

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid by
Leader of Majority
Party Tuesday
7/8/2018
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REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
MWINGI WEST CONSTITUENCY
FOR THE YEAR ENDED
30 JUNE 2017



CONSTITUENCY DEVELOPMENT FUND- MWINGI WEST 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)**

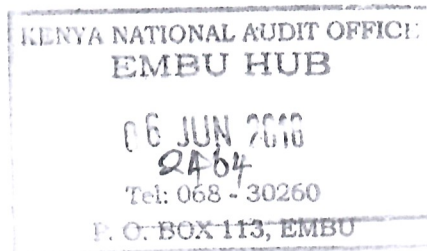


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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *National Government Constituency Development Fund (NG-CDF)* was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013.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

(b) Key Management

The *Mwingi west National Government Constituency Development Fund* day-to-day management is under the following key organs:

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

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E. Holder	Japheth Musee
3.	District Accountant	Daudi Namba

(d) Fiduciary Oversight Arrangements

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

(e) Mwingi West NG-CDF Headquarters

Mwingi West NG-CDF Offices
Migwani Town
Within Mwingi West DCC's Offices compound
P.O. Box 395-90400
Mwingi, KENYA

**NATIONAL GOVERNMENT
CONSTITUENCY DEVELOPMENT FUND -MWINGI WEST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017**

(f) Mwingi West NG-CDF Contacts

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

(g) Mwingi West NG-CDF Bankers

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

(h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

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

CHAIRPERSON REMARKS

a) Budget performance

Mwingi West has fully complied with the FY 2016/2017 budgetary allocation. We have utilized more than 90% of the allocated funds, based on the community prioritized projects (i.e. programmed activities) covering all the sectors. We have managed to achieve this by:-

- 1) Adherence to our work plan and procurement plan.
- 2) Strictly following procurement procedures and regulations.
- 3) Utilization of statutory votes as per the allocation table.
- 4) Timely disbursement of funds to PMCs immediately once received from NGCDF board.

b) Key achievements

(1) Reduction of poverty and inequality.

We have done this through:-

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

(2) Provision of Health facilities.

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

(3) Improved Education infrastructure.

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

-Equipping of schools by providing furniture and lab equipment.

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

(4) Improved supply of water

Increasing access and connection of safe water through:-

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

(5) Reduced environmental degradation.

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

- Increased forest cover.
- Improved garbage collection.

c) Emerging issues

Devolved Functions

**NATIONAL GOVERNMENT
CONSTITUENCY DEVELOPMENT FUND -MWINGI WEST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017**

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

d) Implementation challenges

-Low funding: NG-CDF funds (i.e. at 2.5% on National Government Revenue collected) are inadequate considering all prioritized community needs. The FY 2016/2017 the funding was reduced to Ksh 81,896,551.70 across the board and hence funding fewer projects.

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

e) Way forward

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

In conclusion, the committee has achieved a lot in promoting the well being of the people of Mwingi West Constituency. Therefore, i feel most honoured and grateful to forward these financial statements FY 2016/2017 to the NG-CDF board, for onward submission to the office of the Auditor General before the deadline 30th September 2017

Joseph N. Mutunga.....
Chairman- NG-CDFC



Date.....



III. STATEMENT OF NG-CDF MANAGEMENT RESPONSIBILITIES

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

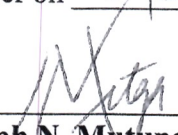
The Accounting Officer in charge of the *Mwingi West NG-CDF* is responsible for the preparation and presentation of the NG-CDF's financial statements, which give a true and fair view of the state of affairs of the NG-CDF for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining Adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NG-CDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the NG-CDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the *Mwingi West NG-CDF* accepts responsibility for the NG-CDF's Financial Statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NG-CDF's financial statements give a true and fair view of the state Of NG-CDF's transactions during the financial year ended June 30, 2017, and of the NG-CDF's financial position as at that date. The Accounting Officer in charge of the *Mwingi West NG-CDF* further confirms the completeness of the accounting records maintained for the NG-CDF, which have been relied upon in the preparation of the NG-CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *Mwingi West NG-CDF* confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the CDF's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the NG-CDF's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Mwingi West NG-CDF's financial statements were approved and signed by the Accounting Officer on 2/8 2017.



