

Paper laid by the
Hon B. Wadhvani
upif
19/3/2018

REPUBLIC OF KENYA



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 SOUTH CONSTITUENCY

FOR THE YEAR ENDED
30 JUNE 2016



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

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

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CONSTITUENCY DEVELOPMENT FUND- KITUTU CHACHE SOUTH 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Development Fund (CDF) was established under the Constituencies Development Fund Act, 2003, amended in 2007 and repealed by the CDF Act of 2013.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.

(b) Key Management

The Kitutu Chache South 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)

(c) 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	Charles Nyasani
4.		

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of Gatundu North 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.

(e) KITUTU CHACHE SOUTH NGCDF Headquarters

Kitutu Chache South NGCDF Office Building.
Monarch Building –Opposite D.O's Office Mosocho
P.O Box 2223-40200
KISII.

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

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

(f) KITUTU CHACHE SOUTHNGCDF Contacts

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

(g) KITUTU CHACHE SOUTHNGCDF Bankers

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

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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

**II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY
DEVELOPMENT FUND COMMITTEE (NGCDFC)**

During the financial year 2015/2016 Kitutu Chache South Constituency was allocated Ksh.112,036,174. This amount was budgeted 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.....*NAKAMPA*.....
CHAIRMAN NGCDFC

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 KitutuChache South 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 South 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 KitutuChache South 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 South 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

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - KITUTU CHACHE SOUTH 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 South Constituency set out on pages 5 to 22, which comprise the statement of financial assets as at 30 June 2016, 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 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

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

the financial 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. Actual receipts in the statement of appropriation reflect Kshs.98,624,257 against the balance of Kshs.56,000,000 reflected in the statement of receipts leading to an unexplained variance of Kshs.42,624,257.
- ii. The management did not prepare separate recurrent and development vote accounts required under International Public Sector Accounting Standards.

In consequence, the accuracy of the summary statement of appropriation cannot be confirmed.

2. Statements of Financial Assets

Included in the statement of assets balance of Kshs.12,412,814 as at 30 June 2016 is a prior year adjustment balance of Kshs.88,896 whose validity and purpose has, however, not been explained by management.

Consequently, the propriety of the balance of Kshs.88,896 30 June 2016 cannot be confirmed.

3. Use of Emergency Funds

During the year under review, the management used emergency funds totaling Kshs.5,729,658 on various projects as indicated in Note 7 to the financial statements. However, the management did not provide documentary evidence on the projects to show that they met the thresholds set for urgent and unforeseen expenditure needs.

As a result, it has not been possible to confirm that the funds were used in accordance with the provisions of Section 8(3) of the National Government Constituencies Development Fund Act, 2015.

4. Reallocation of Funds

Included in other grants and other transfers balance of Kshs.32,033,098 are security projects costing Kshs.1,250,000 which however exceeded budgetary allocation by Kshs.550,000 and which were not approved by the CDF Board. The extra funds were obtained from the emergency fund vote.

The use of funds therefore contravened the provisions of the CDF Act, 2015.

5. Project Expenditure Returns

As reflected under Note 6 to the financial statements, the management disbursed a total of Kshs.44,900,000 to primary schools, secondary schools, tertiary institutions and health facilities for infrastructure development. During the year under review, nine (9) project management committees (PMCs) with total expenditure of Kshs.15,300,000 out of the total of Kshs.44,900,000 had submitted returns to the Constituency office. However, the project files submitted did not include expenditure reports, copies of bank statements and certificate of bank balances and minutes of project management committee meetings.

Consequently, in the absence of supporting documents, it has not been possible to confirm that the funds disbursed to PMCs were utilised for the intended purposes

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 Kitutu Chache South Constituency Development Fund 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 Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

Other Matter

1. Budget Performance Analysis

- i. During the year under review, the Constituency Development Fund management was allocated Kshs.110,536,174 by the National Government Constituency Development Fund Board, but only Kshs.56,000,000 was disbursed to the constituency during the year. The balance of Kshs.54,536,174 representing an under absorption by 49% was disbursed by the Board after the close of the year. In addition, sum of Kshs.42,624,257 was rolled-over from the previous financial year.
- ii. A comparison of budget and actual amounts for the year under review is as shown below:

	Budget Kshs.	Actual Kshs.	Over Expenditure Kshs.	Under Expenditure Kshs.	Level of Absorption Kshs.
Receipts					
Receipts from the Board	110,536,174	56,000,000		54,536,174	51%
Payments					
Compensation of Employees	2,086,150	1,353,141		733,009	65%
Use of Goods and Services	3,886,000	4,864,100	978,100	0	125%
Committee Expenses	3,610,000	3,150,000		460,000	87%
Social Security Benefits	500,000	0		500,000	0%
Emergency	5,767,647	5,729,658		37,989	99%
Constituency Sports	1,618,693	400,000		1,218,693	25%
Environment	500,000	840,000	340,000	0	168%
Bursary- Secondary Schools	4,867,684	0		4,867,684	0%
Bursary - Tertiary	8,000,000	4,680,000		3,320,000	59%
Mocks/CATS	200,000	0		200,000	0%
Transfers to Primary Schools	28,200,000	25,400,000		2,800,000	90%
Transfers to Secondary Schools	15,500,000	12,600,000		2,900,000	81%
Transfers to Tertiary schools	3,500,000	2,800,000		700,000	80%
Health Projects	5,000,000	4,100,000		900,000	82%
Water Projects	3,000,000	1,500,000		1,500,000	50%
Roads	18,000,000	17,633,440		366,560	98%
Agriculture	600,000	0		600,000	0%
Security	5,200,000	1,250,000		3,950,000	24%
Purchase of Furniture	500,000	0		500,000	0%
Total	110,536,174	86,300,339	1,318,100	25,553,935	78%

The following were noted:

- i. The overall under spending was 22% of the budget was mainly attributed by management to late disbursement of funds to various Project Management Committees (PMCs).
- ii. The Constituency under-spent on eighteen (18) line items with a total expenditure of Kshs.25,553,935 and overspent on eleven (11) line items with total expenditure of Kshs.1,318,100.

- iii. Included in the total payments of Kshs.86,300,339 in the statement of receipts and payments is expenditure of Kshs.42,624,256 which relates to 2014/2015 but was rolled-over to the financial year 2015/2016.
- iv. The expenditure shows that use of goods and services and environment recorded the highest over expenditures however, no explanation was provided by management for the material variations as well as reallocations made by the Board during the financial year.
- v. As at 30 June 2016, the reconciled bank balance was Kshs.12,412,814. In spite of the cash balance some of the projects had not been undertaken. Failure to spend the cash implies that service delivery was affected adversely due to slow rate of absorption of funds and as a result, the public did not receive all services planned for delivery during the year under review.

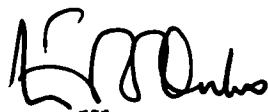
2. Project Verification

During the year under review, ten (10) projects whose payments totalled Kshs.15,300,000 were physically verified in June 2017. Nine (9) projects were complete and in use while one was ongoing as tabulated below:

Project Name	Activity	Budget Kshs	Status	% of utilization
St. Patrick's Primary School	Painting for 12 classrooms was done, re-roofing of 7 classes, 7 new doors and 28 window frames.	2,300,000	ongoing	80%
Nyamondo Primary School	Plastering done for 8 classes, flooring for 8 classes	1,500,000	Completed and Use.	100%
Ong'icha Secondary School	Installment for the purchase of bus KCA 648F and painting of laboratory	1,500,000	Completed and Use.	100%
Nyambara Primary School	Plastering, re-roofing and painting of two classes	1,500,000	Completed and Use.	100%
Getembe Health Centre	Fixing ceiling, fixing internal doors and painting	2,200,000	Completed and Use.	100%
Jogoo Primary School	Plastering and painting of 2 classrooms	1,300,000	Completed and Use.	100%

Nyatieko Primary School	Plastering, re-roofing and painting	1,300,000	Completed and Use.	100%
Getembe Primary School	Re-roofing, plastering and flooring	1,200,000	Completed and Use.	100%
Rioter Primary School	Plastering, flooring and painting of 2 classes	1,200,000	Completed and Use.	100%
Peter's Soko Primary School	Plastering and painting for 2 classes	1,300,000	Completed and Use.	100%
Total		15,300,000		

My opinion is not qualified in respect of these matters.



