

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

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 – WAJIR EAST CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2016**

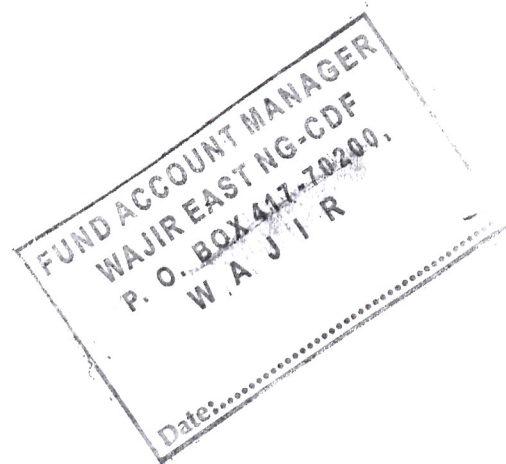


**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
WAJIR EAST CONSTITUENCY**

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 –
WAJIR EAST 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The Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2013.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 Wajir East 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	Abdisalan billow
3.	Accountant	Rashid Abdi

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of Wajir East 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) Wajir East NGCDF Headquarters

NGCDF Office Building.
P.O Bo 412-70200
Wajir.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND WAJIR EAST
CONSTITUENCY**

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

(f) Wajir East NGCDF Contacts

Telephone: (254) 0727 389 947
E-mail: WajirEast@NGCDF.go.ke
Website: www.ngcdf.go.ke

(g) WAJIR EAST NGCDF Bankers

1. Kenya Commercial Bank
P.O Box
Wajir

(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

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND WAJIR EAST
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For the year ended June 30, 2016

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

The NGCDFCs 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 Wajir East.

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


Sign.....
CHAIRMAN NGCDFC

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND WAJIR EAST
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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 Wajir East 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 Wajir East 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, 2015, and of the NGCDF's financial position as at that date. The Accounting Officer charge of the Wajir East 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 Wajir East 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

30 June 2016


Fund Account Manager


Chairman

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST 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 – Wajir East Constituency set out on pages 6 to 24, which comprise the statement of financial position as at June 30 2016, and the statement of receipt 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 Standard (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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Report of the Auditor-General on the Financial statement of National Government Constituencies Development Fund - Wajir East Constituency for the year ended 30 June 2016

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 National Government Constituencies Development Fund – Wajir East constituency 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 adverse audit opinion.

Basis for Adverse Opinion

1.0 Accuracy and Completeness of Financial Statements

The opening balances for the financial statements for 2015/2016 is supposed to be the balances from the audited accounts for 2014/2015. However, the account balances which are reflected as comparative information under the financial year 2014/2015 differ with the opening balances reflected in the financial statements for 2015/2016 as shown below:-

	Comparative Balance Shown Under 2014/2015 Kshs.	Audited Balances Kshs.	Variances Kshs.
Compensation of Employees	1,334,793	1,300,193	-34,600
Use of Goods & Services	9,510,325	8,523,325	-987,000
Committee Expenses	-	1,487,000	1,487,000
Transfers to Other Government Units	80,673,905	80,173,905	-500,000
Social Security Benefits	-	34,600	34,600

Further, the notes to the financial statements which are reflected as the comparative information under the financial year 2014/2015 in the same financial statements also differed with the notes reflected in the audited financial statements as shown below:-

Note 4 Transfer to Other Government Entities

Description	Comparative Balance Shown under 2014/2015 Kshs.	Audited Balances Kshs.	Difference Kshs.
Transfer to Tertiary Institutions	6,691,000	-	-6,691,000
Transfer to Health Institutions	2,00,000	8,191,000	6,191,000

Note 5 Other Grants and Other Payments

	Comparative Balance Shown under 2014/2015 Kshs.	Audited Balances Kshs.	Difference Kshs.
Security Projects	3,400,000	3,420,000	20,000
Emergency Projects	6,718,000	6,728,000	10,000

The correct balances were not carried to the financial statements for 2015/2016 and therefore this distorts the accuracy of the cash balance for the financial year under review.

In view of the foregoing, the accuracy, completeness and validity of the financial statements for 2015/2016 could not be ascertained as at 30 June 2016.