Joseph N. Mutunga
Chairman-NG-CDFC



Japheth K. Musee
Fund Account Manager





OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Mwingi West Constituency set out on pages 7 to 24, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of summary appropriation: recurrent and development 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 Constituency Development Fund – Mwingi West Constituency as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with National Government Constituency 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 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 Presentation of the Financial Statement

The International Public Sector Accounting Standards (Cash Basis) reporting template prescribed by the Public Sector Accounting Standards Board requires that a list of projects implemented by the entity be included in the financial statements. However, a review of the financial statements for the year under review revealed that the list of projects implemented by the entity were omitted from the financial statements.

In view of the foregoing, the presentation of the financial statements for the year under review do not conform to the International Public Sector Accounting Standards (Cash

Basis) prescribed reporting template by the Public Sector Accounting Standards Board.

2.0 Cash and Cash Equivalents

The statement of assets reflects a cash and cash equivalents balance of Kshs.8,934,011 as at 30 June 2017. However, a review of the bank reconciliation statement reflected unpresented cheques totalling to Kshs.3,434,409 which included stale cheques of Kshs.226,000 which had not been reversed in the cash book or reissued.

In the circumstance, the accuracy and completeness of the cash and cash equivalents balance of Kshs.8,934,011 as at 30 June 2017 could not be ascertained.

3.0 Project Management Committee (PMC) Bank Balances

Annex 3 to the financial statements reflects Kshs.8,297,903 in respect to thirty seven (37) project management committee (PMC) bank balances. However, bank reconciliations and cash books were not provided for audit review.

Consequently, the accuracy of PMC bank balances of Kshs.8,297,903 as at 30 June 2017 could not be ascertained.

4.0 Unaccounted for Bursary

The statement of receipts and payments reflects a Kshs.48,278,104 expenditure on other grants and transfers which included Kshs.19,099,279 spent on bursaries to secondary schools. However, out of the Kshs.19,099,279 bursary disbursements only Kshs.6,995,000 was received and acknowledged by the secondary schools while Kshs.12,104,279 disbursements were not acknowledged as having been received.

As a result, it has not been possible to ascertain that the Kshs.12,104,279 expenditure as at 30 June 2017 was expended as appropriated.

5.0 Emergency Projects

Note 7 to the financial statements shows a Kshs.4,792,950 expenditure in respect to emergency projects. However, Kshs.1,633,200 was paid to projects that were not of emergency in nature since they did not meet the conditions set out on Section 8 (3) of National Government Constituencies Development Fund Act 2015.

Under the circumstance, the regularity of the expenditure of Kshs.1,633,200 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 Constituencies Development Fund - Mwingi West 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 sections of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1. Budget Control and Performance

During the financial year under review, the Fund had an approved budget of Kshs.81,896,552 with a further adjustment of Kshs.64,390,465 thus raising the final total budget to Kshs.146,287,017. However, only Kshs.137,365,005 (94.9%) was spent resulting in an under-expenditure of Kshs.8,922,011 as follows;

Sub head	Current year final budget figures (Kshs.)	Actual expenditure figures (Kshs.)	Budget utilization difference (Kshs.)	Budget absorption (%)
Recurrent				
Compensation of employees	3,660,700	3,300,700	360,000	90.17%
Use of goods and services	7,912,509	7,497,363	415,146	94.75%
Transfer to other government units	71,577,675	70,465,669	1,112,006	98.48%
Other grants and transfers	56,844,629	49,809,770	7,034,859	87.28%
Acquisition of Assets	6,262,381	6,262,380.60	0	100%
Other Payments	29,123	29,123	0	100%
Total	146,287,017	137,365,006	8,922,011	94.90%

The residents of Mwingi West Constituency therefore did not receive services equivalent to the Kshs.8,922,011 under expenditure as at 30 June 2017.

