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By Leader of Majority Party
Hon Aden Duale, MP
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OFFICE OF THE AUDITOR-GENERAL

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REPORT

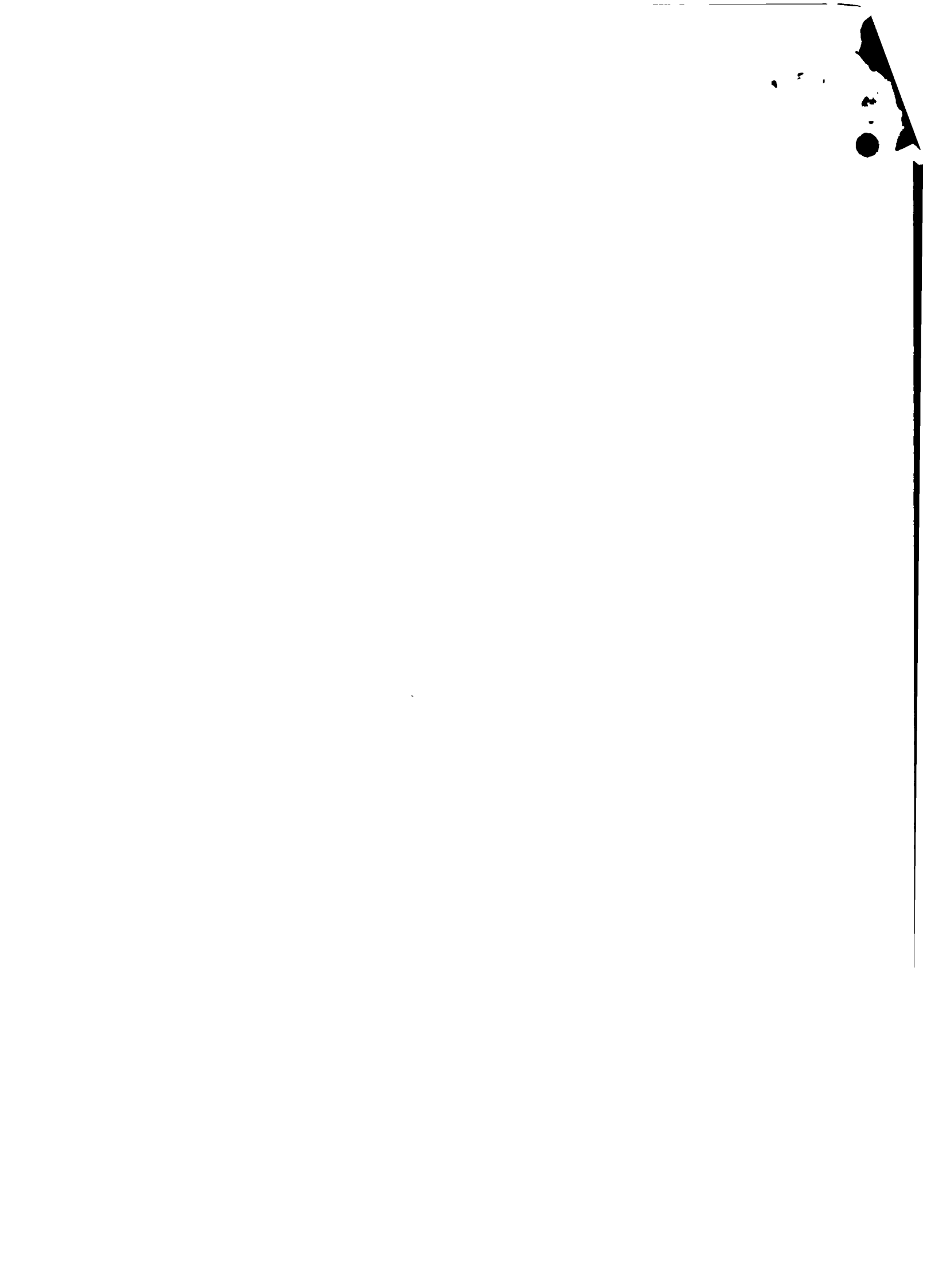
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
KITUTU CHACHE NORTH CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2016**



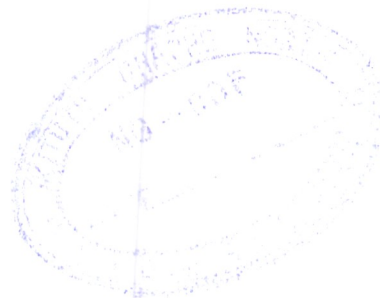


**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
KITUTU CHACHE NORTH CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

