

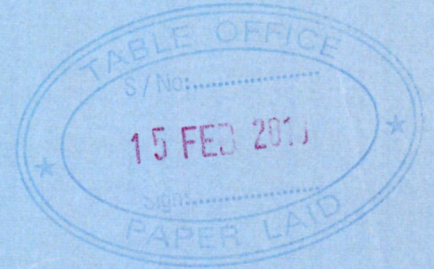
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The leader of
majority on
15/2/2017
[Signature]*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND-
MANDERA NORTH CONSTITUENCY

FOR THE YEAR ENDED
30 JUNE 2016



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
MANDERA NORTH CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

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

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



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –
MANDERA NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND - MANDERA
NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2013.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 MANDERA NORTH 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	Adan S. Mustafa
3.	Accountant	Nahason N Mathagu
4.		

(d) Fiduciary Oversight Arrangements

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

NG CDF Office.
P.O Bo 23-70302
RHAMU
Mandera County

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MANDERA
NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

(f) MANDERA NORTHNGCDF Contacts

Telephone: (254) 0722 471 247
E-mail:manderanorth@ngcdf.go.ke
Website: www.mandera north.go.ke

(g) MANDERA NORTHNGCDF Bankers

Equity Bank
P.O Box 536-70300
Mandera

(h) Independent Auditors

Auditor General
Office of 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- MANDERA
NORTH CONSTITUENCY**

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

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

The NG-CDF board disbursed amount of kshs 194,259,049.00 in 2015-16 to the constituency of which NGDCFCs Utilised an amount of ksh 196,409,631.20 which include previous financial year balances. Disbursement was made to the PMCs promptly and the projects were implemented well.

The main challenge was insecurity and Poor infrastructure witnessed from time to time, has caused delay in project monitoring and evaluation.

By and large the impact of NG-CDF is felt and appreciated in the constituency

Sign.....
CHAIRMAN NGCDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MANDERA
NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

III. STATEMENT OF NGCDF MANAGEMENT RESPONSIBILITIES

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

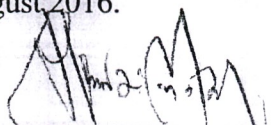
The Accounting Officer in charge of the MANDERA NORTH NGCDF is responsible for the preparation and presentation of the NGCDF's financial statements, which give a true and fair view of the state of affairs of the NGCDF for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NGCDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the NGCDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the MANDERA NORTH NGCDF accepts responsibility for the NGCDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NGCDF's financial statements give a true and fair view of the state of NGCDF's transactions during the financial year ended June 30, 2015, and of the NGCDF's financial position as at that date. The Accounting Officer charge of the MANDERA NORTH NGCDF further confirms the completeness of the accounting records maintained for the NGCDF, which have been relied upon in the preparation of the NGCDF's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The NGCDF's financial statements were approved and signed by the Accounting Officer on 30th August 2016.



Fund Account Manager



Chairman

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Mandera North Constituency set out on pages 5 to 27, which comprise the statement of financial assets, as at 30 June 2016 and the statement of receipts and payments, statement of cash flows for the year then ended, the summary statement of appropriation, 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 for 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

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund – Mandera North 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 controls 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 NG-CDF Mandera North Constituency'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

1.0 Irregular Award of Capital Projects

During the year under review, NG-CDF Mandera North Constituency spent Kshs.158,916,389 on capital projects. However, audit of the Bills of Quantities, project records and requests for quotations on the projects revealed that projects worth Kshs.14,032,500 had anomalies as follows:

- a) No indication or evidence of inspection teams visiting project sites for inspections.
- b) Evaluation Reports were not signed and owned by the committee members.
- c) Tender notices for various projects did not set criteria for tender evaluation. Hence, there were no proper guidelines on requirements for the respective tenders.
- d) For a number of the projects, there was no documentary evidence to show that Project Management Committees were registered with relevant ministries.
- e) Projects works certificates were paid without evidence of practical completion as required.
- f) Several project files did not contain letters of notification to both the successful and unsuccessful bidders.