2.0 Irregular Award of Contracts

National CDF Board approved a total project allocation for 2015/2016 of Kshs.129,382,004 for National Government Constituency Development Fund Wajir East out of which Kshs.116,447,162 were allocated to various projects ranging from water, education and security. However, examination of available records such as project files, bills of quantities, request for quotations revealed that the projects worth Kshs.19,027,920 had the following anomalies:-

- (i) Tender notices did not have a provision for the criteria to be used for the evaluation of tenders for the projects advertised.
- (ii) No evidence was provided to show that the contracts were evaluated since there were no evaluation reports attached to the payment vouchers or made available to support the projects.
- (iii) Bills of the quantities for some of the projects were not properly filled since they were not signed on one or two pages by members of tender committee as required by Section 60 (1) of the Public Procurement and Disposal Regulation Act 2006. Further, contract agreements were not signed between the procuring entity and the contractors as required by Section 68 of the Public Procurement and Disposal Act, 2005.
- (iv) Quotations for some of the projects were neither availed for audit review nor attached to the payment voucher hence the method of procurement used was disclosed or confirmed.

In the circumstances, it has not been possible to ascertain the propriety of the expenditure amounting to Kshs.19,027,920 used on projects as at 30 June 2016.

3.0 Unaccounted for Emergency Fund

The National Government Constituency Development Fund Board approved Kshs.7,935,000 for emergency funds for the financial year 2015/2016 for Wajir East National Government Constituency Development Fund. Out of this, an amount of Kshs.5,436,888 was observed to have the following anomalies:-

- (i) The emergency funds were mainly on procurement of fuel subsidy for various water supplies within the Constituency. It was noted that the LPOs were raised after the fuel was drawn.
- (ii) The payments for the fuel were supported with delivery notes. Although the delivery notes were signed, the name and ID no. of the persons who signed them were not indicated.
- (iii) The fuel was allegedly procured and delivered to various water supplies within the Constituency, the same were however not acknowledged by the beneficiaries of the fuel.
- (iv) Payments for water trucking services were not supported with delivery notes, LSO, invoices and quotations and acknowledgement from the residents. It was therefore not possible to ascertain how the water trucking service was procured and whether the water reached the intended beneficiaries.

In view of the above, the expenditure could not be justified as proper charge to public funds.

4.0 Unaccounted for Bursary

During the year under review, the National Government Constituency Development Fund Wajir East spent an amount of Kshs.15,157,060 on payment of bursary to needy students within the constituency. Examination of payment vouchers and the CDF Minutes awarding the bursaries revealed that a total of Kshs.2,571,000 was not supported with acknowledgement letters/receipt from the receiving institutions to confirm whether the payments were received.

Under the circumstances, the propriety of the expenditure totaling to Kshs.2,571,000 could not be ascertained as at 30 June 2016.

5.0 Monitoring and Evaluation Expenditure

The National Government Constituency Development Fund Board approved Ksh.9,863,498 for monitoring and evaluation for the financial year 2015/2016 for Wajir East. However, Kshs.1,075,000 was found to have anomalies as described below:-

- a) Vehicles were hired during the monitoring and evaluation exercise. However, temporary work tickets and copies of the logbooks of the hired vehicles were not

maintained. It was, therefore, not possible to ascertain whether the vehicles were actually hired for the exercise.

- b) List of the projects visited were neither attached to the payment voucher nor availed for audit. Further, monitoring and evaluation reports for the projects visited were not attached to payment voucher or availed for audit review.
- c) Some of the payment schedules supporting the payment vouchers were not signed by some recipients as evidence of money received.

As a result, the propriety of the expenditure totaling to Kshs.1,075,000 could not be ascertained as at 30 June 2016.

6.0 Non- Maintenance of Bank Accounts for Project Management Committee

Section 15(10)(a) and 10(b) of National Government Constituency Development Fund Regulations, 2016 requires the Fund to maintain records of bank accounts opened by Project Management Committees and to prepare and table quarterly reports. However, contrary to the regulations, records of bank accounts held by the various project management committees such as bank statements and cashbooks were not maintained by the National Government Constituency Development Fund Wajir East office. There was no bank reconciliation statement for the Project Management Committee accounts. Under the circumstances, it was not possible to ascertain whether the funds disbursed to the Project Management Committee accounts were used for the intended purpose and accounted for as at 30 June 2016.

7.0 Constituency Oversight Committee

During the period under review, it was observed that constituency oversight committee was not appointed as required by section 53(1) of the National Government Constituency Development Fund Act, 2015. No proper explanation was given for not appointing the committee.

Consequently, it was not clear how the Fund operated without the oversight committee.