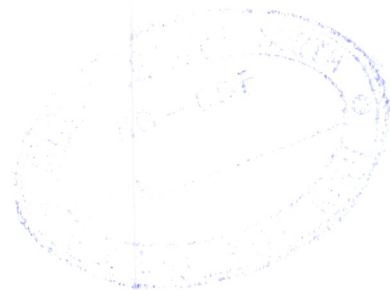


**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –
KITUTU CHACHE NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU
CHACHE NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (CDF) was established under the Constituencies Development Fund Act, 2003, amended in 2007 and repealed by the CDF Act of 2013. In 2015, the CDF Act of 2013 was declared unconstitutional and a new Act was enacted in 2015, being the national government constituencies development NG-CDF Act, 2015. The National Government Constituencies Development Fund (NG-CDF) is under the Ministry of Devolution and Planning. The objective of the fund is to provide mechanism for supplementing implementation of the National Government Development Agenda at the constituency level.

Key Management

The KitutuChache North Constituency's day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NGCDFB)
- ii. National Government Constituency Development Fund Committee (NGCDFC)

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

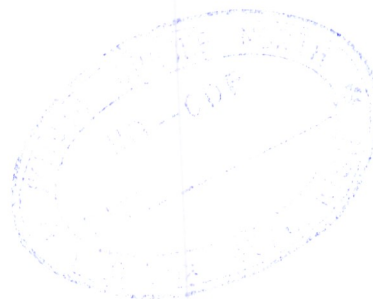
No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Edwin Kimutai
3.	Accountant	BirunduOmae
4.		

(c) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of KitutuChacheNorth Constituency. The reports and recommendation of ARMC when adopted by the NGCDF Board are forwarded to the NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND Committee (NGCDFC) for action. Any matters that require policy guidance are forwarded by the Board to the Cabinet Secretary and National Assembly Select Committee.

(d) KITUTU CHACHE NORTH Headquarters

KitutuChache North NGCDF Office Building.
Next to Deputy County Commissioners Offices
Marani District
P.O Bo 4576-40200
KISII.



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU
CHACHE NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

(e) KITUTU CHACHE NORTH NGCDF Contacts

Telephone: (254) 0720 140 374
E-mail: cdfkitutuchachenorthcdf@cdf.go.ke
Website: www.ngcdf.go.ke

(f) KitutuChache North NG-CDF Bankers

Co-operative Bank,
Kisii Branch
P.o Box 2469
Kisii

(g) Independent Auditors

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

(h) 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 (NGCDFC)**

During the financial year 2015/2016 KitutuChache North Constituency was allocated Ksh.118,825,826, of which the total amount was approved to be appropriated in various sectors of development and recurrent expenditure.

On appropriation the constituency utilization was average, the constituency was able to absorb over 50% of the allocated fund. There was a small decline in absorption rate which was occasioned by delayed release of fund from NG-CDF Board. This was as a result of transition to NG-CDF Act which took some time to be effected.

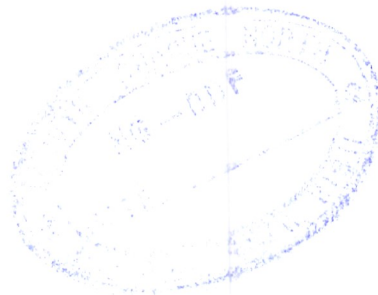
The constituency was able to open major feeder roads in the constituency; because of this most roads in the constituency are in passable state. Water projects were initiated in every electoral ward, currently these water projects are ongoing and ones completed 75% of the population in the constituency will be able to access piped water within a reasonable distance.

Education, health and security projects were implemented some these projects are complete whereas others are ongoing. These projects were implemented through Project Management Committees. During the course of implementation of projects Constituencies Development Fund Committee noted that Project Management Committees require adequate training to ensure effective implementation of projects.

The major challenge faced by the Committee was slow disbursement of fund by NG-CDF Board which meant that some projects had to be held back thereby affecting performance and effecting utilization of funds when need. This challenge was highly felt while disbursing bursary funds because these funds are more effective when disbursed when needed and not later.

It is our hope that these challenges will be handled effectively in future through proper planning on priority areas.

Sign... 
CHAIRMAN NGCDFC



REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KITUTU CHACHE NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Government Constituencies Development Fund- Kitutu Chache North Constituency set out on pages 5 to 24, which comprise the statement of financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

*Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund
– Kitutu Chache North Constituency for the year ended 30 June 2016*

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Summary Statement of Appropriation Recurrent and Development

The following anomalies were noted

- i. The summary statement of appropriation indicates an original budget of Kshs.118,825,826, with an adjustment of Kshs.31,265,614 bringing the final budget of Kshs.150,091,440. However, the financial statements had a bank balance rolled over from 2014/2015 of Kshs.31,265,615. The management did not provide schedules of projects earmarked for implementation from the funds rolled over from prior year.
- ii. The actual receipts has been reported in the statement of appropriation as Kshs.90,265,614 while the statement of receipts and payments has a figure of Kshs.59,000,000. The resultant difference of Kshs.31,265,614 had not been supported or explained.