Although physical verification of some of the projects carried out on 1st April, 2017 revealed that the projects were completed and in use, the procedures used to identify the winning bidders were not regular.

Under the circumstances, the propriety of the expenditure of Kshs.14,032,500 incurred on the projects cannot be confirmed.

2.0. Bank Accounts For Project Management Committee (PMC's)

The NG-CDF Regulations, 2016 Section 15 (10) (a) (b) requires the Fund to maintain records of Bank accounts opened by project management committees and to prepare and prepare quarterly reports on their use. However, the management did not keep any records on the bank accounts operated by the various NG-CDF Mandera North project management committees. Further, project Bank Statements and cash books were not maintained. In addition, bank reconciliation statements for the project accounts were not prepared for the period under review.

In view of the foregoing, it has not been possible to ascertain whether the funds or grants disbursed to the project management committees were properly managed and accounted for.

3.0 Constituency Oversight Committee

The NG-CDF Act, 2015 Section 53(1) requires that a constituency oversight committee to be appointed for every NG-CDF. However, no oversight committee was appointed for NG-CDF Mandera North.

No explanation has been given for failure to appoint the Constituency oversight committee.

4.0 Stores Expenses

The NG-CDF Mandera North Constituency paid Kshs.9,217,169 for various goods and services during the financial year under review. The management procured desks and sports kits worth Kshs.5,097,180. However, review of the stores records revealed that the stores were not received vide counter receipt vouchers (S13) and were not taken-on-charge in the stores ledgers. In addition, inspection and acceptance certificates were not made available for audit review. Further, there was no documentary evidence available to confirm that the stores were issued to the users through issue notes (S11).

Under the circumstances, it has not been possible to confirm whether the stores were delivered and used for the intended purposes.

5.0 Emergency Expenses

The NG-CDF Mandera North spent Kshs.3,077,450 on construction of two (2) toilets and purchase of mattresses for Mandera North Boarding Primary School under emergency expenditure. However, tender notices did not specify the criteria used for tender evaluation hence there were no proper guidelines on the requirements for the respective tenders. Further, no certificates of registration of project management committee were provided for audit review. In addition, receipt of the stores procured using emergency funds were not confirmed by the respective committee as there were no inspection and acceptance certificates from any of the committees.

In consequence, the propriety and value-for-money of the expenditure of Kshs.3,077,450 incurred on emergency construction works cannot be ascertained.

6.0 Unaccounted for Administration/Monitoring and Evaluation Expenses

The NG - CDF Mandera North made payments amounting to Kshs.3,603,690 in respect of administration/monitoring and evaluation during 2015/2016 financial year. However, audit of various payments indicated that there was no information on projects visited by the monitoring and evaluation team or progress reports on the status of the projects.

Consequently, it has not been possible to confirm if any monitoring and evaluation was carried out by the team.

7.0 Unaccounted for Bursary Funds Expenses

During the financial year under review, the NG – CDFC Mandera North awarded bursaries totalling to Kshs.22,023,473 to various schools and universities to benefit needy students. Although, payments records showed that the funds were disbursed as allocated, bursaries totalling Ksh.895,028 could not be accounted for since there were no fee payment receipts from the institutions the money was reported to have been paid to and further, there were no lists of students who benefited from the bursaries. It was further noted there were no CDF committee sitting minutes on distribution of bursaries.

As a result, it has not been possible to ascertain whether the funds were utilized for the intended purposes and properly accounted for.

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 – Mandera North 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 National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

Other Matter

1.0 Budgetary Control and Performance

During the year under review, Mandera North National Government Constituency Development Fund's final budget amounted to Kshs.232,303,557 with Kshs.213,952,027 (92 %) allocated to development projects and Kshs.18,351,530 (8 %) allocated to recurrent expenditure. To finance the budget, the NG –CDF Mandera North received Kshs.194,259,049 (83.6 per cent) as transfers from the NG-CDF Board

and had Kshs.37,544,508 (16.2%) cash balance brought forward from 2014/2015 financial year.

