

REPUBLIC OF KENYA



*Paper laid by
Leader of Majority party
Tuesday 7/8/2018
Ago*



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REPORT

OF

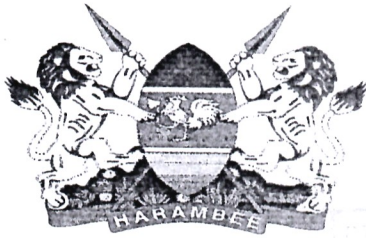
THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**

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09 OCT 2017
2121
Tel: 020-25500
P.O. BOX 30084

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

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
29 SEP 2017
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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *National Government Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013.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 to ensure that specific portion of the national annual budget is devoted to the constituencies for purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

(b) Key Management

The *National Government KITUI EAST Constituency's* day-to-day management is under the following key organs:

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

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Dennis Matundura
3.	Accountant	Gilbert Maende
4.		

(d) Fiduciary Oversight Arrangements

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

P.O. Box 1199
NG-CDF OFFICE BUILDING AT CHULUNI MARKET
KITUI-MUTOMO ROAD
KITUI, KENYA

(f) KITUI EAST NG-CDF Contacts

Telephone: (254) 722811542
E-mail: cdfkituieast@ngcdf.go.ke
Website: www.ngcdf.go.ke

(g) KITUI EAST NG-CDF Bankers

Equity Bank Ltd
Kitui Branch
0720261343213
P.o Box 1453

(h) Independent Auditors

Auditor General
Office of 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

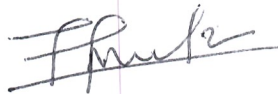
**II. FORWARD BY THE CHAIRMAN NG-CONSTITUENCY DEVELOPMENT FUND
COMMITTEE**

I have the pleasure to forward the accounts of Kitui East NG-CDF for the financial year 2016/2017 which represents a true record of activities undertaken within the year.

I am also happy to report that during the year, the NG-CDFC was able to utilize the funds received safe for the funds that were not received at the end of the financial year which amounted to ksh 35 million.

The received funds were applied as per proposal and guidelines on Security, Bursary and Education sectors.

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



Fultonior K. Muli

CHAIRMAN NG-CDFC

Reports and Financial Statements
For the year ended June 30, 2017

III. STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government CDF shall prepare financial statements in respect of that NG-CDF. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

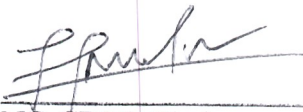
The Accounting Officer in charge of the Kitui East NG-CDF is responsible for the preparation and presentation of the NG-CDF's financial statements, which give a true and fair view of the state of affairs of the NG-CDF for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NG-CDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the NG-CDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Kitui East 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, 2015, and of the NG-CDF's financial position as at that date. The Accounting Officer in charge of the Kitui East CDF further confirms the completeness of the accounting records maintained for the NG-CDF, which have been relied upon in the preparation of the CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Kitui East 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 NG-CDF's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the NG-CDF's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The NG-CDF's financial statements were approved and signed by the Accounting Officer on 01/08/2017 and were signed by:



NG-CDFC Chairman



Fund Account Manager

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- KITUI EAST CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the National Government Constituencies Development Fund- Kitui East Constituency set out on pages 5 to 19, which comprise statement of assets as at 30 June 2017, 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion Section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund- Kitui East Constituency as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Unsupported Security Projects Expenditure

Note 5 to the financial statements reflects Kshs.39,455,102 in respect to other payments which included Kshs.7,500,000 in respect to security projects executed during the year under review. However, although the projects comprised of construction of residential houses in six Administration Police lines, the respective land ownership and sale agreement documents were not made available for audit verification. Further, building plans, Structural and Architectural drawings and the environmental clearance letters from National Environmental Management Authority (NEMA) including status report as at 30 June 2017 were not made available for audit verification.

In the circumstances, the security, propriety and value for money of Kshs.7,500,000 expenditure as at 30 June 2017 could not be confirmed.