In the absence of list of proposed projects, the rolled over funds may not be utilized for the intended purpose.

2. Cash and Cash Equivalents

The bank balances as at 30 June 2016 amounted to Kshs.288,032. However, a review of the bank reconciliation statements and other records indicates a listing of unpresented cheques amounting to Kshs.9,320,775 which include forty nine (49) stale cheques of Kshs.1,005,020 issued in the financial year under review and prior years that had not been reversed in the cashbook.

Consequently, the accuracy of the cash and cash equivalents balance of Kshs.288,032 could not be confirmed as at 30 June 2016.

3. Project Implementation

Included in the under other grants and transfers of Kshs.68,900,718 is Kshs.23,515,850 which in turn includes Kshs.18,025,860 incurred on Nyakoora Water Project, Nyamwange Water Project and Nyamokomba water project at a cost of Kshs.6,000,460, Kshs.6,094,200 and Kshs.5,931,200 respectively. However, physical verification conducted on 27 June 2017 revealed the following;

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU
CHACHE NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

III. STATEMENT OF NGCDF 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 NGCDF shall prepare financial statements in respect of that NGCDF. 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 Kitutu Chache North NGCDF is responsible for the preparation and presentation of the NGCDF's financial statements, which give a true and fair view of the state of affairs of the NGCDF for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NGCDF; (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 NGCDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

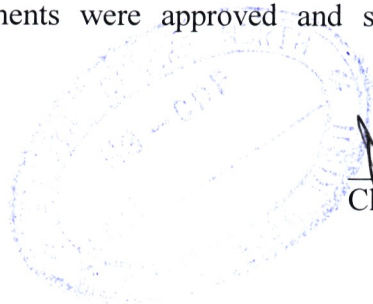
The Accounting Officer in charge of the Kitutu Chache North NGCDF accepts responsibility for the NGCDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards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

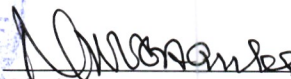
The Accounting Officer in charge of the Kitutu Chache North NGCDF confirms that the NGCDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NGCDF's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the NGCDF'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 NGCDF's financial statements were approved and signed by the Accounting Officer on 15/09 2016.


Fund Account Manager




Chairman

Water Project	Activity	Status	Amount Kshs.
Nyamwange	Piping to the second tank	Not fully functional.	6,094,200
Nyamokomba	Water inlet pipes not installed to the tank. Pump house incomplete.	Water tank incomplete and not fully functional.	5,931,200
Nyakoora	Water pump purchased but not installed due to lack of electricity connection.	The contractor has not completed Piping from the source to the water tank	6,000,460
	Total		18,025,860

Consequently, incomplete projects may not be beneficial to the community and value for money may not have been attained.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Kitutu Chache North as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015

Other Matter

1. Budget Performance Analysis

The management was allocated Kshs.118,825,826 by the National Government Constituencies Development Fund Board but only Kshs.59,000,000 was disbursed to the constituency during the year. The balance of Kshs.59,825,826 was disbursed to the constituency on 19 August 2016 while an amount of Kshs.31,265,615 was rolled over from the financial year 2014/2015.

A comparison of budget and actual amounts for the year under review is as shown below.

	Budget	Actual	Under Collected Expenditure	Over Expenditure	Level of absorption
	Kshs	Kshs	Kshs		%
Receipts					
Receipts from the Board	118,825,826	59,000,000	59,825,826		50%
Payments					

Compensation of employees	3,000,000	2,887,000	113,000	0	96%
Use of goods and services	3,564,774	5,534,164	0	1,969,390	155%
Committee expenses	4,009,549	3,788,700	220,849	0	94%
Social security benefits	120,000	0	120,000	0	0%
Emergency	5,767,647	5,571,802	195,845	0	97%
Constituency sports	1,600,000	1,859,569	0	259,569	116%
Environment	500,000	2,130,000	0	1,630,000	426%
Bursary- Secondary schools	9,000,000	6,742,700	2,257,300	0	75%
Bursary- Tertiary	5,800,000	514,000	5,286,000	0	9%
Mocks/CATS	200,000	0	200,000	0	0%
Transfers to Primary schools	2,400,000	50,000	2,350,000	0	2%
Transfers to Secondary schools	2,200,000	0	2,200,000	0	0%
Transfers to Tertiary schools	10,000,000	10,000,000	0	0	100%
Health Projects	2,900,000	0	2,900,000	0	0%
Water Projects	39,453,032	23,515,860	15,937,172	0	60%
Roads	25,210,824	28,566,787	0	3,355,963	113%
Agriculture	1,300,000	0	1,300,000	0	0%
Security	1,800,000	0	1,800,000	0	0%
Total	118,825,826	91,160,582	34,880,166	7,214,922	77%

