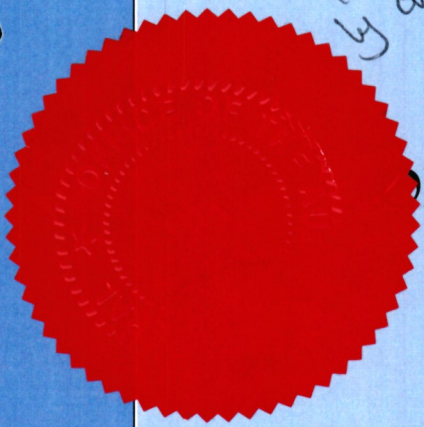


*Paper laid
by the Hon. B. Wanjau
14/3/2018*

REPUBLIC OF KENYA



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REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
NYARIBARI CACHE CONSTITUENCY
FOR THE YEAR ENDED
30 JUNE 2016



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
NYARIBARI CACHE 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 –
NYARIBARI CHACHE CONSTITUENCY**

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

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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2013.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

(b) Key Management

The NYARIBARI CHACHE Constituency's day-to-day management is under the following key organs:

- i. 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 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	John Ongeru
3.	Accountant	Charles Nyasani

(d) Fiduciary Oversight Arrangements

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

P.O. Box 78, Keumbu - Kisii
CDF Building, Keumbu
Keroka-Sotik Road,
KEUMBU, KENYA.

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NYARIBARI
CHACHE CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2016

(f) NYARIBARI CHACHE NGCDF Contacts

Telephone: (254) 710-426-880
E-mail: cdfnyaribarichache@cdf.go.ke
Website: www.cdf.go.ke

(g) Nyaribari Chache NGCDF Bankers

Constituency NGCDF Main Banker:
Equity Bank of Kenya,
Account Number: 0510294577003
PO BOX
KISII

(h) Independent Auditors

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

(i) Principal Legal Adviser


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

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

The NG-CDFCs wish to have in summary the budget performance against actual amounts for current year based on economic classification and programmes. The NGCDF have improved the Education and Security infrastructures of NYARIBARI CHACHE.

However, there have been emerging issues like political, economic, social, legal and global challenges influencing the implementation of NG-CDF Project. Other issues affecting the project implementation process is the late disbursement of funds, late approved of proposals and reallocations

The NGCDFCs wish that the issues of having the project on going for more than 2years be stopped and the NGCDF board to reduce the rate of staff turnovers in Constituencies i.e. FAM transfers.


Sign.....
CHAIRMAN NG-CDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NYARIBARI
CHACHE 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 NYARIBARI CHACHE 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.

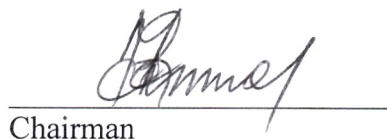
The Accounting Officer in charge of the NYARIBARI CHACHE NGCDF accepts responsibility for the NGCDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (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 NYARIBARI CHACHE 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 NYARIBARI CHACHE 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 September 2016


Fund Account Manager


Chairman

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
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 - NYARIBARI CHACHE 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- Nyaribari Chache Constituency set out on pages 5 to 26, 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 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 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

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

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 summary statement of appropriation indicates an original budget of Kshs.117,244,624 and an adjustment of Kshs.90,570,955.50 bring the total final budget of Kshs.207,815,579.50. The adjustment figure of Kshs.90,570,955.50 is made up of unspent funds of Kshs.35,517,528 as at 30 June 2015 and AIEs of 2014/2015 of Kshs.55,307,149.50 received during the year. However, management did not provide schedules of projects earmarked for implementation from the funds rolled over from the previous year.

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

2. Transfers from CDF Board

The statement of receipts and payments reflects total receipts from the National Government Constituencies Development Fund Board amounting to Kshs.103,307,149 against an annual allocation of Kshs.117,244,624. Out of the 2015/2016 allocation, Kshs.58,000,000 was received on 3 May 2016 and the balance of Kshs.59,244,624 is yet to be received. Consequently, the citizens of the constituency may not have received the benefits intended from planned programs and activities for the year ended 30 June 2016.

3. Payment of Statutory Deductions

Included in the use of compensation of employees figure of Kshs.2,209,496 is Kshs.284,738 paid as penalties to NSSF and NHIF due to late remittance of statutory deductions penalties and interests levied that could have been avoided. Failure to pay statutory deduction in time may lead the Fund incurring heavy fines and penalties from the respective institutions.