1.1. Development Budget

Item Development	Budget Allocation (Kshs.)	Actual Expenditure (Kshs.)	Under/Over Absorption (Kshs.)
Development			
Transfer to other Government Units	158,233,303	133,028,584	25,204,719
Other Grants & Transfers	54,516,224	50,751,278	3,764,946
Acquisition of Assets	1,202,500	1,200,000	2,500
Total	213,952,027	184,979,862	28,972,165

Recurrent Budget

Item	Budget Allocation (Kshs.)	Actual Expenditure (Kshs.)	Under/Over Absorption (Kshs.)
Use of Goods & Services	14,319,497	9,217,169	5,102,328
Compensation to Employees	3,032,033	2,212,600	819,433
Other Payments	1,000,000	-	1,000,000
Total	18,351,530	11,429,769	6,921,761

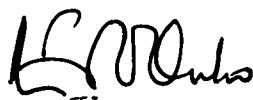
However,

- i. The NG-CDF Mandera North under-spent on Transfers to other Government Units, Other Grants and Transfers, Use of Goods and Services, Compensation to Employees and Other Payments by an aggregate sum of Kshs.35,893,926. Management has not explained the reasons for the under-expenditure.
- ii. The NG-CDF Board did not fund the whole budget drawn by NG-CDF Mandera North as there was a deficit of Kshs.500,000 representing 0.2% of the budget.
- iii. A total of Kshs.213,952,027 was allocated to finance 70 (Seventy) projects. However, by 30 June, 2016 only (60) projects had been implemented. The remainder ten (10) projects had not been implemented.

2.0 Outstanding Prior-Years Audit Issues 2014/2015

The management of NG –CDF Mandera North Constituency did not respond to issues raised in the report for 2014/2015 financial year and therefore the following issues remain unresolved:

- 2.1 Irregular procurement of Goods and Works – Due process was not followed in award of contracts amounting to Kshs.13,180,500. As a result, it was not possible to confirm that the Fund obtained value-for-money on the expenditure invested in the projects.
- 2.2 Payment for Emergency Projects – Kshs.5,048,200 was spent on water trucking services and on repair and maintenance of a tractor. However, proper procurement procedures were not adhered to and payment vouchers were not supported with relevant records.
- 2.3 Unaccounted for Bursary Expenses – Although bursaries totalling Kshs.2,181,000 were disbursed to various institutions, management only availed for audit official fee receipts for bursaries amounting to Kshs.1,606,000. The balance of Kshs.575,000 remained unacknowledged and therefore the propriety of the expenditure could not be confirmed.
- 2.4 Supply of office furniture and equipment – Furniture and equipment worth Kshs.1,447,500 which were received and recorded in stores records were not supported with issue notes to confirm point of use. Further, the items were neither in the stores nor presented for audit verification to confirm whether they were supplied and put to use for the intended purposes.



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

Nairobi

30 October 2017

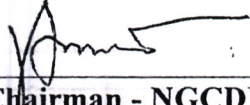
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MANDERA
NORTH CONSTITUENCY**

Reports and Financial Statements

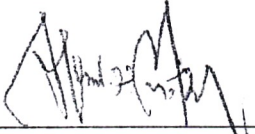
For the year ended June 30, 2016

	Note	(Reclassified)	
		2015 - 2016 Kshs	2014 - 2015 Kshs
IV. STATEMENT OF RECEIPTS AND PAYMENTS			
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	194,259,049.00	111,333,063.00
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		194,259,049.00	111,333,063.00
PAYMENTS			
Compensation of employees	4	2,212,600.00	2,043,128.60
Use of goods and services	5	9,217,169.20	9,090,318.00
Transfers to Other Government Units	6	133,028,584.00	74,490,637.00
Other grants and transfers	7	50,751,278.00	50,734,095.00
Acquisition of Assets	8	1,200,000.00	
Other Payments	9	-	-
TOTAL PAYMENTS		196,409,631.20	137,805,678.60
SURPLUS/DEFICIT		(2,150,582.20)	(26,472,615.60)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MANDERA NORTH NGCDF financial statements were approved on 30th August 2016 and signed by:



Chairman - NGCDF



Fund Account Manager

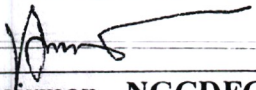
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MANDERA
NORTH CONSTITUENCY**

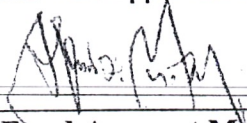
**Reports and Financial Statements
For the year ended June 30, 2016**

V. STATEMENT OF ASSETS

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	35,393,925.55	37,544,507.75
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	10C	-	-
TOTAL FINANCIAL ASSETS		35,393,925.55	37,544,507.75
REPRESENTED BY			
Fund balance b/fwd 1st July 2015	11	37,544,507.75	64,017,123.35
Surplus/Deficit for the year		(2,150,582.20)	(26,472,615.60)
Prior year adjustments	12	-	-
NET FINANCIAL POSITION		35,393,925.55	37,544,507.75

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MANDERA NORTH NGCDF financial statements were approved on 30th August 2016 and signed by:


Chairman - NGCDFC


Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MANDERA
NORTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

VI. STATEMENT OF CASHFLOW

(Reclassified)

		2015 - 2016	2014 - 2015
Receipts for operating income			
Transfers from CDF Board	1	194,259,049.00	111,333,063.00
Other Receipts	3	-	-
		194,259,049.00	111,333,063.00
Payments for operating expenses			
Compensation of Employees	4	2,212,600.00	2,043,128.60
Use of goods and services	5	9,217,169.20	9,090,318.00
Transfers to Other Government Units	6	133,028,584.00	74,490,637.00
Other grants and transfers	7	50,751,278.00	50,734,095.00
Other Payments	9	-	-
		195,209,631.20	136,358,178.60
Adjusted for:			
Adjustments during the year		-	-
Net cash flow from operating activities		(950,582.20)	(25,025,115.60)

CASHFLOW FROM INVESTING ACTIVITIES

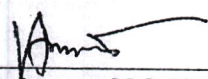
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	1,200,000.00	1,447,500.00
Net cash flows from Investing Activities		(1,200,000.00)	(1,447,500.00)

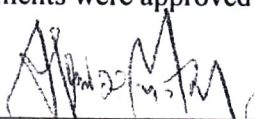
NET INCREASE IN CASH AND CASH EQUIVALENT

Cash and cash equivalent at BEGINNING of the year	11	37,544,507.75	64,017,123.35
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Cash and cash equivalent at END of the year	10A	35,393,925.55	37,544,507.75
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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MANDERA NORTHNGCDF financial statements were approved on 30th August 2016 and signed by:


Chairman NGCDF


Fund Account Manager

CUMSILLIUENCIES DEVELOPMENT FUND MANUEKA NOKIH CUMSILLIUENCY
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	157,648,028.00	74,655,528.75	232,303,556.75	231,803,556.75	500,000.00	99.78
Proceeds from Sale of Assets	-	-	-	-	-	
Other Receipts	-	-	-	-	-	#DIV/0!
TOTAL	157,648,028.00	74,655,528.75	232,303,556.75	231,803,556.75	500,000.00	99.78
PAYMENTS						
Compensation of Employees	2,476,960.56	555,072.20	3,032,032.76	2,212,600.00	819,432.76	72.97
Use of goods and services	9,314,322.52	5,005,174.82	14,319,497.34	9,217,169.20	5,102,328.14	64.37
Transfers to Other Government Units	99,600,000.00	58,633,303.00	158,233,303.00	133,028,584.00	25,204,719.00	84.07
Other grants and transfers	44,556,744.92	9,959,478.73	54,516,223.65	50,751,278.00	3,764,945.65	93.09
Acquisition of Assets	1,200,000.00	2,500.00	1,202,500.00	1,200,000.00	2,500.00	99.79
Other Payments	500,000.00	500,000.00	1,000,000.00	-	1,000,000.00	0.00
TOTAL	157,648,028.00	74,655,528.75	232,303,556.75	196,409,631.20	35,893,925.55	84.55

*NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
NORTH CONSTITUENCY*

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

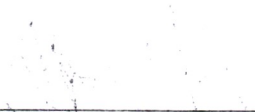
Explanation on Budget Underutilization

Transfers to Other Government Units was underutilised by 15.93% .this was occasioned by the delay in formation of the NG-CDFCs who were supposed to transfer the monies to PMCs accounts.

The MANDERA NORTH NGCDF financial statements were approved on 30th August 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.

Committee expense of Ksh. 4,969,490.00 in the financial year 2014/15 has been reclassified. The item is to be presented under use of goods and services. The comparative amount in the financial year 2015/16 is reclassified to comply with the requirement of IPSAS. Further Social Security Benefits of Kshs. 23,400 is also reclassified and presented under Compensation to employees in the financial Year 2015/16.

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,

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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.

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the 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 30th, 2016.

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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			
	A790796	37,111,021.00	37,111,021.00
	A724124	10,000,000.00	22,266,613.00
	A796327	10,000,000.00	14,844,408.00
	A796488	20,000,000.00	37,111,021.00
	A820901	20,000,000.00	-
	A820609	18,000,000.00	-
	A825660	39,000,000.00	-
	A825762	40,148,028.00	-
TOTAL		194,259,049.00	111,333,063.00

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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	(Reclassified) 2014 - 2015
	Kshs	Kshs
Basic wages of contractual employees	2,060,200.00	2,019,728.60
Basic wages of casual labour	120,000.00	-
Personal allowances paid as part of salary		
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Other personnel payments	-	-
Employer contribution to NSSF	32,400.00	23,400.00
gratuity	-	-
Total	2,212,600.00	2,043,128.60

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Description	2015 - 2016	(Reclassified) 2014 - 2015
	Kshs	Kshs
Utilities, supplies and services	480,070.00	218,506.00
Office rent	540,000.00	420,000.00
Communication, supplies and services	261,500.00	163,000.00
Domestic travel and subsistence	1,431,250.00	1,084,700.00
Printing, advertising and information supplies & services	150,040.00	208,600.00
Rentals of produced assets	1,210,800.00	
Training expenses	1,600,500.00	700,000.00
Hospitality supplies and services	271,600.00	436,320.00
Other committee expenses	949,000.00	1,954,000.00
Committee allowance	464,000.00	3,015,490.00
Insurance costs	-	
Specialized materials and services	-	24,000.00
Office and general supplies and services	1,055,310.00	379,340.00
Fuel ,oil & lubricants	470,800.00	209,220.00
Other operating expenses	106,229.20	
Routine maintenance – vehicles and other transport equipment		
Routine maintenance – other assets	226,070.00	277,142.00
Total	9,217,169.20	9,090,318.00

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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 (see attached list)	74,277,650.00	50,456,884.00
Transfers to secondary schools (see attached list)	58,740,934.00	19,360,994.00
Transfers to tertiary institutions (see attached list)	-	-
Transfers to health institutions (see attached list)	10,000.00	4,672,759.00
-TOTAL	133,028,584.00	74,490,637.00