The following were noted:

- i. The management under spent on thirteen (13) line items with a total expenditure of Kshs.20,470,502 and overspent on four (4) line items with a total of Kshs.7,214,922.
- ii. Included in the total payments of Kshs.91,150,582 in the statements of receipts and payments is expenditure of Kshs.31,265,615 which relates to 2014/2015 which were rolled over to the financial year 2015/2016.
- iii. The expenditure shows that use of goods and services, sports, environment and roads had the highest over expenditure and no explanation was provided for the material variations

There is thus a likelihood of poor and delayed service delivery due to slow rate of absorption of funds

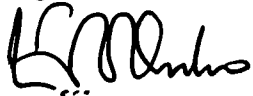
2. Project Verification

During the year under review, ten (10) projects worth to Kshs.47,710,824 were physically verified in June 2017. Seven (7) projects were noted to be completed and in use while Nyamokomba, Nyamwange and Nyakoora Water Projects were ongoing as per the table below:

Project Name	Activity	Actual Amount Kshs.	Budget Kshs	Status	% of utilization
Rioma- Irianyi-Egesasaga-Kenyambi Road	Grading and gravelling 5 kilometers	5,998,128	6,210,824	Completed but not labelled.	100%
Ragogo-Bobaracho-Gianchore Road	Grading and gravelling 8 kilometers	6,996,456	7,000,000	Completed but not labelled.	100%
Rioma- Gesiaka-Nyaore Road	Grading and gravelling 7 kilometers	3,999,819	4,000,000	Completed but not labelled.	100%
Nyansakia- Oaro Road	Grading and gravelling 4 kilometers	4,979,744	5,000,000	Completed but not labelled.	100%
Mbonda-Nyagonyo Road	Grading and gravelling 6 kilometers	3,593,204	3,000,000	Completed but not labelled.	100%
Nyakoora Water Project	Construction of tanks, Purchase of pipes and digging trenches for distribution	6,000,460	8,000,000	Ongoing.	87%
Nyamokomba Water Project	Construction of tanks, Purchase of pipes and digging trenches for distribution of water	5,931,200	6,000,000	Ongoing.	89%
Nyamwange Water Project	Construction of tanks, Purchase of	6,094,200	6,000,000	Ongoing.	97%

Project Name	Activity	Actual Amount Kshs.	Budget Kshs	Status	% of utilization
	pipes and digging trenches for distribution of water				
Nyankanda Water Project	Construction of tanks, Purchase of pipes and digging trenches for distribution of water	2,700,000	2,000,000	Completed.	100%
Nyagesenda Sec School	Reroofing of classes.	500,000	500,000	Completed.	100%
Total		46,793,211	47,710,824		

It was noted that only two (2) projects (Nyankanda Water Project and Nyagesenda Secondary School) were branded while the rest had not been branded. Lack of branding of projects risks overlapping of projects especially where there is multi-funding from other Government agencies.



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

Nairobi

02 February 2018

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU
CHACHE NORTH CONSTITUENCY**

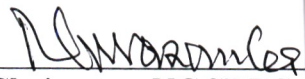
Reports and Financial Statements

For the year ended June 30, 2016

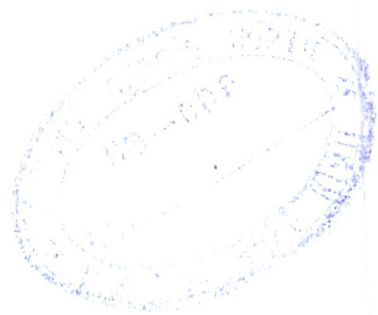
**IV. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE
2016**

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	59,000,000	153,845,793
Proceeds from Sale of Assets	2		
Other Receipts	3		
TOTAL RECEIPTS		59,000,000	153,845,793
PAYMENTS			
Compensation of employees	4	2,887,000	1,674,600
Use of goods and services	5	9,312,864	11,076,485
Transfers to Other Government Units	6	10,050,000	20,721,380
Other grants and transfers	7	68,900,718	85,785,159
Acquisition of Assets	8		9,393,130
Other Payments	9		
TOTAL PAYMENTS		91,150,582	128,650,754
SURPLUS/DEFICIT		(32,150,582)	25,195,038

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KitutuChache North NGCDF financial statements were approved on 15/09/2016 and signed by:


Chairman - NGCDFC


Fund Account Manager




**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU
CHACHE NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

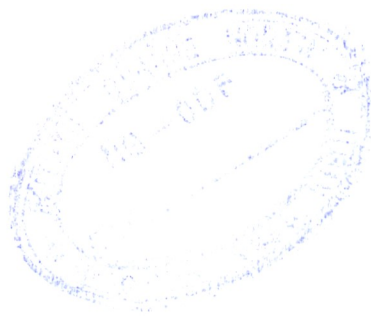
V. STATEMENT OF ASSETS AS AT 30 JUNE 2016