Other Matter

1.0 Budget and Budgetary Control

1.1 Budget Performance Analysis

During the year under review, National Government Constituency Development Fund - Wajir East had a budget of Kshs.130,610,744 consisting of Ksh.129,382,004 for the Financial year 2015/2016 and unspent balance of Kshs.1,228,740 from the financial year 2014/2015.

The CDF analysis of budget against actual expenditure for the year under review is given as follows:-

1.2 Under/Over Expenditure

Item	Budgeted Kshs.	Actual Kshs.	Over Kshs.	Under Kshs.
Compensation of Employees	1,423,344	1,423,344	-	-
Use of goods and services	9,863,498	9,839,874	-	23,623
Transfers to Other Government Units	84,425,396	84,488,691	63,295	-
Other grants and transfers	31,431,766	31,431,766	-	-
Acquisition of Asset	590,000	186,941	-	403,059
TOTAL	127,734,003.69	127,370,616	63,295	426,682

From the analysis, the National Government Constituency Development Fund spent an amount of Kshs.127,370,616 or 97.5% of the total budgeted allocation for the period under review. This means, the NG-CDF management under spent Kshs.426,682. No explanation was given for not using in full the funds allocated to benefit the constituents.

1.3 Projects Budgeted and Planned for Implementation

A total of Kshs.116,447,162 was allocated during the financial year for sixty eight (68) development projects as indicated below:-

Item	No. of Projects Budgeted	Budgeted Allocation Kshs.	Actual Expenditure Kshs.	No. of Projects Implemented	No. of Projects not Implemented
Transfers to Other Government Units	49	84,425,396	84,488,691	49	Nil
Other grants and transfers	18	31,431,766	31,431,766	18	Nil
Acquisition of Asset	1	590,000	186,941	1	Nil
TOTAL	68	116,447,162	116,107,398	68	

From the table, the National Government Constituency Development Fund Wajir East implemented and completed all the projects during the financial year. However, the

projects were not fully paid hence the under absorption of the funds and this led to pending bills of Kshs.426,682.

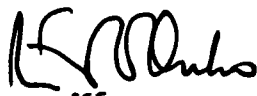
No proper explanation was given for not paying for all the projects that were undertaken.

2.0 Unresolved Prior Years Issues (2014/2015)

1. Accuracy, Presentation and Completeness of the Financial Statements. The financial statement was not prepared in accordance with the IPSAS requirement.
2. Irregular Award of Capital Project – Projects worth Kshs.12,890,000 were not properly procured.
3. Unaccounted for Goods – Goods worth Kshs.1,711,000 were procured. However, the goods was not received, not recorded and not properly issued out
4. Unaccounted for Bursary – Bursary amounting to Kshs.1,389,000 was not properly supported with official receipts and acknowledgement letters from the recipient institutions.
5. Unsupported Administration, Monitoring and evaluation – An amount of Kshs.3,464,000 in respect of Administration, Monitoring and Evaluation was not supported with signed payment schedules, travel documents, temporary work tickets for hired vehicles and minutes and reports of CDFC meetings indicating projects visited and evaluated.

Adverse opinion

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



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

Nairobi

05 February 2018

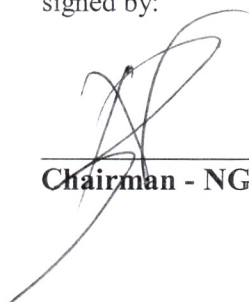
NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND WAJIR EAST
CONSTITUENCY


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

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	127,882,004.00	118,884,921.00
TOTAL RECEIPTS		127,882,004	118,884,921
PAYMENTS			
Compensation of employees	2	1,423,344	1,334,793.00
Use of goods and services	3	9,839,874	9,510,324.50
Transfers to Other Government Units	4	84,488,691	80,673,905.20
Other grants and transfers	5	31,431,766	28,472,999.50
Acquisition of Assets	6	186,941	1,150,000.00
Other Payments	7	-	6,043,500.00
TOTAL PAYMENTS		127,370,616	127,185,522
SURPLUS/DEFICIT		511,388	(8,300,601)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Wajir East NGCDF financial statements were approved on 30-6-2016 and signed by:


Chairman - NGCDFC

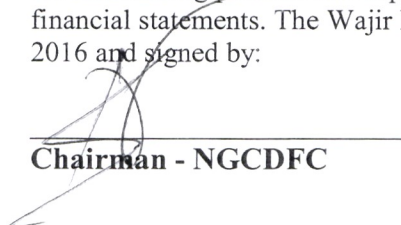

Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND WAJIR EAST
 CONSTITUENCY
 Reports and Financial Statements
 For the year ended June 30, 2016