2.0 Irregular Implementation of Incomplete Classroom Project: Ithangathi Secondary School

During the year under review, the Fund transferred Kshs.1,000,000 to Ithangathi Secondary School for the construction of two classrooms at a cost of Kshs.1,545,140. However, although the total project cost was Kshs.1,545,140, only Kshs.1,000,000 was transferred to the Project Management Committee (PMC) and no documents were made available to show how the balance of Kshs.545,140 was to be funded for the project to be completed. This under funding raised a high possibility of the project stalling midway. In addition, a physical verification done on 19 April 2018 revealed that various works comprising of painting of doors and windows, window seal and glazing of windows, floor and wall plastering and keying which were to be done at a cost of Kshs.114,720 had not been done

Consequently, the propriety and value for money of Kshs.1,000,000 expenditure as at 30 June 2017 could not be confirmed.

3.0 Irregular Implementation and Incomplete Classroom Project: Makuka Secondary School

During the year under review, the Fund transferred Kshs.1,000,000 to Makuka Secondary School for the construction of two classrooms at a total cost of Kshs.2,155,760. However, although the total project cost was Kshs.2,155,750, only Kshs.1,000,000 was transferred to the PMC and no documents were made available to show how the balance of Kshs.1,155,760 was to be funded for the project to be completed. This under funding raised the high possibility of the project stalling midway.

In addition a physical verification done on 19 April 2018 revealed that various works comprising of windows, finishings, painting and decoration which were to be done at a cost of Kshs.239,050 as per bill of quantity had not been done .

Consequently, the propriety and value for money of the Kshs.1,000,000 expenditure as at 30 June 2017 could not be confirmed.

4.0 Poor Workmanship at Hon. Kiema Primary School

During the year under review, the Fund transferred Kshs. 600,000 to Hon. Kiema Primary School for construction of a classroom. However, a physical verification done on 19 April 2018 revealed poor workmanship as the floor of the classroom was wearing off and the wall finishing/ Painting was not well done.

In the circumstance, the propriety and value for money of the Kshs. 600,000 as at 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituency Development Fund – Kitui East Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial

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

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter section, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budget and Budgetary Controls

During the year under review, the Constituency approved a budget of Kshs.155,239,164 comprising of Kshs.81,896,552 for the year under review and Kshs.73,342,612 brought forward from the previous year. However, the Fund received Kshs.111,344,066 from the National Government Constituency Development Fund Board leading to a revenue shortfall of Kshs. 43,895,098 being funds not received from the Board.

Further, out of the total budget of Kshs. 155,239,164, only Kshs. 114,528,327 (74%) was utilized to fund projects in various sectors within the Constituency resulting in an under-expenditure of Kshs. 40,710,837 as follows;

Item	Original Budget (Kshs.)	Adjustments (Kshs.)	Final Budget (Kshs.)	Actual on Comparable Basis (Kshs.)	Variance (Kshs.)	Performance %
RECEIPTS						
Transfers from CDF Board	81,896,552	73,342,612	155,239,164	111,344,065	43,895,098	72
Total Receipts	81,896,552	73,342,612	155,239,164	111,344,065	43,895,098	
PAYMENTS						
Compensation of Employees	3,500,000	3,700,000.	7,200,000	4,357,618.	2,842,382.	61
Use of goods and services	3,849,089	4,447,206	8,296,295	5,517,316	2,778,979	67
Transfers to Other Government Units	39,400,000	47,700,000	87,100,000	62,200,000	24,900,000	71
Other grants and transfers	35,125,863	9,507,915	44,633,778	39,455,102	5,178,676	88
Social Security Benefits	21,600	10,800.	32,400	21,600.	10,800.00	67
Acquisition of Assets	-	7,976,691	7,976,691	2,976,691	5,000,000	37
TOTALS PAYMENTS	81,896,552	73,342,612	155,239,164	114,528,327	40,710,837	74

In the circumstances, the residents of Manyatta Constituency did not obtain promised and expected services equivalent to Kshs.40,710,837 being the budgeted but not spent funds as at 30 June 2017.

