

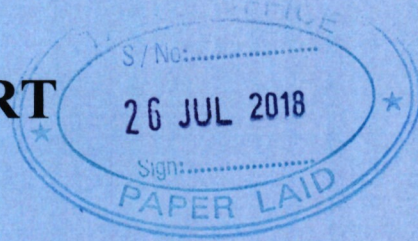
REPUBLIC OF KENYA

*Paper laid by the
Leader of majority Party
Mpf
JWS, 26/7/2018*



OFFICE OF THE AUDITOR-GENERAL

REPORT



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THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**



KENYA NATIONAL AUDIT OFFICE
EMBU HUB
09 OCT 2017
2121
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P. O. BOX 113, EMBU

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
KITUI RURAL 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
RECEIVED

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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The Constituencies Development Fund (NG-CDF) was set up under the NG-CDF Act, 2003 now repealed by the NG-CDF Act, 2014. 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 national annual budget is devoted to the constituencies for purposes of infrastructural development, wealth creation and fight against poverty in the constituency level.

(b) Key Management

The Kitui Rural 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 (F.A.M)	Johnson njinju
3.	District Accountant	Paul Nyoro

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NG-CDF Board provide overall fiduciary oversight on the activities of Kitui Rural Constituency. The reports and recommendation of ARMC when adopted by the NG-CDF Board are forwarded to the National Government Constituency Development Fund Committee (NG-CDFC) for action. Any matters that require policy guidance are forwarded by the Board to the Cabinet Secretary and National Assembly Select Committee.

(e) KITUI RURAL NG-CDF Headquarters

P.O. Box 1422-90200, Kitui
ESTHER HOUSE
Kitui - Machakos Road
Kwa Vonza Market, KITUI

Reports and Financial Statements

For the year ended June 30, 2017

(f) KITUI RURAL NG-CDF Contacts

Telephone: (254) 721640726
E-mail: kwavonzaoffice@gmail.com
Website:

(g) KITUI RURAL NG-CDF Bankers

Equity Bank
Kitui
0720 261 934 286
Kitui Town

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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

INTRODUCTION

The Kitui Rural Constituency Development Committee which is to appreciate the NG-CDF Board and all the other stakeholders for roles in the implementation of the NG-CDF projects and efforts put forward in making the dream of projects a success.

I would like to put forth that we have successfully led the implementation of the various projects in Kitui Rural and that we are glad our tireless efforts to help communities benefit from the projects have born fruits. Despite some challenges which are normal everywhere we have made it possible and that our children are studying in classrooms, our health centres and dispensaries have been funded and that our children are benefiting immensely from the bursaries which have enabled them pay their school fees.

2016 /2017 FINANCIAL YEAR ACHIEVEMENTS

During the financial year 2016/2017, NG-CDF contributed towards construction of three school science laboratories. The laboratories have enabled our learners to be well placed in science subjects. NG-CDF was able to do rehabilitation and construct 60 classrooms which gave learners a conducive learning environment.


EMERGING ISSUES

During the financial year 2016/2017, NG-CDF was unable to proceed with some of the projects it had been engaging in due to devolution of some departments such as health and water. The public confidence in NG-CDF declined due to the court case that was challenging the legality of the fund. The performance contracting that was introduced for NG-CDFCs improved the performance of NG-CDFC to a greater extent.

IMPLEMENTATION CHALLENGES

Political influence from local leaders to some extent became challenges in the allocation of resources within the constituency. Such influence could affect the fair distribution of resources. Failure to involve the technical department in the implementation of NG-CDF projects by the PMCs. This is however prompted by the fact that there are no enough officers in the technical departments.

It is recommended that the learning institutions should invest in water harvesting tanks so that they are able to nurture the seedlings even during the dry spell. The NG-CDFCs should be keen on fair distribution of resources despite the political pressure. The National Government should consider deploying more officers working in the technical departments.


Chairman NG-CDFC

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

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 Kitui Rural 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 ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NG-CDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the NG-CDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Accounting Officer in charge of the Kitui Rural 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 Kitui Rural 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 Kitui Rural 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 31st August, 2017.