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

Nairobi

31 January 2018

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU
CHACHE SOUTH 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	56,000,000	105,737,617
Proceeds from Sale of Assets	2	-	
Other Receipts	3	-	
TOTAL RECEIPTS		56,000,000	105,737,617
PAYMENTS			
Compensation of employees	4	1,353,141	1,033,000
Use of goods and services	5	8,014,100	10,756,660
Transfers to Other Government Units	6	44,900,000	43,167,543
Other grants and transfers	7	32,033,098	36,711,725
Acquisition of Assets	8	-	-
Other Payments	9	-	-
TOTAL PAYMENTS		86,300,339	91,668,928
SURPLUS/DEFICIT		(30,300,339)	(14,068,689)

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

Makanya
Chairman - NGCDFC

[Signature]
Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU
CHACHE SOUTH 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	12,412,814	42,624,257
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		12,412,814	42,624,257
REPRESENTED BY			
Retention	12		
Fund balance b/fwd 1st July...	13	42,624,257	28,555,568
Surplus/Deficit for the year		(30,300,339)	(14,068,689)
Prior year adjustments	14	88,896	
NET LIABILITIES		12,412,814	42,624,257

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


Chairman - NGCDFC


Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- KITUTU
CHACHE SOUTH 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	56,000,000	105,737,617
Other Receipts	3	-	-
		56,000,000	
Payments for operating expenses			
Compensation of Employees	4	(1,353,141)	(1,033,000)
Use of goods and services	5	(8,014,100)	(10,756,660)
Transfers to Other Government Units	6	(44,900,000)	(43,167,543)
Other grants and transfers	7	(32,033,098)	(36,711,725)
Other Payments	9	-	-
		(86,300,339)	(91,668,928)
Adjusted for:			
Adjustments during the year	14	88,896	
Net cash flow from operating activities		(30,211,443)	14,068,689
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	9	(-)	(-)
Net cash flows from Investing Activities		0	0
NET INCREASE IN CASH AND CASH EQUIVALENT		(30,211,443)	14,068,689
Cash and cash equivalent at BEGINNING of the year	13	42,624,257	28,555,568.
Cash and cash equivalent at END of the year		12,412,814	42,624,257

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

Nakanya
Chairman NGCDFC

HBO
Fund Account Manager

CONSTITUENCIES DEVELOPMENT FUND KITUTU CHACHE SOUTH 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	110,536,174	42,624,257	154,660,431	98,624,257	54,036,174	63.80%
Proceeds from Sale of Assets				-	-	
Other Receipts	-			-	-	
TOTAL	110,536,174	42,624,257	153,160,431	98,624,257	54,536,174	63.80%
PAYMENTS						
Compensation of Employees	2,086,150.00		2,086,150	1,353,141	733,009	64.90%
Use of goods and services	7,996,000.00	90,607	8,086,607	8,014,100	72,507	99.10%
Transfers to Other Government Units	52,200,000	28,787,931	80,987,931	44,900,000	36,087,931	55.40%
Other grants and transfers	47,754,024	13,245,719	60,999,743	32,033,098	28966645	47.50%
Acquisition of Assets	500,000		500000	-	500,000	0.0%
Other Payments		500,000	500000	-	500000	0.0
TOTAL	110,536,174	42,624,257	153,160,431	86,300,339	66,860,092	43.65%

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

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

The KITUTU CHACHE SOUTH 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 SOUTH 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
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IX. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
Normal allocation			
	AIE NO. A :796485	20,000,000.00	7,300,000.00
	AIE NO. A 820823	20,000,000.00	19,134,404.25
	AIE NO. A	16,000,000.00	14,860,642.55
			11,573,762.00
			26,434,404.00
			26,434,404.20
TOTAL		56,000,000	105,737,617

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		

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

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

4. COMPENSATION OF EMPLOYEES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Basic wages of contractual employees	1,353,141	1,002,600
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	-	30400
gratuity	-	-
Total	1,353,141	1,033,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Utilities, supplies and services	1,614,100	632,325
Office rent	360,000	-
Communication, supplies and services	185,675	190,395
Domestic travel and subsistence	212,000	180,243
Printing, advertising and information supplies & services	130,000	170,000
Rentals of produced assets	-	-
Training expenses	400,000	690,000
Hospitality supplies and services	-	447,500
Other committee expenses	2,150,000	3,260,750
Committee allowance	1 000,000	3,118,000
Insurance costs	-	
Specialised materials and services	67,000	273,000
Office and general supplies and services	337,000	464,994
Fuel ,oil & lubricants	1,250,000	884,750
Other operating expenses		
Routine maintenance – vehicles and other transport equipment	308,325	444,657
Routine maintenance – other assets	-	
Total	8,014,100	10,756,660

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016	2014- 2015
	Kshs	Kshs
Transfers to National Government entities	-	-
Transfers to primary schools	25,400,000	20,800,000
Transfers to secondary schools	12,600,000	11,447,542
Transfers to tertiary institutions	2,800,000	1,100,000
Transfers to health institutions	4,100,000	9,820,000
-TOTAL	44,900,000	43,167,542