4. Reallocation of Funds

Included in other grants and transfers of Kshs.45,017,007 under security projects is construction of DCC's office residence for Kshs.500,000 whose activity was changed to renovation of DOs office, which included plastering, painting, purchase of computer and tiles. The National Government Constituencies Development Fund Board approval for the change of activity as well as reallocation of funds was not availed for audit review.

Consequently, the management was in breach of the regulations and Public Finance Management Act, 2012.

5. Project Expenditure Returns

- i. The management disbursed a total of Kshs.69,030,000 in form of transfers to other government units during the year under review. These funds were administered through Project Management Committees (PMCs). It was observed that six PMCs which received disbursements amounting to Kshs.9,320,000 had not submitted expenditure returns to the constituency Fund Management.
- ii. Although eleven PMCs that had received disbursements amounting to Kshs.18,250,000 had submitted project files, the returns lacked expenditure reports, bank statements and project management committee minutes.
- iii. Included in the figure of other grants and transfers of Kshs.45,017,007 is Kshs.9,786,887 for which relevant project files and bill of quantities were not availed for audit review.

Consequently, the propriety of the expenditure for the year ended 30 June 2016 could not be confirmed.

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 - Nyaribari Chache Constituency 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

Nyaribari Chache CDF was allocated Kshs.117,244,624 by the National Government Constituency Development Fund Board but only Kshs.103,307,149 was disbursed to the constituency during the year. A comparison of budget and actual amounts for the year under review is shown as below:

	Budget	Actual	Under Expenditure	Over Expenditure	Level of absorption %
	Kshs	Kshs	Kshs	Kshs.	
Receipts					
Receipts from the Board	117,244,624	103,307,150	13,937,474		88%
Payments					
Compensation of employees	3,000,000	3,121,466		121,466	104%
Use of goods and services	4,917,339	2,209,496	2,707,843		55%
Committee expenses	3,784,677	4,439,886		655,209	117%
Social security benefits	250,000	220,000	30,000		88%
Emergency	5,767,647	0	5,767,647		0%
Constituency sports	1,500,000	1,260,500	239,500		84%
Environment	1,400,000	0	1,400,000		0%
Bursary- Secondary schools	6,000,000	1,642,000	4,358,000		27%
Bursary- Tertiary	13,425,000	26,748,567		13,323,567	200%
Mocks/CATS	999,961	0	999,961		0%
Primary schools	12,600,000	19,680,000		7,080,000	156%
Secondary schools	30,800,000	39,320,000		8,520,000	128%
Transfers to Tertiary schools	2,800,000	3,800,000		1,000,000	136%
Health Projects	4,100,000	1,800,000	2,300,000		44%
Water Projects	3,100,000	1,206,000	1,894,000		39%
Roads	15,800,000	6,166,941	9,633,059		39%
Sports		2,860,500			
Agriculture	3,300,000	3,300,000	-		100%
Security	3,700,000	3,750,000		50,000	101%
Acquisition of Assets	-	5,717,759		5,717,759	100%
Total	117,244,624	129,817,434	29,330,010	35,691,326	110%

The following anomalies were noted:

- i. The overall under spending was 110% above budget mainly attributed to roll over of funds.

- ii. The Constituency management under spent on ten (10) line items with a total expenditure of Kshs.29,330,010 and overspent on eight (8) line items with a total of Kshs.35,691,326.
- iii. Included in the total payments of Kshs.129,817,434 in the statements of receipts and payments is expenditure of Kshs.35,517,528 which relates to 2014/2015 which were rolled over to the year under review.
- iv. The expenditure shows that committee expenses, bursary, expenditure on primary and secondary schools buildings and tertiary had the highest over expenditure and no explanation was provided for the material variations neither were reallocations by the board before the end of the financial year.
- v. As at 30 June 2016, the reconciled bank balance was Kshs.8,753,520. Yet some of the projects had not been undertaken.

The resident of the constituency may not have received the services as provided for in the approved budget.

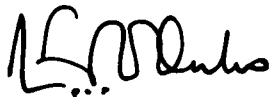
2. Project Verification

During the year under review, fourteen (14) projects whose payments totalled to Kshs.29,017,759 were physically verified in June 2017 with nine (9) projects being complete and in use while five (5) were ongoing as tabulated below;

Project Name	Activity	Budgeted Amount Kshs.	Status/ observations	% of utilization
Nyaguta Secondary	Purchase of 800 beds and bus	6,000,000	Completed	100%
Otamba Secondary	Construction of girls dormitory, Purchase of school bus	3,200,000	Completed	100%
Nyaguta Secondary	Purchase of 800 beds and bus	6,000,000	Completed	100%
Amariba Secondary	Construction of girls' dormitory.	1,200,000	Ongoing	100%
Nyataro Secondary	Renovation of two classrooms.	600,000	Completed	100%
Kiamabundu Secondary	Construction of computer laboratory.	1,100,000	Completed	100%
Masongo Secondary		900,000	Completed	100%
Nyaura Secondary	Completion of library	1,000,000	Ongoing	100%
Nyanchwa Boys Secondary	Plastering, flooring and fitting of laboratory , Leveling of playing ground	1,600,000	Ongoing	100%
Keumbu Police Line	Construction of 2 police houses	500,000	Completed	100%