Fund Account Manager


Chairman- NG-CDFC

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of the National Government Constituencies Development Fund- Kitui Rural Constituency set out on pages 7 to 24, which comprise statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary 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.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion Section of my report, the financial statements do not present fairly, the financial position of National Government Constituencies Development Fund-Kitui Rural 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 do not comply with the National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1.0 Accuracy, Completeness and Presentation of the Financial Statements

1.1 Accuracy and Completeness of the Financial Statements.

The financial statements for the year under review reflected a balance of Kshs.86,156,609 on six expenditure items. However, the respective supporting schedules reflected a balance of Kshs.78,736,607 on the six items resulting into an unexplained and unreconciled variance of Kshs.7,420,002 as follows;

Item	Balance as per Financial Statements (Kshs.)	Balance as per Supporting Documents (Kshs.)	Variance (Kshs.)
Transfer to primary schools	41,450,000	38,050,000	3,400,000
Transfers to secondary schools	2,000,000	3,000,000	(1,000,000)
Bursary secondary	17,021,425	13,188,722	3,832,703
Bursary tertiary	17,021,425	9,360,000	7,661,425
Mocks & CAT	1,063,759	8,137,885	(7,074,126)
Security	7,600,000	7,000,000	600,000
TOTAL	86,156,609	78,738,607	7,420,002

Further, the combined statement of appropriation; recurrent and development was stated as being for the financial year ending 30 June 2016 while the year under review is the financial year ending 30 June 2017.

In the circumstances, the accuracy and completeness of the balances reflected in the financial statements as at 30 June 2017 could not be ascertained.

1.2 Presentation of the Financial Statements

The Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS) requires a progress on the follow up of previous year auditor's recommendations be included as part of the annexures in the financial statements. However, the financial statements for the year under review did not include the progress on follow up of auditor recommendations.

In the circumstances, the financial statements for the year ended 30 June 2017 did not comply with IPSAS (Cash Basis) as prescribed by the Public Sector Accounting Standards Board and the National Treasury.

2.0 Cash and Cash Equivalents

The financial statements for the year under review reflects a cash and cash equivalents balance of Kshs.15,114,629 as at 30 June 2017. However, the bank reconciliation statement for the Month of June 2017 included unrepresented cheques totaling to Kshs.9,694,391 which included stale cheques totaling to Kshs.1,297,016 which had not been replaced or written back to the cash book as at 30 June 2017.

Further, the bank reconciliation statement for the month of June 2017 included cheque No.003600 of Kshs.970,000 being payment in the bank but not recorded in the cash book. However, although documents made available showed that the payment was made without proper authority, the funds had neither been recovered nor had the suspects been taken to court as at 30 June 2017.

Consequently, the accuracy of the cash and cash equivalents balance of Kshs.15,114,629 as at 30 June 2017 could not be confirmed.

3.0 Irregular Expenditure

3.1 Unsupported Expenditure

During the financial year under review, the Fund spent a total of Kshs.19,489,389 on three (3) components as follows;

Component	Amount (Kshs.)
I. Use of Good and Service	9,713,573
II. Mocks and CATs	8,137,885
III. Sports	<u>1,637,931</u>
Total	<u>19,489,389</u>

However, no documentary evidence in support of the expenditure incurred in each of the components was made available for audit review.

In the circumstances, the accountability, propriety and value for money of the Kshs.19,489,389 expenditure as at 30 June 2017 could not be ascertained.

3.2 Doubtful Expenditure on Sinking of Bore Hole

During the financial year under review, the Fund transferred Kshs.2,000,000 to Kwa Kilui Secondary School for sinking and equipping one bore hole. However, the list of registered contractors was not made available to show that the contracted firm was among those in the register.

Further, even though a payment of Kshs.970,200 was made to the contractor on 14 February 2018, no inspection and acceptance report was carried out to validate the work done for the purpose of the payment as required by Section 48 (3)(b) of the Public Procurement and Assets Disposal Act, 2015.

Consequently, the accountability, propriety and value for money of the Kshs.2,000,000 expenditure on the bore hole as at 30 June 2017 could not be ascertained.