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	288,032	31,265,615
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		288,032	31,265,615
REPRESENTED BY			
Retention	12		
Fund balance b/fwd 1st July...	13	31,265,615	6,070,576
Surplus/Deficit for the year		(32,150,582)	25,195,038
Prior year adjustments	14	1,173,000	
NET LIABILITIES		288,032	31,265,615

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Kitutu Chache North NGCDF financial statements were approved on 15/09/ 2016 and signed by:


Chairman - NGCDFC

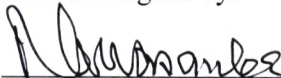

Fund Account Manager



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU
CHACHE NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

VI. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2016			
Receipts for operating income		2015 - 2016	2014 - 2015
Transfers from CDF Board	1	59,000,000	153,845,793
Other Receipts	3	-	-
Total		59,000,000	153,845,793
Payments for operating expenses			
Compensation of Employees	4	(2,887,000)	(1,674,600)
Use of goods and services	5	(9,312,864)	(11,076,485)
Transfers to Other Government Units	6	(10,050,000)	(20,721,380)
Other grants and transfers	7	(68,900,718)	(85,785,159)
Other Payments	9	-	-
		(91,150,582)	(119,257,624)
Adjusted for:			
Adjustments during the year	14	1,173,000	
Net cash flow from operating activities		(30,977,582)	(34,588,038)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	9	-	(9,393,130)
Net cash flows from Investing Activities		-	25,195,038
NET INCREASE IN CASH AND CASH EQUIVALENT		30,977,582	25,195,038
Cash and cash equivalent at BEGINNING of the year	13	31,265,615	6,070,576
Cash and cash equivalent at END of the year		288,032	31,265,615

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The KitutuChache North NGCDF financial statements were approved on 15/09/2016 and signed by:


Chairman NGCDF


Fund Account Manager

CONSTITUENCIES DEVELOPMENT FUND KITUTU CHACHE NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	118,825,826	31,265,614	150,091,440	90,265,614	59,825,826	50.35%
Proceeds from Sale of Assets				-	-	
Other Receipts	-			-	-	
TOTAL	118,825,826	31,265,614	150,091,440	90,265,615	59,825,826	50.35%
PAYMENTS						
Compensation of Employees	3,120,000.00	1,610,000	4,730,000	2,887,000	1,843,000	39.0%
Use of goods and services	7,574,323.00	2,178,901	9,753,224	9,312,864	440,360	45.0%
Transfers to Other Government Units	17,500,000.00	5,479,311	22,979,311	10,050,000	12,929,311	56.0%
Other grants and transfers	90,631,503.00	21,497,402	112,128,905	68,900,718	43,228,186	38.60%
Acquisition of Assets						
Other Payments		500,000	500,000	-	500,000	0%
TOTAL	118,825,826.00	31,265,614.00	150,091,440.00	91,150,582	84,783,103	56%



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH CONSTITUENCY**

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

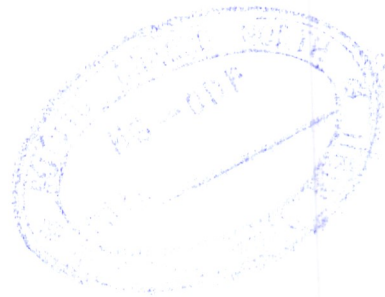
The KITUTU CHACHE NORTH NGCDF financial statements were approved on 15/09 2016
and signed by:



Chairman NGCDF



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 NGCDF 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 NGCDF.

2. Recognition of revenue and expenses

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

3. In-kind contributions

In-kind contributions are donations that are made to the NGCDF 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 NGCDF 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.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

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 NGCDF 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 NGCDF’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 NGCDF’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.



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH**

Reports and Financial Statements

For the year ended June 30, 2016

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH CONSTITUENCY**

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

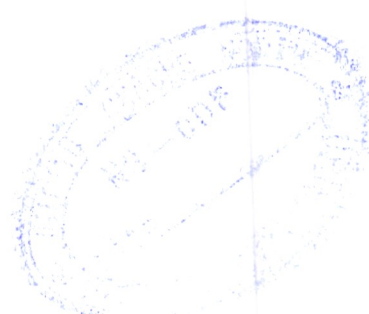
IX. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2015 – 2016	2014 - 2015
		Kshs	Kshs
Normal allocation			
	AIE NO. A796282	10,000,000.00	
	AIE NO. A796307	10,000,000.00	
	AIE NO. A 820590	10,000,000.00	
	AIE NO. A 820822	29,000,000.00	-
	AIE NO. A 750155		44,751,012
	AIE NO. A 759693		25,023,695
	AIE NO. A 796787		16814217
	AIE NO. A 797015		14209,478
	AIE NO. A 797198		53,047,390
TOTAL		59,000,000.00	153,845,793

