants and other transfers				
4.				
5.				
6.				
Sub-Total				
Others (specify)				
7.				
8.				
9.				
Sub-Total				
Grand Total				

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost	Historical Cost	Historical Cost
	(Kshs)	(Kshs)	(Kshs)
	2015/16	2014/15	2013/14
Land	-	-	
Buildings and structures	-	9,150,000.00	-
Transport equipment	-		-

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Office equipment, furniture and fittings	-	881,000.00	
ICT Equipment, Software and Other ICT Assets	-	486,500.00	-
Other Machinery and Equipment	-	-	-
	-	-	
Heritage and cultural assets	-	-	
Intangible assets	-	-	
Total	-	10,517,500.00	-