4.0 Inflated Dust Bin Cost

During the financial year under review, the Fund budgeted and transferred Funds to environmental program Project Management Committee (PMC) to procure two different types of dust bins at a total cost of Kshs.1,091,031 for sixteen Secondary Schools. It was noted that six (6) dust bins were supplied at a cost of Kshs.108,850 each for six Secondary School, while another ten (10) set of dust bins of same type were supplied to 10 Secondary Schools at a cost of Kshs.43,793 each. However, a market survey revealed that the same type of dust bin could have been supplied at a cost of Kshs.5,550 per dust bin as per the prevailing market price. No explanation was given for the variance of the cost of the dust bin though they were of the same type and further it was not explained why the cost of a dust bin was way above the prevailing market price at almost 2,000%.

In addition, no procurement documents on the dust bins were made available for audit verification, hence it was not possible to confirm whether procurement laws and regulation were followed and whether supply of dust bins was sourced competitively.

In the circumstances, the expenditure of Kshs.1,091,031 as at 30 June 2017 on dust bins is void and not a proper charge on public funds.

5.0 Irregular Projects Payments

5.1 None Existent Projects

During the financial year under review, the Fund disbursed Kshs.6,583,860 to undertake eleven (11) projects as follows;

Project	Amount (Kshs.)	Purpose
Kanyonyo AP Line	300,000	Walling and roofing of a 3 roomed AP's staff unit
Kanyonyo Police Station	1,000,000	Construction of a police office block with two (2) cells and an armory room
Kanyangi Police Post	500,000	Completion of police office block-shuttering and plastering
Kanyangi DO's House	1,000,000	Construction of one bedroom house for the DO
Kwa Vonza Police Station	500,000	Construction of 2 rooms' staff houses for the police officers.
Mbitini Chief's Office	300,000	Construction of 2 rooms' administration police staff houses.
Lower yatta AP offices	500,000	Construction of 4 door pit latrine & urinal
Kyusyani police post	500,000	Construction of 4 door pit latrine & urinal
Kwa Vonza Chief's office	400,000	Renovation of kwa vonza chiefs' office
Kyusyani mandago road	783,860	Kyusyani mandago road
Maangani Primary School	400,000	Reroofing of 4 Classrooms
Total	6,583,860	

However, a physical verification done on 27 April 2018 revealed that none of the projects were existing. Further, the projects status reports, projects' bank statement and expenditure returns were not made available for audit verification.

As a result, the Kshs.6,583,860 expenditure as at 30 June 2017 is irregular and the responsible officers be held accountable.

5.2 Stalled Projects

During the financial year under review, the Fund released Kshs.800,000 and Kshs.300,000 all totaling to Kshs.1,100,000 to Kanyangi DO's Project Management Committee (PMC) and Kalulini AP Line PMC for construction of office block and 3 rooms for the AP line staff houses respectively. However, physical verification carried on 27 April 2018 revealed that the two projects were not completed and were stalled.

Consequently, the value for money and propriety of Kshs.1,100,000 expenditure as at 30 June 2017 could not be confirmed.

6.0 Tree Planting

During the financial year under audit review, the Fund budgeted and transferred Kshs.2,800,000 to environmental program PMC towards tree planting in twenty three (23) Schools. However, physical verification carried out on 27 April 2018 on a

sampled thirteen (13) Schools revealed that no such projects were undertaken in the thirteen Schools.

Further, no procurement documents on tree planting were availed for audit verification. It was, therefore, not possible to confirm whether procurement laws and regulation were followed and whether supply of tree seedlings was sourced competitively.

In the circumstances, the accountability, propriety and value for money of the Kshs.2,800,000 expenditure as at 30 June 2017 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituency Development Fund – Kitui Rural 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 adverse 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 effect of the matters discussed in the Basis for Adverse Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1.0 Budget and Budgetary Controls

During the financial year under review, the Fund approved a budget of Kshs.123,819,641 comprised of Kshs.81,896,552 for the year under review and Kshs.41,923,089 brought forward from the previous year and the same was received in full.