V. STATEMENT OF ASSETS

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	8	899,527.95	1,288,740
Outstanding Imprests	9	840,600.00	
TOTAL FINANCIAL ASSETS		<u>1,740,127.95</u>	<u>1,288,740</u>
REPRESENTED BY			
Fund balance b/fwd. 1st July...	10	1,228,740	9,213,553
Surplus/Defict for the year	11	511,388 .00	(8,300,601)
Prior year adjustments	12	-	<u>315,788</u>
NET LIABILITIES		<u>1,740,128</u>	<u>1,228,740</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Wajir East NGCDF financial statements were approved on 30-6- 2016 and signed by:


 Chairman - NGCDFC


 Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND WAJIR EAST
CONSTITUENCY**
Reports and Financial Statements
For the year ended June 30, 2016

VI. STATEMENT OF CASHFLOW

Receipts for operating income		2015 - 2016	2014 - 2015
Transfers from CDF Board	1	127,882,004	118,884,921
		-	-
		127,882,004	118,884,921
Payments for operating expenses			
Compensation of Employees	2	1,423,344	1,334,793
Use of goods and services	3	9,839,874	9,510,325
Transfers to Other Government Units	4	84,488,691	80,673,905
Other grants and transfers	5	31,431,766	28,473,000
Other Payments	7	-	6,043,500
		127,183,675	126,035,522
Adjusted for:			
Adjustments during the year	11	-	315,788
Net cash flow from operating activities		698,329	(6,834,813)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	(186,941)	(1,150,000)
Net cash flows from Investing Activities		(186,942)	(1,150,000)
NET INCREASE IN CASH AND CASH EQUIVALENT		511,388	(7,984,813)
Cash and cash equivalent at BEGINNING of the year	10	1,228,740	9,213,553
Cash and cash equivalent at END of the year		1,740,128	1,228,740

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND WAJIR EAST
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Wajir East NGCDF financial statements were approved on 20th June 2016 and signed by:


Chairman - NGCDFC


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 Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	129,382,004	1,228,740	130,610,744	127,882,004	2,728,740	97.9%
Proceeds from Sale of Assets						
Other Receipts						
TOTAL				127,882,004	(127,882,004)	
PAYMENTS						
Compensation of Employees	1,200,000	223,344	1,423,344	1,423,344		100.0%
Use of goods and services	9,473,498	390,000	9,863,498	9,839,874	23,624	99.8%
Transfers to Other Government Units	84,000,000	425,396	84,425,396	84,488,691	(63,295)	100.1%
Other grants and transfers	34,308,506		31,431,766	31,431,766		100.0%
Acquisition of Assets	400,000	190,000	590,000	186,941	403,059	99.2%
Other Payments						
TOTAL	129,382,004	1,228,740	127,734,004	127,370,616	363,388	99.7%

*NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST
CONSTITUENCY*

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

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 – WAJIR EAST
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 – WAJIR EAST
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Reports and Financial Statements

For the year ended June 30, 2016

IX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No.on the external audit report	Issues/Observations from Auditor	Management comments	Focal person to resolve the issue	Status (Resolved/Not resolved)	Time frame(Put a date when you expect the issue to be resolved)
1	Irregular award of contracts	Procurement were done in line with CDF Act and procurement act, challenges in dates were as a result of illiteracy of pmc members	Fund Manager	Waiting feedback from the Auditor	
2	Unsupported bursary	Acknowledgement letters from five institutions not available during audit is available for perusal.	Fund Manager	Waiting feedback from the Auditor	
3	Unsupported office administration	Work tickets, reports of Monitoring and evaluation, copy of logbooks, list of projects visited of queried expenditure is available for audit review.	Fund Manager	Waiting feedback from the Auditor	

**NGCDF CHAIRMAN
DATE**

**FUND MANAGER
DATE**

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST
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Reports and Financial Statements

For the year ended June 30, 2016

X. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

	2015 – 2016	2014 – 2015
AIE NO 796253	3,000,000.00	53,642,460.50
AIE NO 796392	25,000,000.00	15,000,000.00
AIE NO 724173	25,000,000.00	42,942,460.50
AIE NO 820856	14,000,000.00	7,300,000
AIE NO 825515	32,000,000.00	-
AIE NO 825639	28,882,004.00	-
TOTAL	127,882,004	118,884,921