2. Project Management Implementation

The financial statements reflected transfers to other government entities and other grants of Kshs.70,465,669 and Kshs.49,809,770 respectively both totaling Kshs.120,275,439 as at 30 June 2017 which was earmarked to implement projects. However, it was not possible to ascertain the status of Kshs.120,275,439 projects as crucial details such as location of projects, funds allocated, funds disbursed and date of completion for projects budgeted for in 2015/2016 but implemented in 2016/2017 were not indicated in the project status report.

In the circumstance, it has not been possible to ascertain the implementation status of projects worth Kshs.120,275,439 as at 30 June 2017.

Responsibilities 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 as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund's 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. 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 to sustain its 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 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's to cease to continue to sustain its 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 and business activities of the Fund's 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

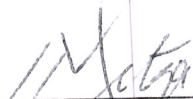
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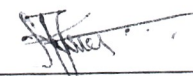
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Reports and Financial Statements
For the year ended June 30, 2017**

IV. STATEMENT OF RECEIPTS AND PAYMENTS

Description	Note	2016 - 2017	2015 - 2016
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	138,479,899.70	55,000,000
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	12,000	
TOTAL RECEIPTS		138,491,899.70	55,000,000
PAYMENTS			
Compensation of employees	4	3,300,700	2,067,984
Use of goods and services	5	7,497,363.15	6,027,177
Transfers to Other Government Units	6	70,465,669	45,182,587
Other grants and transfers	7	49,809,770.15	40,029,650
Acquisition of Assets	8	6,262,380.60	-
Other Payments	9	29,122.50	34,249
TOTAL PAYMENTS		137,365,005.40	93,341,647
SURPLUS/DEFICIT		1,126,894.30	(38,341,647)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MWINGI WEST NG-CDF's financial statements were approved on 2/8/ 2017 and signed by:


Joseph N Mutunga
 Chairman – NG-CDFC


Japheth K Musee
 Fund Account Manager

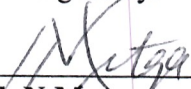


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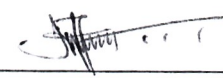
V. STATEMENT OF ASSETS

	Note	2016 - 2017 Kshs	2015 - 2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	8,934,011.30	7,801,117
Cash Balances (cash at hand)	10B	-	6,000
TOTAL FINANCIAL ASSETS		8,934,011.30	7,807,117
REPRESENTED BY			
Fund balance b/fwd 1st July	11	7,807,117	45,997,948
Surplus/Deficit for the year		1,126,894.30	(38,341,647)
Prior year adjustments	10C	-	150,816
NET LIABILITIES		8,934,011.30	7,807,117

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MWINGI WEST NG-CDF's financial statements were approved on 2/8/ 2017 and signed by:



Joseph N Mutunga
 Chairman – NG-CDFC



Japheth K Musee
 Fund Account Manager

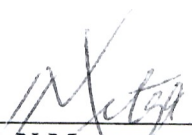


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VI. STATEMENT OF CASHFLOW

		2016 – 2017	2015 – 2016
Receipts for operating income			
Transfers from CDF Board	1	138,479,899.70	55,000,000
Proceeds from sale of assets	2	-	-
Other Receipts	3	12,000	-
		138,491,899.70	55,000
Payments for operating expenses			
Compensation of Employees	4	3,300,700	2,067,984
Use of goods and services	5	7,497,363.15	6,027,177
Transfers to Other Government Units	6	70,465,669.00	45,182,587
Other grants and transfers	7	49,809,770.15	40,029,650
Other Payments	9	29,122.50	34,249
		131,102,625.80	93,341,647
Adjusted for:			
Adjustments during the year	10C	-	150,816
		7,389,273.90	(38,341,647)
Net cash flow from operating activities			
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	(6,262,380.60)	-
Net cash flows from Investing Activities		(6,262,380.60)	-
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year	11	7,807,117	45,997,948
Cash and cash equivalent at END of the year		8,934,011.30	7,807,117