However, out of the total budget of Kshs.123,819,641 only Kshs.108,705,011 (88%) was utilized to Fund projects in various sectors within the Constituency while Kshs.15,114,629 budgeted to be spent during the financial year ended 30 June 2017 was not spent as follows;

Receipts	Original Budget (Kshs.)	Adjustments (Kshs.)	Final Budget (Kshs.)	Actual on Comparable Basis (Kshs.)	Variance (Kshs.)	Performance (%)
Transfers from CDF Board	81,896,552	41,923,089	123,819,641	123,819,641	0	100
Total Receipts	81,896,552	41,923,089	123,819,641	123,819,641	0	100
Compensation of Employees	1,604,800		1,604,800	1,464,040	140,760	91
Use of goods and services	5,765,890	4,500,000	10,260,890	9,713,573	547,317	95
Transfers to Other Government Units	40,281,034	4,000,000	44,281,034	43,450,000	831,034	98

Other grants and transfers	32,249,827	32,823,089	65,072,916	53,562,399	11,510,518	82
Acquisition of Assets	2,000,000	600,000	2,600,000	515,000	2,085,000	20
TOTALS	81,896,552	41,923,089	123,819,641	108,705,011	15,114,629	88

In the circumstances, the residents of Kitui Rural Constituency did not obtain promised and expected services equivalent to the unspent funds amounting to Kshs.15,114,629 as at 30 June 2017.

2.0 Project Implementation Status

The Kshs.81,896,552 approved budget for the year under review was apportioned among various sectors within the Constituency namely primary schools, secondary schools, health institutions, sports, roads, security, bursary, emergency projects and administration and committee expenses.

However, respective analysis of the project implementation status was not made available for audit purposes. It was, therefore, not possible to establish the number of projects either completed, ongoing, not started and stalled if any per each sector together with the total amounts allocated and disbursed for each project.

Responsibility of Management and Those Charged With Governance 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 continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidated the fund or to cease operations or have no realistic alternative but to do so .

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.

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

Auditor-General's Responsibilities for the Audit of 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 and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be

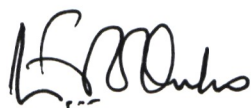
expected to influence the economic decisions of users taken on the basis of these financial statements.

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 as a going concern. 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 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 as a going concern.
- 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

4 July 2018

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI RURAL
CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	110,051,586	84,000,000
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		110,051,586	84,000,000
PAYMENTS			
Compensation of employees	4	1,464,040	1,249,487
Use of goods and services	5	9,713,573	8,563,039
Transfers to Other Government Units	6	43,450,000	71,700,000
Other grants and transfers	7	53,562,399	41,624,892
Acquisition of Assets	8	515,000	302,750
Other Payments	9	-	-
TOTAL PAYMENTS		108,705,011	123,440,168
SURPLUS/ DEFICIT		1,346,574	(39,440,168)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Kitui Rural NG-CDF financial statements were approved on 31st August, 2017 and signed by:



Chairman - NG-CDFC



Fund Account Manager


NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUI RURAL
CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2017

II. STATEMENT OF FINANCIAL ASSETS			
	Note	2016 - 2017	2015 - 2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	13,358,629	13,768,055
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	10C	1,756,000	-
TOTAL FINANCIAL ASSETS		15,114,629	13,768,055
REPRESENTED BY			
Fund balance b/ fwd 1st July...	11	13,768,055	48,831,881
Surplus/ Deficit for the year		1,346,574	(39,440,168)
Prior year adjustments	12	-	4,376,341
NET LIABILITIES		15,114,629	13,768,055

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Kitui Rural NG-CDF financial statements were approved on 31st August, 2017 and signed by:


Chairman - NG-CDFC



Fund Account Manager

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

V. STATEMENT OF CASHFLOW

CASHFLOW STATEMENT		2016-2017	2015-2016
Receipts for operating income		Kshs	Kshs
Transfers from CDF Board	1	110,051,586	84,000,000
Other Receipts	3	-	-
		110,051,586	84,000,000
Payments for operating expenses			
Compensation of Employees	4	1,464,040	1,249,487
Use of goods and services	5	9,713,573	8,563,039
Transfers to Other Government Units	6	43,450,000	71,700,000
Other grants and transfers	7	53,562,399	41,624,892
Other Payments	8	-	-
Adjusted for:			
Adjustments during the year		-	4,376,341
Net cash flow from operating activities		1,861,574	(34,761,071)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	9	(515,000)	302,750
Net cash flows from Investing Activities		(515,000)	302,750
NET INCREASE IN CASH AND CASH EQUIVALENT		1,346,574	(35,063,827)
Cash and cash equivalent at BEGINNING of the year	15	13,768,055	48,831,881
Cash and cash equivalent at END of the year	16	15,114,629	13,768,055