7. OTHER GRANTS AND OTHER PAYMENTS

	2015 - 2016	2014 -2015
	Kshs	Kshs
Bursary – secondary schools	-	50,000
Bursary – tertiary institutions	4,680,000	13,070,605
Bursary – special schools	-	-
Mock & CAT	-	-
Water projects	1,500,000	1,800,000
Agriculture projects	-	500,000
Electricity projects	-	-
Security projects	1,250,000	1,850,000
Roads projects	17,633,440	13,536,120
Sports projects	400,000	450,000
Environment projects	840,000	-
Other Projects	-	-
Emergency Projects	5,515,658	5,455,000.
Total	32,033,098	36,711,725

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

<u>Non-Financial Assets</u>	2015– 2016	2014 - 2015
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	-	-
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	-	-
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Total	-	-

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU CHACHE SOUTH CONSTITUENCY

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. OTHER PAYMENTS

Specify	2015– 2016 Kshs	2014– 2015 Kshs
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10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2015 – 2016 Kshs	2014 - 2015 Kshs
Cooperative Bank, Kisii Branch A/C no.011414231855500	12,412,814.00	42,624,256.00
	-	-
	-	-
	-	-
	12,412,814.00	42,624,256.00
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
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

Name of Officer or Institution	Date Imprest Taken	Amount Taken	Amount Surrendered	Balance
		Kshs	Kshs	Kshs
				<u><u>0</u></u>

12 Retention			
Supplier/Contractor	PV no	2015 - 2016	2014 - 2015
		Kshs	Kshs
TOTAL			

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

Name of Officer or Institution	Date Imprest Taken	Amount Taken	Amount Surrendered	Balance
		Kshs	Kshs	Kshs
				0

12 Retention				
Supplier/Contractor	PV no	2015 - 2016	2014 - 2015	
		Kshs	Kshs	
TOTAL				

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. BALANCES BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	42,624,257.	27,393,523
Cash in hand		
Imprest	-	1,160,000
Total	<u>42,624,257</u>	<u>28,555,568</u>

14. PRIOR YEAR ADJUSTMENTS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Reversed Cheques	88,896.	
	-	-
	-	-
Total	<u>-</u>	<u>-</u>

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
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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
	0	0

15.2: PENDING STAFF PAYABLES

	Kshs	Kshs
Senior management	0	0
Middle management	0	0
Unionisable employees	0	0
Others (specify)	0	0
	0	0

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
	0	0

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU
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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
	0	0

15.2: PENDING STAFF PAYABLES

	Kshs	Kshs
Senior management	0	0
Middle management	0	0
Unionisable employees	0	0
Others (specify)	0	0
	0	0

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
	0	0

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Vehicle	4,300,000.00	4,300,000.00
Office equipment, furniture and fittings	251,400.00	251,400.00
Total	4,551,400.00	4,551,400.00

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – KITUTU CHACHE SOUTH CONSTITUENCY

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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 2014/2015	Management Comments	Focal Point	Status
1.1 Summary of statement of appropriation	The summary statement of appropriation indicates the current year's final budget figures for total receipts and total payments as Kshs. 134,293,185. However, records from the National Government Constituency Development Fund Board indicate that the final approved budget for the year 2014/2015 was Kshs. 105,737,617. The accuracy of the Summary statement of appropriation could not therefore be confirmed.	The total amount of Ksh.134,293,185 is inclusive of Ksh. 28,555,568 being balance brought forward from the financial year 2013/2014.	Fund Manager	Resolved
1.1 Cash and bank balances	The statement of financial assets indicates that the bank balances as at 30 June 2015 amounted to Kshs. 42,624,257. However, a review of the funds' cash book, bank statements and other records indicates that, there were cheques totaling Kshs 1,046,697 which had not been presented for payment within six months from the date of issue. Consequently, the accuracy of the bank balance of Kshs. 42,624,257 could not be confirmed.	All the stale cheques have now been reversed in the Cash Book	Fund Manager and District Accountant	Resolved
2. Unsupported Documentation for Transfers to Other Government Units and Other Grants and Transfers	The KitutuChache South Constituency Development Fund committee disbursed a total of Kshs. 79,879,268 in the form of transfers to other Government units and other grants and transfers during the year under review as reflected in the statement of receipts and transfers. Out of this amount, Kshs. 66,758,662 was administered through Project Management Committees (PMCs) spread throughout the constituency. During the audit review, disbursements totaling Kshs. 24,006,500 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.	Complete project files have now been submitted by Project Management Committees and are now available in NG-CDF Office.	Fund Manager and Project Management Committees	Resolved