Keumbu AP Line	Construction of a DCC residence- Activity changed to renovation of DOs office and purchase of computer.	500,000	Completed	100%
Matibo Tea Buying Centre	Construction of Tea Buying Centre	100,000	Completed	100%
Nyanguru Water	Laying of pipes and trenches	600,000	Ongoing	70%
CDF Office Building/ Library	Roofing, Plastering interior, fitting doors and windows	5,717,759	Ongoing	75%
	Total	29,017,759		

Physical verification of Nyanguru Water Project revealed that the project was ongoing and had been taken over by the County Government of Kisii which was said to have installed a water tank in addition to one tank that had been installed by CDF. However, there was no handing over report to determine the scope of works carried out on the project by the constituency management. At the time of the audit the project was not yet operational.



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

Nairobi.

01 February 2018

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NYARIBARI
CHACHE 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	2014 - 2015
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	103,307,149	93,777,727
Proceeds from Sale of Assets		-	
Other Receipts		-	
TOTAL RECEIPTS		103,307,149	93,777,727
PAYMENTS			
Compensation of employees	2	3,121,466	1,052,695
Use of goods and services	3	2,209,496	1,636,595
Committee Expenses	4	4,439,886	6,651,633
Transfers to Other Government Units	5	69,030,000	32,243,762
Other grants and transfers	6	45,071,007	44,707,159
Social security benefits	7	227,820	62,780
Acquisition of Assets	8	5,717,759	10,610,270
Other Payments	9	-	-
TOTAL PAYMENTS		129,817,434	96,964,894
SURPLUS/DEFICIT		(26,510,285.)	(3,187,167)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NYARIBARI CHACHE NGCDF financial statements were approved on 15 September 2016 and signed by:



Chairman - NGCDFC



Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NYARIBARI
CHACHE CONSTITUENCY

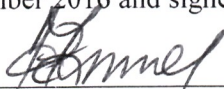
Reports and Financial Statements

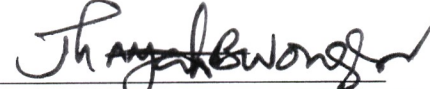
For the year ended June 30, 2016

V. STATEMENT OF ASSETS AS AT 30 JUNE 2016

	Note	2015 - 2016	2014 - 2015
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	8,753,520	35,517,528
Cash Balances (cash at hand)	10B	-	
Outstanding Imprests	11	-	
TOTAL FINANCIAL ASSETS		8,753,520	35,517,528
REPRESENTED BY			
Retention	12		
Fund balance b/fwd 1st July...	13	35,517,528	38,704,695
Surplus/Deficit for the year		(26,510,285)	(3,187,167)
Prior year adjustments	14	-	-
NET LIABILITIES		8,753,520	35,517,528

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NYARIBARI CHACHE NGCDF financial statements were approved on 15 September 2016 and signed by:


Chairman - NGCDFC


Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- NYARIBARI
CHACHE CONSTITUENCY

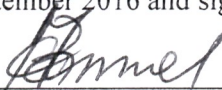
Reports and Financial Statements


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	103,307,149	93,777,727
Other Receipts		-	-
		103,307,149	93,777,727
Payments for operating expenses			
Compensation of Employees	2	3,121,466	1,052,695
Use of goods and services	3	2,209,496	1,636,595
Committee expenses	4	4,439,886	6,651,633
Transfers to Other Government Units	5	69,030,000	32,243,762
Other grants and transfers	6	45,071,007	44,707,159
Social security benefits & Other Payments	7	227,820	62,780
Acquisition of Assets	8	5,717,759	10,610,270
Net cash flow from operating activities		(26,510,285)	(3,187,167)
NET INCREASE IN CASH AND CASH EQUIVALENT		(26,510,285)	((3,187,167)
Cash and cash equivalent at BEGINNING of the year	13	35,517,528	38,704,695
Cash and cash equivalent at END of the year		8,753,520	35,517,528

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NYARIBARI CHACHE NGCDF financial statements were approved on 15 September 2016 and signed by:


Chairman NGCDF


Fund Account Manager

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	117,244,624	90,570,955	207,815,580	138,824,677	68,990,903	67%
Proceeds from Sale of Assets				-	-	
Other Receipts	-			-	-	
TOTAL	117,244,624	90,570,955	207,815,580	138,824,677	68,990,903	67%
PAYMENTS						
Compensation of Employees	3,250,000	22,775	4,961,405	3,349,286	1,619,939	63%
Use of goods and services	4,917,339	2,000,000	4,200,000	2,209,496	1,990,504	53%
Committee Expenses	3,784,677	5,909,550	12,161,566	4,439,886	4,861,180	60%
Transfers to Other Government Units	50,300,000	37,982,241	88,282,241	69,030,000	19,252,241	78%
Other grants and transfers	54,992,608	34,000,000	88,992,608	45,071,007	46,782,101	47%
Acquisition of Assets		8,717,759	8,717,759	5,717,759	3,000,000	66%
Other Payments	0.00		0.00		-	
TOTAL	117,244,624	90,570,955	207,815,579	129,817,434	78,225,965	62%

The NYARIBARI CHACHE NGCDF financial statements were approved on 15 September 2016 and signed by:



Chairman NGCDF



Fund Account Manager

VI. 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.

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.

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VII. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
Normal allocation			
	A 796028	45,307,149	93,777,727
	A 825585	58,000,000	
TOTAL		103,307,149	93,777,727

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. COMPENSATION OF EMPLOYEES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Basic wages of contractual employees	3,121,466	1,052,695
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	-	-
Total	3,121,466	1,052,695

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. USE OF GOODS AND SERVICES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Utilities, supplies and services	162,782	10,195
Office rent	300,000	150,000
Communication, supplies and services	-	6,900
Domestic travel and subsistence	-	-
Printing, advertising and information supplies & services	-	-
Rentals of produced assets	-	-
Training expenses	-	-
Hospitality supplies and services	-	-
Other committee expenses	-	-
Committee allowance	-	-
Insurance costs	262,500	262,500
Specialised materials and services	-	-
Office and general supplies and services	-	-
Fuel ,oil & lubricants	1,250,000	1,057,000
Other operating expenses	-	-
Routine maintenance – vehicles and other transport equipment	227,007	150,000
Routine maintenance – other assets	-	-
Bank charges	7,206	-
Total	2,209,496	1,636,595

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. COMMITTEE EXPENSES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Other committee expenses	1,800,000	2,851,633
Committee allowances	2,639,886	3,800,000
TOTAL	4,439,886	6,651,633

5. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Transfers to primary schools	19,680,000	16,460,467
Transfers to secondary schools	43,750,000	7,800,000
Transfers to tertiary institutions	3,800,000	-
Transfers to health institutions	1,800,000	7,983,295
-TOTAL	69,030,000	32,243,762

6. OTHER GRANTS AND OTHER PAYMENTS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Bursary – secondary schools	1,642,000	1,491,000
Bursary – tertiary institutions	26,748,567	31,034,000
Bursary – special schools	-	-
Mock & CAT	-	-
Water projects	603,000	2,900,000
Agriculture projects	3,300,000	535,000
Electricity projects	-	2,475,000
Security projects	3,750,000	550,000
Roads projects	6,166,940	5,522,159
Sports projects	2,860,500	-
Environment projects	-	-
Emergency Projects (specify)	-	200,000
Total	45,071,007	44,707,159

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7. SOCIAL SECURITY BENEFITS

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Employer contribution to NSSF	227,820	62,780
TOTAL	227,820	62,780

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OTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

<u>Non-Financial Assets</u>	2015 - 2016 Kshs	2014 - 2015 Kshs
Purchase of Buildings	-	-
Construction of Buildings	5,717,759	10,521,840
Refurbishment of Buildings	-	88,430
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	5,717,759	10,610,270

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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
Equity Bank, Kisii Branch A/c 01120018104700	8,753,520	35,517,528
	-	-
	-	-
	-	-
	8,753,520	35,517,528
10B: CASH IN HAND		
	2015 - 2016	2014 - 2015
	Kshs	Kshs
Location 1		
Location 2		
Location 3		
Other Locations		
Total		

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. BALANCES BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	8,753,520	35,517,528
Cash in hand		
Imprest	-	-
Total	<u>8,753,520</u>	<u>35,517,528</u>

[Provide short appropriate explanations as necessary]

14. PRIOR YEAR ADJUSTMENTS

	2014 - 2015	2013 - 2014
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Imprest	-	-
Total	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. BALANCES BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	8,753,520	35,517,528
Cash in hand		
Imprest	-	-
Total	<u>8,753,520</u>	<u>35,517,528</u>

[Provide short appropriate explanations as necessary]