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MWINGI WEST NG- CDF's financial statements were approved on 2/8/ 2017 and signed by:



Joseph N Mutunga
Chairman – NG-CDFC



Japheth K Musee
Fund Account Manager

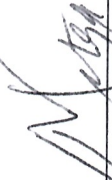


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 For the year ended June 30, 2017

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Transfers from NG-CDF Board	81,896,551.70	64,390,465	146,287,016.70	138,479,899.70	7,807,117.70	94.66
Other Receipts	0	0	0	12,000	(12,000)	
TOTAL	81,896,551.70	64,390,465	146,287,016.70	138,491,899.70	7,795,117.70	
PAYMENTS						
Compensation of Employees	2,086,868	1,573,832	3,660,700	3,300,700	360,000	90.17
Use of goods and services	5,237,321.60	2,675,187.85	7,912,509.45	7,497,363.15	415,146.30	94.75
Transfers to Other Government Units	35,579,964.75	35,997,711.00	71,577,675.00	70,465,669.00	1,112,006	98.48
Other grants and transfers	38,945,897.35	17,898,732.80	56,844,629.15	49,809,770.15	7,034,859	87.28
Acquisition of Assets	46,500	6,215,880.60	6,262,380.60	6,262,380.60	0	100
Other Payments	-	29,122.50	29,122.50	29,122.50	0	100
TOTAL	81,896,551.70	64,390,465	146,287,016.70	137,365,005.40	8,922,011.30	94.9

The MWINGI WEST NG- CDF's financial statements were approved on 2/8 2017 and signed by:


Joseph N Mutunga
 Chairman – NG-CDFC




Japheth K Musee
 Fund Account Manager

VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *NG-CDF* and all values are rounded to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *NG-CDF*.

2. Recognition of revenue and expenses

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

3. In-kind contributions

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

4. Cash and cash equivalents

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

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 CONSTITUENCY DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY
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SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

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

6. Budget

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

7. Comparative figures

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

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
NG-CDF Board		
AIE NO....A825883/A724134	56,583,348.00	20,000,000
AIE NO....A829951/A796342	4,094,827.60	10,000,000
AIE NO....A855519/A820759	36,853,449.00	25,000,000
AIE NO....A855715	30,948,275.10	-
AIE NO....A855749	10,000,000.00	-
TOTAL	138,479,899.70	55,000,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PROCEEDS FROM SALE OF ASSETS

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Receipts from sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from sale of office and general equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Total	-	-

3. OTHER RECEIPTS

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Receipts from Sale of tender documents	12,000	-
Total	12,000	-

4. COMPENSATION OF EMPLOYEES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Basic wages of contractual employees	2,112,937	1,775,586
Personal allowances paid as part of salary:		
House allowance	195,000	204,918
Gratuity	908,523	-
Employer contribution - NSSF	84,240	87,480
Total	3,300,700	2,067,984

**NATIONAL GOVERNMENT
CONSTITUENCY DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY**

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Utilities, supplies and services-Water	106,480	35,760
Office Rent	413,400	535,200
Communication, supplies and services-Airtime	66,000	22,000
Printing, advertisement and information supplies/services	97,880	-
Committee Expenses	5,080,106	4,015,850
Rentals (Postal Address Box)	10,960	13,920
Training expenses (NG-CDFC, Staff/PMCs)	400,000	390,800
Hospitality supplies and services	180,000	-
Office and general supplies and services	130,008	208,605
Fuel, oil & Lubricants	360,000	370,000
Other operating expenses - PAYE	-	185,465
Routine maintenance –Motor vehicle	122,200	162,155
Routine maintenance of other assets (Buildings)	499,589.75	-
Kenya power bills payments (KPLC)	30,739.40	87,422
Total	7,497,363.15	6,027,177