7. OTHER GRANTS AND OTHER PAYMENTS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bursary – secondary schools (see attached list)	5,086,452.00	4,601,100.00
Bursary – tertiary institutions (see attached list)	16,937,121.00	12,768,000.00
Bursary – special schools (see attached list)	-	-
Mock & CAT (see attached list)	1,197,900.00	995,830.00
Water projects (see attached list)	2,076,000.00	17,707,815.00
Agriculture projects (see attached list)	-	-
Electricity projects (see attached list)	-	-
Security projects (see attached list)	11,935,000.00	2,115,000.00
Roads projects (see attached list)	-	-
Sports projects (see attached list)	2,924,355.00	2,344,000.00
Environment projects (see attached list)	1,642,000.00	4,653,600.00
Other Projects (see attached list)		
Emergency Projects (specify)	8,952,450.00	5,548,750.00
Total	50,751,278.00	50,734,095.00

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10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2015 - 2016	2014 - 2015
	Kshs	Kshs
Equity Bank – Mandera Branch A/c no. 1000261174117	35,393,925.55	37,544,507.75
	-	-
	-	-
	35,393,925.55	37,544,507.75

10B: CASH IN HAND

	2015 – 2016	2014 – 2015
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other Locations (specify)	-	-
	-	-
Total	35,393,925.55	37,544,507.75

[Provide cash count certificates for each]

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11. BALANCES BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	35,393,926	37,544,507.75
Cash in hand	-	-
Imprest	-	-
Total	35,393,926	37,544,507.75

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12. OTHER IMPORTANT DISCLOSURES

12.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2015- 2016	2014 – 2015
	Kshs	Kshs
Construction of buildings	0.00	-
Construction of civil works	0.00	-
Supply of goods and services	5,102,328	-
	5,102,328	-

12.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
All employees	819,433	-
	819,433	-

12.3: OTHER PENDING PAYABLES (See Annex 3)

	Kshs	Kshs
Amounts due to other Government entities (see attached list)	25,157,000	58,633,303
Amounts due to other grants and other transfers (see attached list)	3,733,090	9,959,479
Others (specify)	1,082,075	6,062,047.02
	29,972,165	74,654,828.77

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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	880,000.00	1,347,500.00
Purchase of ICT Equipment, Software and Other ICT Assets	320,000.00	100,000.00
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Total	1,200,000.00	1,447,500.00

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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 2016	Outstanding Balance 2,014	Comments
		a	b	c	d=a-c		
Amounts due to other Government entities							
Rhamu DEB Primary School	Completion (floor Finishes, Kitchen section, windows and doors finishes, plastering, painting and labeling) of Dining hall and Kitchen	2,500,000.00		-	2,500,000.00	-	
Degmarer Primary School	Construction of 2no. Classrooms	1,700,000.00		1,615,000.00	85,000.00	-	
Qorahay Primary School	Construction of 2no. Classrooms	1,700,000.00		1,615,000.00	85,000.00	-	
Kulmiye Primary School	Construction of 3no. Classrooms	2,550,000.00		2,422,500.00	127,500.00	-	
Daidai Primary School	Construction of 2no. Classrooms	1,700,000.00		1,615,000.00	85,000.00	-	
Gofa Primary School	Construction of 2no. Classrooms	1,700,000.00		1,615,000.00	85,000.00	-	
Shirshir Primary School	Construction of 2no. Classrooms	1,700,000.00		1,615,000.00	85,000.00	-	