2.0 Project Implementation Status

The approved budget for development projects was apportioned among various sectors in the Constituency namely; primary schools, secondary schools, security, sports, environment, emergency projects and water projects. However out of 167 projects that were budgeted to be undertaken during the year, 106 projects totaling to Kshs.69,181,093 were completed, while 15 projects totaling to Kshs.10,500,000 were still ongoing and 46 projects had not started despite a total amount of Kshs.4,100,000 having been disbursed out of the total allocation of Kshs.37,400,000 by the end of the financial year 2016/2017 as analyzed below:

KITUI EAST NG-CDF PROJECT IMPLEMENTATION STATUS ANALYSIS FY 2016/17				
SECTOR	PROJECT STATUS	AMOUNT ALLOCATED(KSHS)	AMOUNT DISBURSED(KSHS)	NO. OF PROJECTS
EDUCATION	COMPLETED	27,249,000.00	48,100,000.00	68
	ONGOING	10,500,000.00	10,500,000.00	15
	NOT STARTED	25,400,000.00	3,600,000.00	39
	SUB TOTALS	63,149,000.00	62,200,000.00	122
BURSARY	COMPLETED	20,031,000.00	20,031,000.00	2
	ONGOING	0	0	0
	NOT STARTED	0	0	0
	SUB TOTALS	20,031,000.00	20,031,000.00	2
WATER	COMPLETED	200,000.00	200,000.00	1
	ONGOING	0	0	0
	NOT STARTED	0	0	0
	SUB TOTALS	200,000.00	200,000.00	1
ROADS	COMPLETED	3,200,000.00	3,200,000.00	3
	ONGOING	0	0	0
	NOT STARTED	0	0	0
	SUB TOTALS	3,200,000.00	3,200,000.00	3
SPORTS	COMPLETED	2,507,915.00	2,507,915.00	1
	ONGOING	0	0	0
	NOT STARTED	0	0	0
	SUB TOTALS	2,507,915.00	2,507,915.00	1
SECURITY	COMPLETED	7,000,000.00	7,000,000.00	8
	ONGOING	0	0	
	NOT STARTED	7,000,000.00	500,000.00	6
	SUB TOTALS	14,000,000.00	7,500,000.00	14
EMERGENCY	COMPLETED	6,016,487.00	6,016,487.00	8
	ONGOING	0	0	0
	NOT STARTED	0	0	0

	SUB TOTALS	6,016,487.00	6,016,487.00	8
ACQUISITION OF ASSETS	COMPLETED	2,976,691.00	2,976,691.00	15
	ONGOING	0	0	0
	NOT STARTED	5,000,000.00	-	1
	SUB TOTALS	7,976,691.00	2,976,691.00	16
	GRAND TOTALS	117,081,093.00	104,632,093.00	167

In view of the above, the Fund did not implement 46 projects worth Kshs.37,400,000 which were included in the budget for the year under review. As a result, the residents of Kitui East constituency did not get promised and expected services equivalent to the budgeted but not implemented projects as at 30 June 2016 totaling to Kshs.37,400,000.

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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion 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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue Offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the fund's activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R.O Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 July 2018

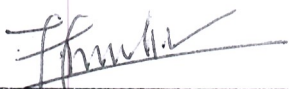
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI EAST
CONSTITUENCY**

**Reports and Financial Statements
For the year ended June 30, 2017**

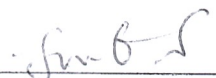
IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Transfers from NG-CDF board-AIEs' Received	1	111,344,065.60	67,000,000.00
TOTAL RECEIPTS		111,344,065.60	67,000,000.00
PAYMENTS			
Compensation of employees	2	4,379,218.00	3,174,062.00
Use of goods and services	3	5,517,315.80	4,318,310.60
Transfers to Other Government Units	4	62,200,000.00	37,650,000.00
Other grants and transfers	5	39,455,102.00	57,129,968.00
Acquisition of Assets	6	2,976,691.00	-
TOTAL PAYMENTS		114,528,326.80	102,272,340.60
SURPLUS/DEFICIT		(3,184,261.20)	(35,272,340.60)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KITUI EAST NG-CDF financial statements were approved on 01/08/2017 and signed by:



Chairman – NG-CDFC



Fund Account Manager

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

Reports and Financial Statements

For the year ended June 30, 2017


V. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	7A	4,762,561.75	7,946,822.95
TOTAL FINANCIAL ASSETS		4,762,561.75	7,946,822.95
REPRESENTED BY			
Fund balance b/fwd 1st July...	7B	7,946,822.95	43,219,163.55
Surplus/Deficit for the year		(3,184,261.20)	(35,272,340.60)
Prior year adjustments		-	-
NET LIABILITIES		4,762,561.75	7,946,822.95

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KITUI EAST NG-CDF financial statements were approved on 01/08/2017 and signed by:



Chairman – NG-CDFC



Fund Account Manager

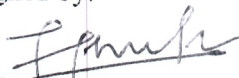
NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI EAST
CONSTITUENCY

Reports and Financial Statements
For the year ended June 30, 2017

VI STATEMENT OF CASHFLOW

Receipts for operating income		2016-2017	2015-2016
Transfers from NG-CDF Board	1	111,344,065.60	67,000,000.00
Payments for operating expenses			
Compensation of Employees	2	4,379,218.00	3,174,062.00
Use of goods and services	3	5,517,315.80	4,318,310.60
Transfers to Other Government Units	4	62,200,000.00	37,650,000.00
Other grants and transfers	5	39,455,102.00	57,129,968.00
subtotal for operating expenses		111,551,635.80	102,272,340.60
Adjusted for:			
Adjustments during the year		-	-
Net cash flow from operating activities		(207,570.20)	(35,272,340.60)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	(2,976,691.00)	-
Net cash flows from Investing Activities		(2,976,691.00)	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(3,184,261.20)	(35,272,340.60)
Cash and cash equivalent at BEGINNING of the year	7A	7,946,822.95	43,219,163.55
Cash and cash equivalent at END of the year	7B	4,762,561.75	7,946,822.95

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KITUI EAST NG-CDF financial statements were approved on 01/08/2017 and signed by:



Chairman NG-CDFC



Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUI EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT

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	81,896,551.72	73,342,611.95	155,239,163.67	111,344,065.60	43895098.07	72
PAYMENTS						
Compensation of Employees	3,500,000.00	3,700,000.00	7,200,000.00	4,357,618.00	2,842,382.00	61
Use of goods and services	3,849,089.12	4,447,205.95	8,296,295.07	5,517,315.80	2,778,979.27	67
Transfers to Other Government Units	39,400,000.00	47,700,000.00	87,100,000.00	62,200,000.00	24,900,000.00	71
Other grants and transfers	35,125,862.60	9,507,915.00	44,633,777.60	39,455,102.00	5,178,675.60	88
Social Security Benefits	21,600.00	10,800.00	32,400.00	21,600.00	10,800.00	67
Acquisition of Assets	-	7,976,691.00	7,976,691.00	2,976,691.00	5,000,000.00	37
TOTALS	81,896,551.72	73,342,611.95	155,239,163.67	114,528,326.80	40,710,836.87	74

There was under-utilization on acquisition of assets because the motor vehicle has not been purchase. This acquisition is awaiting the disposal of the current vehicle not in use.

The KITUI EAST NG-CDF financial statements were approved on 01/08/2017 and signed by:





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

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various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

5. Pending bills

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

6. Budget

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

7. Comparative figures

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

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

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IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2016 - 2017	2015 - 2016
		Kshs	Kshs
Normal Allocation	AIE NO.....	60,395,789.00	2,000,000.00
	AIE NO.....	4,094,827.60	10,000,000.00
	AIE NO.....	36,853,449.00	20,000,000.00
	AIE NO.....	10,000,000.00	20,000,000.00
	AIE NO.....		15,000,000.00
TOTAL		111,344,065.60	67,000,000.00