2. PROCEEDS FROM SALE OF ASSETS

	2015 – 2016	2014 – 2015
	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		



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

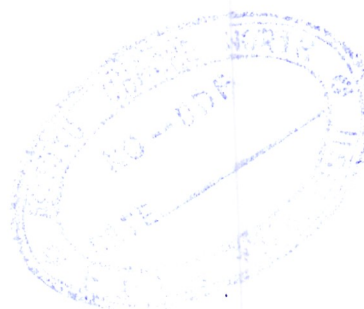
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

	2015 – 2016 Kshs	2014 - 2015 Kshs
Interest Received	-	-
Rents	-	-
Receipts from Sale of tender documents	-	-
Other Receipts Not Classified Elsewhere	-	-
Total	-	-

4. COMPENSATION OF EMPLOYEES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Basic wages of contractual employees	2,887,000	1,668,000
Basic wages of casual labour	-	-
Personal allowances paid as part of salary	-	-
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Other personnel payments	-	-
Employer contribution to NSSF gratuity	-	6,600
Total	2,887,000	1,674,600



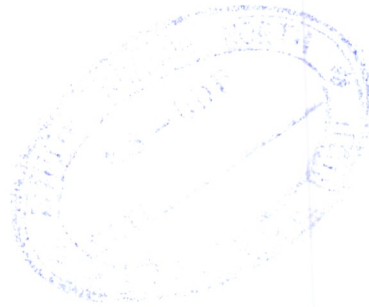
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CACHE NORTH CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Utilities, supplies and services	2,394,164	1,959,219
Office rent	-	-
Communication, supplies and services	520,000	476,000
Domestic travel and subsistence		
Printing, advertising and information supplies & services	523,,000	901,265
Rentals of produced assets	-	-
Training expenses	705,770	250,000
Hospitality supplies and services	88,460	350,000
Other committee expenses	1,570,700	1,683,533
Committee allowance	2, 218,000	2,673,467
Insurance costs	-	-
Specialised materials and services	-	51,000.00
Office and general supplies and services	560,000	1830,300
Fuel ,oil & lubricants	502,590	299,858,40
Other operating expenses		
Routine maintenance – vehicles and other transport equipment	230,000	447,843
Routine maintenance – other assets	-	154,000
Total	9,312,684	11,076,485



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

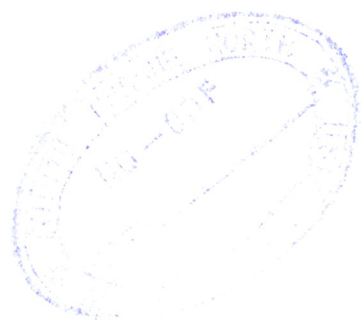
NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016 Kshs	2014- 2015 Kshs
Transfers to National Government entities	-	-
Transfers to primary schools (see attached list)	50,000	3,000,000
Transfers to secondary schools (see attached list)	-	4,530,000
Transfers to tertiary institutions (see attached list)	10,000,000	2,500,000
Transfers to health institutions (see attached list)	-	10,691,380
-TOTAL	10,050,000	20,721,380

7. OTHER GRANTS AND OTHER PAYMENTS

Description	2015 - 2016 Kshs	2014 -2015 Kshs
Bursary – secondary schools (see attached list)	6,742,700	7,604,000
Bursary – tertiary institutions (see attached list)	514,000	8,307,000
Bursary – special schools (see attached list)	-	-
Mock & CAT (see attached list)	-	-
Water projects (see attached list)	23,515,860	19,508,636
Agriculture projects (see attached list)	-	2,000,000.
Electricity projects (see attached list)	-	-
Security projects (see attached list)	-	5,000,000
Roads projects (see attached list)	28,566,787	37,906,439
Sports projects (see attached list)	1,859,569	990,000
Environment projects (see attached list)	2,130,000	1,430,000
Emergency Projects (specify)	5,571,802	2,439,083
Total	68,900,718	85,785,159

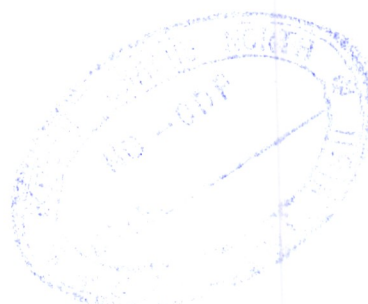


**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH CONSTITUENCY
Reports' and Financial Statements
For the year ended June 30, 2016**

OTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

<u>Non-Financial Assets</u>	2015 - 2016 Kshs	2014 - 2015 Kshs	2013 - 2014 Kshs
Purchase of Buildings	-	-	-
Construction of Buildings	-	-	16,695,450
Refurbishment of Buildings	-	100,000	-
Purchase of Vehicles and Other Transport Equipment	-	6,000,000	-
Overhaul of Vehicles and Other Transport Equipment	-	-	-
Purchase of Household Furniture and Institutional Equipment	-	-	-
Purchase of Office Furniture and General Equipment	-	3,293,130	-
Purchase of ICT Equipment, Software and Other ICT Assets	-	-	1,872,976
Purchase of Specialized Plant, Equipment and Machinery	-	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-	-
Acquisition of Land	-	-	-
Acquisition of Intangible Assets	-	-	-
Total	-	9,393,130	18,568,426



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. OTHER PAYMENTS

Specify	2015 – 2016 Kshs	2014– 2015 Kshs

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2015 - 2016 Kshs	2014 - 2015 Kshs
Co-operative Bank, Kisii Branch A/C No:011414223029200	288,032	31,265,615
	-	-
	-	-
	-	-
	288,032	31,265,615
10B: CASH IN HAND		
	2015 - 2016	2014– 2015
	Kshs	Kshs
Location 1	0	0
Total		
[Provide cash count certificates for each]		



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KITUTU
CHACHE NORTH**
Reports and Financial Statements
For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. BALANCES BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	31,265,615	5,284,576
Cash in hand		
Imprest	-	-
Total	<u>31,265,615</u>	<u>5,284,576</u>

[Provide short appropriate explanations as necessary]

14. PRIOR YEAR ADJUSTMENTS

Reversed Cheques during the financial year

S/No	Name	Cheque No.	Amount
1	Itumbe Youth Polytechnic	001217	400,000
2	Magena Youth Polytechnic	001216	400,000
3	Gesurura Primary School	001210	300,000
4	Machakos University	001552	17,000
5	Masinde Muliro University	001554	17,000
6	Moi University	001555	39,000
	Total		1,173,000

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

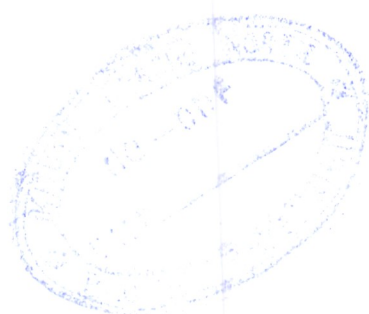
13. BALANCES BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	31,265,615	5,284,576
Cash in hand		
Imprest	-	-
Total	<u>31,265,615</u>	<u>5,284,576</u>

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	Total		1,173,000



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
CHACHE NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE

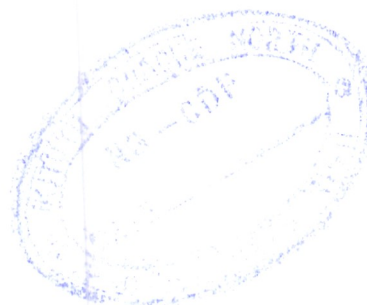
	2015- 2016	2014– 2015
	Kshs	Kshs
Construction of buildings	0	0
Construction of civil works	0	0
Supply of goods	0	0
Supply of services	0	0
	<u>0</u>	<u>0</u>

15.2: PENDING STAFF PAYABLES

	Kshs	Kshs
Senior management	0	0
Middle management	0	0
Unionisable employees	0	0
Others (specify)	0	0
	<u>0</u>	<u>0</u>

15.3: OTHER PENDING PAYABLES

	Kshs	Kshs
Amounts due to other Government entities (see attached list)	0	0
Amounts due to other grants and other transfers (see attached list)	0	0
Others (specify)	0	0
	<u>0</u>	<u>0</u>



NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU CHACHE NORTH CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016 (Kshs)

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Buildings and structures	15,100,000	15,100,000
Vehicle	6,150,000.00	6,150,000.00
Office equipment, furniture and fittings	3,293,130.00	3,293,130.00
Total	24,543,130	24,543,130

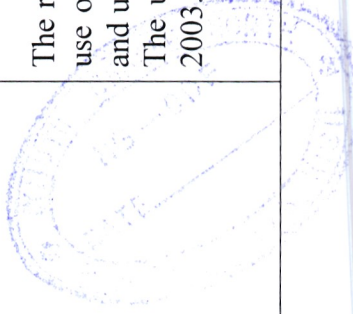
ANNEX 5 – PROGRESS REPORTS ON FOLLOWUP OF PREVIOUS AUDIT REPORTS

The following audit issues raised by the auditor in the prior years and how we have addressed them:

Reference Number	Audit Issues in 2014/20`15	Management Comments	Focal Point	Status
Summary of appropriation	The summary statement of appropriation indicates the current year's final budget figures for total receipts and total payments as Kshs. 159,916,370 and Kshs. 162,916,370 respectively. However, records from the National Government Constituency Development Fund Board indicates that the final approved budget for the year 2014/2015 was Kshs. 109,094,781. In addition the actual receipts figure is indicated as Kshs. 127,864,754 as opposed to Kshs. 153,845,793 received during the year. The accuracy of the Summary statement of appropriation could not therefore be confirmed.	During the financial year 2014/2015 Ksh. 3,000,000 proposed Sombogo Tea Factory was not approved which was included in the total payment budget but not included in the total receipts.	Fund Manager/Accountant	Resolved
Cash and bank	The statement of financial assets indicates that the bank balances as at 30	The NGCDF		Resolved

NATIONAL GOVERNMENT ENTITY - (KITUTU CHACHE NORTH CONSTITUENCY)
Reports and Financial Statements
For the year ended June 30, 2016

<p>balances</p>	<p>June 2015 amounted to Kshs. 31,265,615. However, a review of the funds' cash book, bank statements and other records indicates that there were cheques totaling Kshs. 619,828 which had not been presented for payment within six months from the date of issue. Consequently, the accuracy of the bank balance of Kshs. 31,265,615 could not be confirmed.</p>	<p>Committee have recommended that all the stale cheques be reversed and either be replaced or new payments be made.</p>	<p>-</p>
<p>Unsupported documentation for transfers to other Government Units</p>	<p>The KitutuChache North Constituency Development Fund committee disbursed a total of Kshs 20,721,380 in the form of transfers to other Government units during the year under review as reflected in the statement of receipts and transfers. These funds were administered through Project Management Committees (PMCs) spread throughout the constituency. During the audit review, disbursements totaling Kshs. 4,410,345 made to various PMCs were not adequately supported with complete expenditure returns including cashbooks, bank statements, stores records, minutes, and other relevant accounting documents. Consequently, in the absence of the support documents we could not confirm the propriety of the funds disbursed to the PMCs during the year.</p>	<p>Complete project files have now been submitted by Project Management Committees and are now available in NG-CDF Office</p>	<p>Resolved</p>
<p>Unauthorized Re-allocation of Funds</p>	<p>A review of the accounting records of KitutuChache North indicated that payments for the purchase of furniture and the Nyamokomba water projects exceeded the approved allocations for the year under review. The CDF used funds from other budget items as shown below: The re-allocations were done without approval from the CDF board. The use of emergency funds did not also meet the thresholds set for urgent and unforeseen need for expenditure since these were ongoing projects as. The use of funds therefore contravened the provisions of the CDF Act 2003.</p>	<p>The management resolved to spend the money from emergency on the projects because at that time the office was new and required furnishing immediately for it to be usable. The water</p>	



NATIONAL GOVERNMENT ENTITY - (KITUTU CHACHE NORTHCONSTITUENCY)
Reports and Financial Statements
For the year ended June 30, 2016

		<p>project was also in urgent need of fund to avoid being washed away by heavy rains. The NGCDF Committee is seeking re-allocation to for the two</p>																
<p>Implementation of projects</p>	<p>Contrary to the provisions of the CDF Act which requires that all projects under the Act be implemented through Project Management Committees (PMCs) with the assistance of relevant Government departments, it was observed that there were some projects funded by the CDF being implemented by the Constituency Development Fund Committee (CDFC) as shown below:</p> <table border="1" data-bbox="790 792 1082 1653"> <thead> <tr> <th>Project</th> <th>Amount (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Nyakoora water project</td> <td>5,500,000</td> </tr> <tr> <td>Nyamokomba water project</td> <td>8,500,000</td> </tr> <tr> <td>Ragogo - Bumburia road project</td> <td>14,999,968</td> </tr> <tr> <td>Bobaracho - Naynkanda road</td> <td>6,985,666</td> </tr> <tr> <td>Ngenyi - Nyamokomba-Marani road</td> <td>2,199,350</td> </tr> <tr> <td></td> <td>38,184,984</td> </tr> </tbody> </table> <p>Management has not explained why the above projects were implemented by the CDFC in contravention of the law.</p>	Project	Amount (Kshs)	Nyakoora water project	5,500,000	Nyamokomba water project	8,500,000	Ragogo - Bumburia road project	14,999,968	Bobaracho - Naynkanda road	6,985,666	Ngenyi - Nyamokomba-Marani road	2,199,350		38,184,984	<p>Following the auditors' advice the NGCDF Committee is now implementing projects through PMC as stipulated by the Act.</p>		
Project	Amount (Kshs)																	
Nyakoora water project	5,500,000																	
Nyamokomba water project	8,500,000																	
Ragogo - Bumburia road project	14,999,968																	
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