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST
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Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. COMPENSATION OF EMPLOYEES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Basic wages of contractual employees	976,452	1,300,193
Basic wages of casual labour	-	-
Personal allowances paid as part of salary	-	-
House allowance	-	-
Transport allowance	142,212	-
Leave allowance	-	-
Other personnel payments	-	-
Employer contribution to NSSF	25,920	34,600
gratuity	278,760	-
Total	1,423,344	1,334,793.00

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST
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Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. USE OF GOODS AND SERVICES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Utilities, supplies and services	5,158,594	9,510,325
Office rent		
Communication, supplies and services		
Domestic travel and subsistence	1,720,100	
Printing, advertising and information supplies & services		
Rentals of produced assets		
Training expenses		
Hospitality supplies and services		
Other committee expenses		
Committee allowance	1,192,900	
Insurance costs		
Specialized materials and services		
Office and general supplies and services		
Fuel ,oil & lubricants		
Other operating expenses	1,768,280	
Routine maintenance – vehicles and other transport equipment		
Routine maintenance – other assets		
	9,839,874	9,510,325

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST
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Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Transfers to primary schools	52,388,852	47,165,000
Transfers to secondary schools	32,099,839	24,817,905
Transfers to Tertiary institutions	-	6,691,000
Transfers to Health institutions	-	2,000,000
TOTAL	84,488,691	80,673,905

5. OTHER GRANTS AND OTHER PAYMENTS

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bursary -Secondary	482,060	2,819,000
Bursary -Tertiary	14,675,000	11,413,000
Bursary-Special schools	-	-
Mocks & CAT	-	-
water	4,599,680	2,000,000
Agriculture (food security)	-	-
Electricity projects	-	-
Security	3,590,026	3,400,000
Roads	-	-
Sports	150,000	1,032,000
Other capital grants and transfer	-	1,061,000
Emergency Projects (specify)	7,935,000	6,718,000
Total	31,431,766	28,443,000

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST
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Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. 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	186,941	-
Purchase of Office Furniture and General Equipment	-	750,000
Purchase of ICT Equipment, Software and Other ICT Assets	-	400,000
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Total	186,941	1,150,000

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST
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Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER PAYMENTS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Others	-	6,043,500.00

-	6,043,500
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8: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2015 - 2016 Kshs	2014 - 2015 Kshs
Kenya Commercial Bank A/c 1102763853	899,527.95	1,228,740
	-	-
	-	-
	-	-
	899,527.95	1,228,740

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST
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For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

10. BALANCES BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	899,527.95	1,228,740
Cash in hand		
Imprest	840,600.00	-
Total	<hr/> 1,740,127.95	<hr/> 1,228,740

11. PRIOR YEAR ADJUSTMENTS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	-	315,788
Cash in hand	-	
Imprest	-	-
Total	<hr/> -	<hr/> 315,788

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – WAJIR EAST
CONSTITUENCY**

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

12. OTHER IMPORTANT DISCLOSURES

12.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2015- 2016	2014 - 2015
	Kshs	Kshs
Construction of buildings	1,200,000	
Construction of civil works		
Supply of goods	28,740	
Supply of services		
	<hr/>	
	1,228,740	
	<hr/> <hr/>	

NATIONAL GOVERNMENT ENTITY - Wajir East CDF
Reports and Financial Statements
For the year ended June 30, 2016 (Kshs'000)

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. CONSTRUCTION OF HALANLE PRIMARY SCHOOL	1,400,000	15.05.2016	200,000	1,200,000	NIL	WORK IN PROGRESS
2.						
3.						
Sub-Total				1,200,000		
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7. YAWA BOOKSHOP -SUPPLY OF OFFICE STATIONARIES	28,740.15	15.05.2016	NIL	28740	NIL	GOODS SUPPLIED,
8.						
9.						
Sub-Total				28,740		
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total				1,228,740		

**NATIONAL GOVERNMENT ENTITY - (WAJIR EAST NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND)
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)**

ANNEX 2 – 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	5,000,000	5,000,000
Transport equipment	-	-
Office equipment, furniture and fittings	3,186,941	3,000,000
ICT Equipment, Software and Other ICT Assets	500,000	500,000
Other Machinery and Equipment	-	-
Heritage and cultural assets	-	-
Intangible assets	-	-
Total	8,686,941	8,500,000

Prepared by:


ABDISSALAN BILLOW ABDI
Fund Account Manager
WAJIR EAST