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 – 2017	2015 - 2016
	Kshs	Kshs
Transfers to Primary schools	33,643,131.75	16,124,197
Transfers to Secondary schools	26,750,000	20,400,000
Transfers to Tertiary institutions	929,793	300,000
Transfers to Health institutions	9,142,744.25	8,358,390
TOTAL	70,465,669	45,182,587

7. OTHER GRANTS AND OTHER PAYMENTS

Description	2016 - 2017	2015- 2016
	Kshs	Kshs
Bursary – secondary schools	19,099,279	13,214,000
Bursary – tertiary institutions	9,606,000	8,433,813
Water projects	1,295,350	8,704,131
Security projects	7,350,000	350,000
Sports projects	3,865,888	2,104,192
Environment projects	3,800,303.15	2,113,514
Emergency projects	4,792,950	5,110,000
Total	49,809,770.15	40,029,650

**NATIONAL GOVERNMENT
 CONSTITUENCY DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2016 - 2017 Kshs	2015 - 2016 Kshs
Construction of Buildings	6,215,880.60	-
Purchase of Office Furniture and General Equipment	46,500	-
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Total	6,262,380.60	-

9. OTHER PAYMENTS

Description	2016 – 2017 Kshs	2015 - 2016 Kshs
Bank Charges	29,122.50	34,249
	29,122.50	34,249

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & Currency	2016 - 2017 Kshs	2015 - 2016 Kshs
Equity Bank Ltd, Mwingi Branch, Account Number: 0590260984982	8,934,011.30	7,807,117
Total	8,934,011.30	7,807,117

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CONSTITUENCY DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10B: CASH IN HAND

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Sale of Tender documents	-	6,000
Total	-	6,000

10C: PRIOR YEAR ADJUSTMENTS

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Cash and bank Balances	-	150,816
Total	-	150,816

11. BALANCES BROUGHT FORWARD

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bank accounts	7,807,117	45,997,948
Total	7,807,117	45,997,948

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12. OTHER IMPORTANT DISCLOSURES

12.1: PENDING ACCOUNTS PAYABLES -

Description	2016- 2017 Kshs	2015 - 2016 Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
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12.2: OTHER PENDING PAYABLES (See Annex 1)

Description	Kshs	Kshs
Amounts due to other Government entities	1,112,006	1,450,000
Amounts due to other grants and other transfers	7,034,859	5,435,837
Others –compensation of employees, use of goods and services, acquisition of assets.	775,146.30	915,280
	<hr/>	<hr/>
	8,922,011.30	7,801,117
	<hr/>	<hr/>

12.3: PMC account balances (See Annex 3)

	Kshs	Kshs
PMC account Balances (see attached list)	8,297,903.25	284,799.50
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	8,297,903.25	284,799.50
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**NATIONAL GOVERNMENT
CONSTITUENCY DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY**
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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Amounts due to other Government entities							
1. Primary Schools	Structures Construction	34,493,131.15	-	33,643,131.15	850,000	700,000	
2. Secondary Schools	Structures Construction	26,790,004	-	26,750,000	40,004	-	
3. Tertiary	Structures Construction	929,793	-	929,793	0	-	
4. Health	Structures Construction	9,364,746	-	9,142,744	222,002	750,000	
	Sub-Total	71,577,675.15			1,112,006	1,450,000	
Amounts due to other grants and other transfers							
5. Bursaries	Bursary for secondary and tertiary institutions	29,948,389.30	-	28,705,279.30	1,243,110	1,616,859	
6. Water	Sand/Earth Dams Construction	5,154,845	-	1,295,350	3,859,495	406,829	
7. Sports	Sports Equipments	3,871,870	-	3,865,888	5,982	2,233,939	
8. Environment	Environment	3,862,547	-	3,800,303	62,244	692,951	