2. COMPENSATION OF EMPLOYEES

Description		2016 - 2017	2015 - 2016
		Kshs	Kshs
Basic wages of contractual employees		2,068,728.00	2,068,727.00
House allowance		374,400.00	374,400.00
Transport allowance		366,000.00	366,000.00
Leave allowance		36,000.00	36,000.00
gratuity		1,512,490.00	307,335.00
Employee Contribution to NSSF		21,600.00	21,600.00
Total		4,379,218.00	3,174,062.00

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3. USE OF GOODS AND SERVICES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Utilities, supplies and services	141,060.00	37,225.00
Office rent	75,000.00	30,000.00
Communication, supplies and services	100,600.00	18,815.00
Domestic travel and subsistence	366,700.00	399,850.00
Training expenses	680,800.00	311,000.00
Office and general supplies and services	288,765.00	267,475.00
Fuel ,oil & lubricants	135,845.00	248,835.00
Other operating expenses	26,015.80	30,910.60
Committee expenses	3,702,530.00	4,522,395.00
TOTAL	5, 517,315.80	5,866,50560

4. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to primary schools	47,800,000.00	21,800,000.00
Transfers to secondary schools	14,400,000.00	6,800,000.00
Transfers to Tertiary institutions	-	300,000.00
Transfers to Health institutions	-	8,750,000.00
TOTAL	62,200,000.00	37,650,000.00

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5. OTHER GRANTS AND OTHER PAYMENTS

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bursary -Secondary	12,886,177.00	12,711,598.00
Bursary -Tertiary	7,643,000.00	8,282,000.00
Water	200,000.00	15,300,000.00
Security	7,500,000.00	2,500,000.00
Roads	3,200,000.00	1,800,000.00
Sports	2,507,915.00	2,458,555.00
Environment	-	4,965,055.00
Markets	-	5,000,000.00
Emergency Projects	5,518,010.00	4,112,760.00
Total	39,455,102.00	57,129,968.00

6. ACQUISITION OF ASSETS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Refurbishment of Buildings	2,400,000.00	-
Purchase of Office furniture and fittings	576,691.00	-
Total	2,976,691.00	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7A. BANK ACCOUNTS (CASH BOOK BANK BALANCE)

Name of Bank, Account No. & currency	Account Number	2016 - 2017	2015 - 2016
		Kshs (30/6/2017)	Kshs (30/6/2016)
<i>Equity Bank, Kitui Branch A/C no.</i>	0720261343213	4,762,561.75	7,946,822.95
Total		4,762,561.75	7,946,822.95

7B. BALANCES BROUGHT FORWARD

Description	2016 - 2017	2015 - 2016
	Kshs (1/7/2016)	Kshs (1/7/2015)
Bank accounts	7,946,822.95	43,219,163.55
Cash in hand		
Imprest	-	-
Total	7,946,822.95	43,219,163.55

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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)
		borehole was drilled a long time ago			
EH/AUD/NG-CDF/KITUI E./2015-2016/10	Fencing of Kilonzo Mwove Earthdam	The adhoc committee evaluation minutes and regret letters requested from the PMC were sent to the auditor however a copy will be sent	Fund Manager	Not resolved	December 2017
EH/AUD/NG-CDF/KITUI E./2015-2016/10	Unsupported projects	Project files and procurement requested from the PMC were sent to the auditor however a copy will be sent	Fund Manager	Not resolved	December 2017

ANNEX 3 –PMC BANK BALANCES AS AT 30TH JUNE 2017

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Kyusyani Primary School	Equity Bank Ltd	0720268444024	11,659.35	-
Ndunga Primary School	Equity Bank Ltd	0720268490464	25,330.00	-
Utwiini Primary School	Equity Bank Ltd	0720268579353	7,410.00	-
Katumbu Primary School	Equity Bank Ltd	0720268938578	55,675.00	-
Kanduti Primary School	Equity Bank Ltd	0720269997902	26,210.00	-
A.I.C Yuutiani Primary School	Equity Bank Ltd	0720270289485	79,233.00	-
Kitho Primary School	Equity Bank Ltd	0720270290025	18,927.00	-
Hon. Kiema Primary School	Equity Bank Ltd	0720268702559		-