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Kitui Rural NG-CDF financial statements were approved on 31st August, 2017, and signed by:


Chairman NG-CDFC


Fund Account Manager

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

VI. 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	81,896,552	41,923,089	123,819,641	123,819,641	-	100%
Proceeds from Sale of Assets						
Other Receipts						
	81,896,552	41,923,089	123,819,641	123,819,641	-	100%
PAYMENTS						
Compensation of Employees	1,604,800		1,604,800	1,464,040	140,760	91.2%
Use of goods and services	5,760,890	4,500,000	10,260,890	9,713,573	547,317	94.7%
Transfers to Other Government Units	40,281,034	4,000,000	44,281,034	43,450,000	831,034	98.1%
Other grants and transfers	32,249,827	32,823,089	65,072,916	53,562,399	11,510,518	82.3%
Acquisition of Assets	2,000,000	600,000	2,600,000	515,000	2,085,000	19.8%
Other Payments	-					
TOTALS	81,896,552	41,923,089	123,819,641	108,705,011	15,114,629	87.8%

The Kitui Rural NG-CDF financial statements were approved on 31st August, 2017 and signed by:


 Chairman NG-CDF


 Fund Account Manager

VII. 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.

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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VIII. NOTES TO THE FINANCIAL STATEMENTS

GFS CODES			2016 - 2017	2015 - 2016
	1 TRANSFERS FROM OTHER GOVERNMENT AGENCIES			
	Description		Kshs	Kshs
1330407	Normal Allocation		28,155,034	10,000,000
			4,094,828	10,000,000
			36,853,449	10,000,000
		839587	40,948,275	10,000,000
		855182		16,000,000
				28,000,000
1330408	Conditional grants		-	-
1330409	Receipt from other Constituency		-	-
	TOTAL		110,051,586	84,000,000
	2 PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS			
	Description		2016 - 2017	2015 - 2016
			Kshs	Kshs
3510202	Receipts from the Sale of Buildings		-	-
3510601	Receipts from the Sale of Vehicles and Transport Equipment		-	-
3510801	Receipts from the Sale Plant Machinery and Equipment		-	-
3510803	Receipts from the Sale of office and general equipment		-	-
			-	-
			-	-
	Total		-	-
	3 OTHER RECEIPTS			
1400000	Description		2016 - 2017	2015 - 2016

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			Kshs	Kshs
1410107	Interest Received		-	-
1410405	Rents		-	-
1420601	Sale of tender documents		-	-
1450207	Other Receipts Not Classified Elsewhere (specify)		-	-
	Total		-	-
2110000	4 COMPENSATION OF EMPLOYEES			
	Description		2016 - 2017	2015 - 2016
			Kshs	Kshs
2110201	Basic wages of contractual employees		1,439,840.00	1,237,287.00
2110202	Basic wages of casual labour			
	Personal allowances paid as part of salary			
2110301	House allowance			
2110314	Transport allowance			
2110320	Leave allowance			
2110320	Employer contribution to NSSF		24,200.00	12,200.00
2110326	Other personnel payments			
2710120	gratuity		-	
	Total		1,464,040.00	1,249,487.00
2200000	5 USE OF GOODS AND SERVICES			
	Description		2016 - 2017	2015 - 2016
			Kshs	Kshs
2210100	Utilities, supplies and services		619,520	19,335
2210104	Office rent			
2210200	Communication, supplies and services		306,960	306,000
2210300	Domestic travel and subsistence		350,480	310,200
2210500	Printing, advertising and information supplies & services		249,520	26,786