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Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
9. Emergency	equipments Emergencies	5,601,978	-	4,792,950	809,028	485,259	
10. Security	Structures Construction	8,405,000	-	7,350,000	1,055,000	-	
Others (specify)	Sub-Total	56,844,629.30			7,034,859	5,435,837	
11. Compensation of employees	Salary payment. Office running expenses, committee expenses and MV expenses	3,660,700	-	3,300,700	360,000	348,561	
12. Use of goods and services		7,912,509.15	-	7,497,363.15	415,146.30	566,719	
13. Acquisition of assets	Office equipment and NG-CDF office Building. Bank charges	6,262,380.60	-	6,262,380.60	0	0	
14. Other Payments	Sub-Total	29,122.50	-	29,122.50	0	0	
Grand Total		17,864,712.25			775,146.30	915,280	
		146,287,016.70			8,922,011.30	7,801,117	

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ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset Class	Historical Cost (Kshs) 2016-2017	Historical Cost (Kshs) 2015-2016
Buildings and structures	11,475,303.60	4,600,000
Transport equipment	3,629,683	3,629,683
Office equipment, furniture and fittings	1,136,676	1,136,676
ICT Equipment, Software and Other ICT Assets	730,500	730,500
Other assets	59,335	12,835
Total	17,031,497	10,109,694

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

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Kyongweni Primary School	Equity Mwingi branch	0590267385122	700,390.00	390.00
Mbondoni Police Post	Equity Mwingi branch	0590263957788	12,530.00	217.00
Kiomo AP Line	Equity Mwingi branch	0590262652124	3,993.00	330.00
Mbondoni Secondary School	Equity Mwingi branch	0590261485165	2,200,077.50	352,752.50
Malatani Primary School	Equity Mwingi branch	0590299751149	291,790.00	31,000.00
Koliani Primary School	Equity Mwingi branch	0590262190502	615.00	-
Nzaaiku Primary School	Equity – mwingi branch	0590264288140	400,410.00	410.00
Kamutekeo Primary School	Equity – Mwingi branch	0590272730907	367,970.00	-
Ithenze Primary School	Equity – Mwingi branch	059026286705	414,953.00	920.00
Kyangungi Primary School	Equity – Mwingi branch	0590164722935	1,780.00	-
Musuani Primary School	Equity – Mwingi branch	0590262716025	635.00	340.00
Wikitoo primary School	Equity – Mwingi branch	0590193961857	299,533.30	11,002.80
IkenaMwaki Primary School	Equity - Mwingi branch	0590162028473	4,097.50	-
Kilungu Primary School	Equity Mwingi branch	0590272552834	30,765.00	-
Kalongola Chiefs Office	Equity – Mwingi branch	0590162615409	432,088.90	118.00
Kambembe Primary School	Equity – Mwingi branch	0590263969720	558,385.00	1,435.00
Nzatani Primary School	Equity-Mwingi	0590272889282	59,065.00	-
Kithuni Primary School	Equity Mwingi branch	0590262178505	200,005.00	25.00
Wimbondo Primary school	Equity-Mwingi	0590192838730	1,107.25	1,107.25

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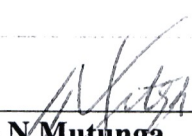
PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Muliluni Primary School	Equity-Mwingi	0590262637089	51,477.00	-
A.I.C Migwani Primary School	Equity-Mwingi	0590199839417	89.95	-
Kanyekini Primary School	Equity-Mwingi	0590272784575	300,000.00	-
Kaluu Primary School	Equity-Mwingi	0590197247655	2,584.00	-
Kisasi Primary School	Equity-Mwingi	0590272814481	300,000.00	-
Kilungu Primary School	Equity-Mwingi	0590272552834	30,600.00	-
Tulimani Primary School	Equity-Mwingi	0590192960218	464,943.00	-
Mukauni Primary School	Equity-Mwingi	0590270559335	114,675.00	-
Itheng'eli Primary School	Equity-Mwingi	0509262607235	65.00	165.00
Kiomo Primary School	Equity-Mwingi	0509193704067	11,095.35	105.35
Kyome Ass. Chiefs Office	Equity-Mwingi	0509272607473	112,365.00	-
Mululini Primary school	Equity-Mwingi	0590262180876	6,293.00	225,914.00
Muimi Primary School	Equity-Mwingi	0590264636166	2,075.00	1,890.00
Mathuma Primary School	Equity-Mwingi	0590271412023	2,590.00	-
Ilalambyu Primary School	Equity-Mwingi	0590262619520	499,794.65	180.00
Musola Sand Dam	Equity-Mwingi	0590272841976	352,475.75	-
Kanyekini Primary School	Equity-Mwingi	0590272784575	57,340.00	-
Senior Chief Kasina Institute of Science and Technology	Equity-Mwingi	0590297131025	9,250.10	9,250.10
Total			8,297,903.25	284,799.50