14. PRIOR YEAR ADJUSTMENTS

	2014 - 2015	2013 - 2014
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Imprest	-	-
Total	<u>-</u>	<u>-</u>

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2015- 2016	2014 - 2015
	Kshs	Kshs
Construction of buildings		
Construction of civil works		
Supply of goods		
Supply of services		

15.2: PENDING STAFF PAYABLES (See Annex 2)

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

15.3: OTHER PENDING PAYABLES (See Annex 3)

	Kshs	Kshs
Amounts due to other Government entities (see attached list)		
Amounts due to other grants and other transfers (see attached list)		
Others (specify)		

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2014	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

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ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2014	Comments
		A	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

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ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2014	Comments
		a	b	c	d=a-c		
Amounts due to other Government entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to other grants and other transfers							
4.							
5.							
6.							
Sub-Total							
Sub-Total							
Others (specify)							
7.							
8.							
9.							
Sub-Total							
Grand Total							

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Land	N/A	N/A
Buildings and structures	14,914,741.00	9,196,982.00
Transport equipment	4,000,000.00	4,000,000.00
Office equipment, furniture and fittings	1,091,431.00	1,091,431.00
ICT Equipment, Software and Other ICT Assets	-	-
Other Machinery and Equipment	219,204.45	219,204.45
Total	20,225,376.45	14,507,617.45

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ANNEX 5 – PRIOR YEAR AUDIT ISSUES

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

	Audit Issues in 2014/2015	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. 93,777,727. However, records from the National Government Constituency Development Fund Board indicates that the final approved budget for the year 2014/2015 was Kshs. 100,614,299 resulting to unreconciled or unexplained variance of Kshs. 6,836,572. The accuracy of the Summary statement of appropriation could not therefore be confirmed.		Fund Manager/Accountant	Resolved
Statement of Financial Assets	The statement of financial assets reflects the fund balance brought forward at 1 July 2014 as Kshs. 38,704,695 which differs with the amount disclosed in the 2013/2014 financial statements of Kshs. 38,398,051 resulting to unreconciled or unexplained difference of Kshs. 306,644. The accuracy of the fund balance brought forward figure of Kshs. 38,704,695 could not be confirmed.		Fund Manager/Accountant	Resolved
Non-Disclosure of Retention Funds	The Statement of Financial Assets indicates that the total financial assets as at 30 June 2015 amounted to Kshs. 35,517,528. However, during the year under review, the Constituency Development Fund retained Kshs. 1,052,183 from payments to contractors. However, the funds were not disclosed in the statement of financial assets as short term deposits as required by International Public Sector Accounting Standards. In this regard, the accuracy of the statement of assets could not be confirmed.		Fund Manager/Accountant	Resolved
Construction of Library and Constituency	During the year ended 30 June 2015, Nyaribari Chache constituency development fund paid Kshs. 10,521,839 towards the ongoing construction of the community library and CDF offices which were began in 2007. A total of		Fund Manager/Accountant	Resolved

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<p>Development Fund Office</p>	<p>Kshs. 32, 587,005 has been paid to date for the project. As reported in the previous year, information supporting the certified works done and use of funds spent on the project to date have not been availed for audit review. In addition, information on price variations and approval have also not been availed for audit review. In the absence of detailed information on the project initiation, approval, progress and status, it was not possible to confirm the effectiveness, efficiency and economy of the use of funds on the project.</p>			
<p>Re-allocation of Project Funds</p>	<p>During the year under review, the Constituency Development Fund Committee irregularly re-allocated funds totalling Kshs. 18,000,000 for the projects as shown below:</p> <p>The re-allocations were done without the approval of the CDF Board contrary to Section 10(2) of the CDF Act, 2013. In this regard, the CDF was in breach of the CDF Act, 2013.</p>		Fund Manager	Resolved
<p>Unsupported to transfer to other Government units</p>	<p>The Nyaribari Chache Constituency Development Fund committee disbursed a total of Kshs 32,243,762 in the form of transfers to other Government units during the year under review as reflected in the statement of receipts and payments. These funds were administered through Project Management Committees (PMCs) spread throughout the constituency.</p> <p>During the audit review, disbursements totalling Kshs. 11,494,256 made to various PMCs were not adequately supported with complete expenditure returns including cashbooks, bank statements, stores records, minutes, procurement records, and other relevant accounting documents. In addition adjustments totalling Kshs. 1,500,000 made to the transfers to other Government units figure have not been supported with approved journal vouchers and other relevant documentary evidence. Consequently, in the absence of the support documents we could not confirm the propriety of the funds transferred to other Government units during the year</p>		Fund Manager/PMCs	Resolved