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2210600	Rentals of produced assets			
2210700	Training expenses		2,121,155	483,500
2210802	Other committee expenses		2,167,045	2,569,040
2210809	Committee allowance		2,531,300	3,117,000
2210800	Hospitality supplies and services			323,450
2210900	Insurance costs		180,850	395,723
2211000	Specialised materials and services			
2211100	Office and general supplies and services		702,091	599,689
2211200	Fuel, oil & lubricants		376,226	267,600
2211300	Other operating expenses			36,827
2220100	Routine maintenance – vehicles and other transport equipment		108,426	107,888
2220200	Routine maintenance – other assets			
	Total		9,713,573	8,563,039
2630200	6 TRANSFER TO OTHER GOVERNMENT ENTITIES			
	Description		2016 - 2017	2015 - 2016
			Kshs	Kshs
2630204	Transfers to primary schools		41,450,000	59,700,000
2630205	Transfers to secondary schools		2,000,000	8,000,000
2630206	Transfers to Tertiary institutions			4,000,000
2630207	Transfers to Health institutions			
	TOTAL		43,450,000	71,700,000
2640000	7 OTHER GRANTS AND OTHER PAYMENTS			
	Description		2016 - 2017	2015 - 2016
			Kshs	Kshs

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2640101	Bursary -Secondary		17,021,425	8,619,189
2640102	Bursary -Tertiary		17,021,425	2,614,000
2640104	Bursary-Special schools			
2640105	Mocks & CAT		1,063,759	6,200,000
2640504	water			
2640505	Agriculture (food security)			
2640506	Electricity projects			
2640507	Security		7,600,000	6,700,000
2640508	Roads			9,628,474
2640509	Sports		1,637,931	2,253,101
2640510	Environment		3,891,000	
2640510	Other capital grants and transfer			2,126,341
2640200	Emergency Projects (specify)		5,326,860	3,483,787
	Total		53,562,399	41,624,892
3100000	8 ACQUISITION OF ASSETS			
	<u>Non Financial Assets</u>		2016 - 2017	2015 - 2016
			Kshs	
3110102	Purchase of Buildings		-	-
3110202	Construction of Buildings			
3110302	Refurbishment of Buildings			
3110701	Purchase of Vehicles			
3110704	Purchase of Bicycles & Motorcycles			
3110801	Overhaul of Vehicles			
3111001	Purchase of Office furniture and fittings		175,000	202,000
3111002	Purchase of computers ,printers and other IT equipments		250,000	
3111005	Purchase of photocopier			
3111009	Purchase of other office equipments			100,750
3111112	Purchase of soft ware			
3130101	Acquisition of Land			
	OTHERS- website		90,000	
	Total		515,000	302,750

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9		2016 - 2017	2015 - 2016
specify	Other Payments	-	-
specify		-	-
specify		-	-
TOTAL		-	-
10A: Bank Balances (cash book bank balance)			
Name of Bank, Account No. & currency		2016 - 2017	2015 - 2016
	Account Number	Kshs (30/ 6/ 2017)	Kshs (30/ 6/ 2016)
EQUITY BANK		13,358,629	13,768,055
Total		13,358,629	13,768,055
10B: CASH IN HAND)			
		2016 - 2017	2015 - 2016
		Kshs (30/ 6/ 2016)	Kshs (30/ 6/ 2015)
Location 1		-	-
Location 2		-	-
Location 3		-	-
Other receipts (specify)		-	-
Total		-	-
		[Provide cash count certificates for each]	
10C. OUTSTANDING IMPRESTS			
Name of Officer		Amount Taken	Amount Surrendered
	Date imprest taken	Kshs	

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Nicholas Kimanzi				
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
11 BALANCES BROUGHT FORWARD				
			2016 - 2017	2015 - 2016
			Kshs (1//7/2017)	Kshs (1//7/2016)
Bank accounts				
Cash in hand			13,768,055	45,261,781
Imprest				3,570,100
Total			13,768,055	48,831,881
		[Provide short appropriate explanation as necessary]		
12 PRIOR YEAR ADJUSTMENTS				
			2016 - 2017	2015 - 2016
			Kshs	Kshs
Bank accounts				
Cash in hand				4,376,341
Imprest			-	-
Total			-	4,376,341
13 OTHER IMPORTANT DISCLOSURES				
13.1: PENDING ACCOUNTS PAYABLE (See Annex 1)				
			2016 - 2017	2015 - 2016
			Kshs	Kshs
Construction of buildings			-	-
Construction of civil works			-	-