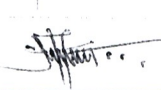
**NATIONAL GOVERNMENT
CONSTITUENCY DEVELOPMENT FUND – MWINGI WEST CONSTITUENCY
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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
01	Unexplained Cash and cash equivalents balance of Kshs 45,997,948, which includes unrepresented cheques Kshs 5,591,076.38 and stale cheques worth Kshs 130,000, not reversed in the cashbook.	The Cashbook Balance was reconciled with the financial statements. Imprest of Kshs 369,000 was captured in the cashbook on 1.7.2014 and treated as expenditure after surrender. While monthly return recognises expenditure once cheque written. The stale cheques were reversed in the cashbook and appropriate re placement done.	Fund Manager	Resolved	Resolved
02	Non-acknowledgement of Bursary funds totalling to Kshs 14,413,000	The NG-CDFC had written to all institutions benefited from bursary funds to acknowledge the same and they all complied.	NG-CDF Committee.	Resolved	Resolved
03	Budgetary control and performance, unutilized funds totalling to Kshs 45,997,635	All PMCs were encouraged and requested to be submitting the expenditure returns on time, for the previous grants. They complied and hence enabled high funds absorption rate in the financial year 2015/2016, Cashbook balance was Kshs 7,801,117 as at 30 th June 2016.	NG-CDF Committee.	Resolved.	Resolved

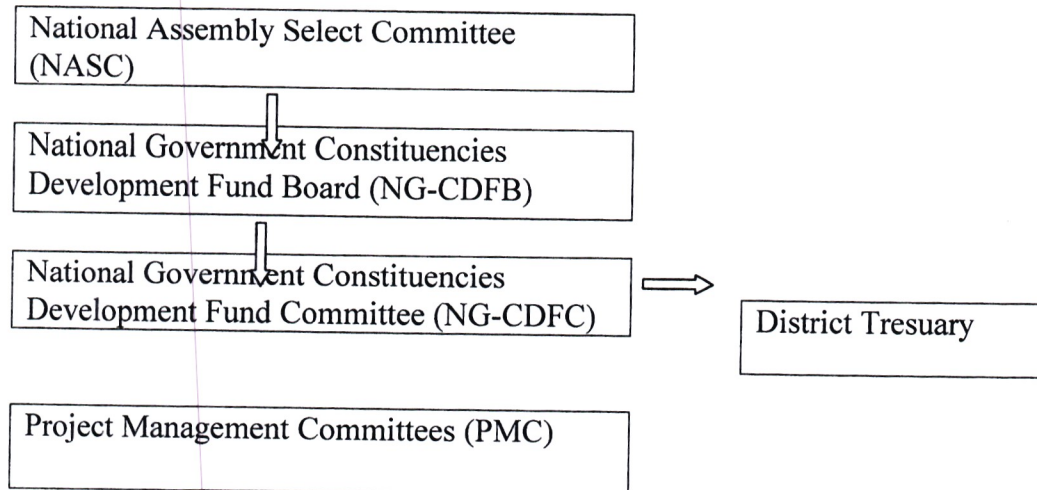

Joseph N Mutunga
Chairman – NG-CDFC


Japheth K Musee
Fund Account Manager



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Third Party Disclosures



National Government Constituency Development Fund Committee (NG-CDFC) implements the project under the National Government Structure. These projects feature the following Sectors (Education, Bursaries and Security).