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PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
			60,450.00	
Kanzoko Primary School	Equity Bank Ltd	0720268739763	68,325.00	-
Kenze Primary School	Equity Bank Ltd	0720268915656	65,265.00	-
Kwa Wewa Primary School	Equity Bank Ltd	0720270058647	50,680.00	-
Kithukulu Primary School	Equity Bank Ltd	0720270176610	15,830.00	-
Maanzini Primary School	Equity Bank Ltd	0720270013815	6,720.00	-
Kivumbuni Secondary School	Equity Bank Ltd	0720269912247	399,890.00	-
Kitho Secondary School	Equity Bank Ltd	0720262697084	231,390.00	-
Kavia Secondary School	Equity Bank Ltd	0720271318638	91,725.00	-
Kunguluni Primary School	Equity Bank Ltd	0720262495546	31,683.75	-
Muambani Primary School	Equity Bank Ltd	1670268551487	30,675.00	-
Kyamatu Primary School	Equity Bank Ltd	0720268485355	166,395.00	-
Ndandini Primary School	Equity Bank Ltd	0720271262397	62,165.00	-
Ndulani Primary School	Equity Bank Ltd	1670171272410	51,546.85	-
Kinakoni Primary School	Equity Bank Ltd	1670268579309	51,546.85	-
kyukuni Primary School	Equity Bank Ltd	0720268488317	80,070.00	-
Kyaango Primary School	Equity Bank Ltd	1670270187903	198,799.00	-
Mendene Primary School	Equity Bank Ltd	1670170286782	9,292.50	-
Malatani Primary School	Equity Bank Ltd	0720271423808	153,620.00	-
Musukini Primary School	Equity Bank Ltd	0720270251667	525,840.00	-
Mutito Primary School	Equity Bank Ltd	0720270614895	71,170.00	-
Kawala Secondary School	Equity Bank Ltd	0720268839237		-

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PMC	Bank	Account number	Bank Balance	Bank Balance
			2016/17	2015/16
			33,505.00	
Kyaimu Primary School	Equity Bank Ltd	0720270928455	78,625.00	-
Manyoeni Secondary School	Equity Bank Ltd	0720262917328	10,120.00	-
Yoonye Primary School	Equity Bank Ltd	0720271213343	66,820.00	-
Endau Secondary School	Equity Bank Ltd	0720271881047	600,000.00	-
Nzou Monza Primary School	Equity Bank Ltd	1670169140366	29,462.50	-
Kwa Aombe Primary School	Equity Bank Ltd	0720262674507	600,540.00	540.00
Nzambani AP Line	Equity Bank Ltd	0720270094198	1,024,530.00	-
Maluma AP Line	Equity Bank Ltd	0720270094577	1,809,585.00	-
Kilonzo AP Line	Equity Bank Ltd	0720270094923	994,530.00	-
Kataka Primary School	Equity Bank Ltd	0720268644246	55,855.00	-
Nguuni Primary School	Equity Bank Ltd	0720269741897	12,705.00	-
Katumbu Secondary School	Equity Bank Ltd	0720162667243	600,000.00	-
Kitakani Primary School	Equity Bank Ltd	Not opened a/c	600,000.00	-
Kitui East Sports Tournament	Equity Bank Ltd	0720273325790	2,507,915.00	-
Ndonguni Primary School	Equity Bank Ltd	0720272260945	1,500,000.00	-
Kyanika Secondary School	Cooperative bank Ltd	01139300404001	500,000.00	-
Waani Primary School	National Bank of Kenya	01281090694000	11,832.00	-
Imale Primary School	National Bank of Kenya	01285023094700	600,000.00	-

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ANNEX 4 –AMOUNT DUE FROM THE NG-CDF BOARD

	Kshs
Amount due from the NG-CDF Board	35,948,275.12

35,948,275.12