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	Supply of goods		-	-
	Supply of services		-	-
	TOTAL		-	-
13.2: PENDING STAFF PAYABLES (See Annex 2)				
			2016 - 2017	2015 - 2016
	Senior management		Kshs	Kshs
	Middle management		-	-
	Unionisable employees		-	-
	Others (specify)		-	-
13.3: OTHER PENDING PAYABLES (See Annex 3)				
			2016 - 2017	2015 - 2016
	Amounts due to other Government entities (see attached list)		Kshs	Kshs
	Amounts due to other grants and other transfers (see attached list)		-	-
	Others (specify)		-	-

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ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015-2016	Outstanding Balance 2014-2015	Comments
		a	B	C	d=(a+e)-c	e	
Amounts due to other Government entities	N/A	-	N/A	-	-	-	N/A
Sub-Total	N/A	-	N/A	-	-	-	N/A
Amounts due to other grants and other transfers	N/A	-	N/A	-	-	-	N/A
Sub-Total	N/A	-	N/A	-	-	-	N/A
Others (specify)	N/A	-	N/A	-	-	-	N/A
Compensation of employees	N/A	-	N/A	-	-	-	N/A
Use of goods and services	N/A	-	N/A	-	-	-	N/A
Acquisition of Assets	N/A	-	N/A	-	-	-	N/A
Other Payments	N/A	-	N/A	-	-	-	N/A
Sub-Total	N/A	-	N/A	-	-	-	N/A
Grand Total	N/A	-	N/A	-	-	-	N/A

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

ASSET CLASS	HISTORICAL COST 2016/2017 KSHS	HISTORICAL COST 2015/2016 KSHS	HISTORICAL COST 2014/2015 KSHS
MOTOR CYCLE KAU 766H	345,506.00	345,506.00	345,506.00
MOTOR VEHICLE T/LANDCRUISER GK B969F	5,910,000.00	5,910,000.00	5,910,000.00
STAPLER	900.00	900.00	900.00
PAPER PUNCH	900.00	900.00	900.00
CALCULATOR	1,250.00	1,250.00	1,250.00
REFRIGERATOR	33,000.00	33,000.00	33,000.00
4 WAY WORK STATION	76,443.00	76,443.00	76,443.00
HIGH BACK FABRIC CONFERENCE CHAIR	187,036.00	187,036.00	187,036.00
FLOOR CARPET	6,000.00	6,000.00	6,000.00
OFFICE EXECUTIVE DESK	69,606.00	69,606.00	69,606.00
EXECUTIVE HIGH BACK LEATHER CHAIR	207,830.00	32,830.00	32,830.00
EXECUTIVE OFFICE VISITORS CHAIRS	17,069.00	17,069.00	17,069.00
OFFICE LEATHER SOFA SET	114,264.00	114,264.00	114,264.00
RECEPTION SET	68,956.00	68,956.00	68,956.00
GLASS COFFEE TABLE	19,702.00	19,702.00	19,702.00
18 SEATER MODULAR CONFERENCE TABLE	123,859.00	123,859.00	123,859.00
ASSORTED CURTAINS AND WINDOW NETS	60,000.00	60,000.00	60,000.00
ARTIFICIAL FLOWERS	1,000.00	1,000.00	1,000.00
EXTENSION CABLES	3,200.00	3,200.00	3,200.00
PENCIL HOLDER	200.00	200.00	200.00
WATER GLASSES	1,800.00	1,800.00	1,800.00
HP DESKTOP PRO	61,000.00	61,000.00	61,000.00

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WATER JAR	1,500.00	1,500.00	1,500.00
SERVING TRAY	600.00	600.00	600.00
TEA MUG	2,500.00	2,500.00	2,500.00
DELL LAPTOPS	60,000.00	60,000.00	60,000.00
EPSON PRINTER	34,000.00	34,000.00	34,000.00
KYOCERA HP COPIER	98,000.00	98,000.00	98,000.00
SAMSUNG NOTE 4 TAB	52,000.00	52,000.00	52,000.00
OFFICE GENERATOR	100,750.00	100,750.00	100,750.00
PURCHASE OF COMPUTERS	250,000.00		
CONSTITUENCY WEBSITE	90,000.00		
TOTAL	8,058,871.00	7,543,871.00	7,543,871.00

ANNEX 5 - PMC BANK BALANCES AS AT 30TH JUNE 2017

PMC	Bank	Account number	Bank Balance	Bank Balance
			2016/ 17	2015/ 16
Total				

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided