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Ladeni Primary School	Construction of 2no. Classrooms	1,700,000.00	1,615,000.00	85,000.00	-
Isa Kora Primary School	Construction of 2no. Classrooms and 2 toilets	2,000,000.00	1,900,000.00	100,000.00	-
Daru Salam Primary School	Construction of 4no. Classrooms and 6 toilets	4,300,000.00	3,800,000.00	500,000.00	-
Alfurgan Intergrated Primary School	Construction of Administration Blocks	3,000,000.00	2,850,000.00	150,000.00	-
Upper Hill Primary School	Construction of 2no. Classrooms	1,700,000.00	1,615,000.00	85,000.00	-
Alhidaya Primary School	Construction of 2no. Classrooms	1,700,000.00	1,615,000.00	85,000.00	-
Marothile Primary School	Construction of 3no. Classrooms	2,550,000.00	2,422,500.00	127,500.00	-
Kubi Primary School	Construction of 2no. Classrooms	1,700,000.00	1,615,000.00	85,000.00	-
Ogorwein Primary School	Construction of 2no. Classrooms	1,700,000.00	1,615,000.00	85,000.00	-
Danog Primary School	Construction of 2no. Classrooms and 2 toilets	2,000,000.00	1,900,000.00	100,000.00	-
Arda Agarsu Primary School	Construction of 2no. Classrooms and 2 toilets	2,000,000.00	1,900,000.00	100,000.00	-
Tinfa Primary School	Construction of 2no. Classrooms and 2 toilets	2,000,000.00	1,900,000.00	100,000.00	-
Danog Primary School	Construction of Underground Water tank	1,900,000.00	1,805,000.00	95,000.00	-

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Rhamu Dimtu Secondary School	Completion (floor Finishes, Kitchen sections, windows and doors finishes, plastering, painting and labeling) of Dining hall/ Kitchen	3,000,000.00	-	3,000,000.00		
Ashabito Girls Sec School	Completion (floor Finishes, plastering, painting and labeling) of Dining hall.	1,000,000.00	-	1,000,000.00		
Ashabito Girls Secondary School	Construction of Kitchen	1,000,000.00	-	1,000,000.00		
Libin Nomadic Girls Secondary School	Chain Link Fencing of School Compound – 1st Phase	4,000,000.00	3,800,000.00	200,000.00		
Libin Nomadic Secondary School	Construction of Ino. Laboratory	3,000,000.00	2,850,000.00	150,000.00		
Olla Secondary School	Construction of Ino. Administration Blocks	3,000,000.00	2,850,000.00	150,000.00		
Sheikh Ali High School	Completion (fencing of the remaining 1200 M of compound) of Chain Link fencing	3,000,000.00	-	3,000,000.00		
Rhamu Girls Secondary School	Construction of 3no. Toilets	450,000.00	425,500.00	24,500.00		
Ashabito Girls Secondary School	Completion (fencing part of the remaining 400 M of compound)of Chain Link Fencing	1,000,000.00	950,000.00	50,000.00		

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Ashabito Girls Secondary School	Construction of 3no. toilets	450,000.00	427,500.00	22,500.00	
Ashabito Girls Secondary School	Construction of 2no. classrooms	1,700,000.00	1,615,000.00	85,000.00	
Gololbia Secondary School	Construction of Chain Link Fencing	5,500,000.00	5,225,000.00	275,000.00	
Gololbia Secondary School	Construction of 2no. Classrooms and 2 toilets	2,000,000.00	1,900,000.00	100,000.00	
Ashabito Boys Secondary School	Construction of Ino. Laboratory	3,000,000.00	2,850,000.00	150,000.00	
Ashabito Boys Secondary School	Construction of Ino. Library	1,200,000.00	-	1,200,000.00	
Seyid Abass Technical Training Institute	Construction of technical college	10,000,000.00	-	10,000,000.00	
Sub-Total		85,100,000	59,943,000	25,157,000	
Amounts due to other grants and other transfers					
Ashabito Girls Sec School	Clearing of Football and Volleyball pitch, labeling, Erection of Sign post and Provision nets.	700,000.00	-	700,000	
Reporting office	Wargadud Police Station	2,200,000.00	2,190,000.00	10,000	
Rhamu Dimtu AP Camp	Construction of 2units staff house	1,500,000.00	1,425,000.00	75,000	
Rhamu Police Station	Construction of 4staff units and 2 toilets	3,300,000.00	3,135,000.00	165,000	
Alfurqan Intergrated Primary School	Bush clearing of School compound	700,000.00	-	700,000	

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Purchase, delivery and installation of dust pin to various Institution with the constit	Purchase, delivery and Installations of dust pin to the following centres(Alfowzan 20pcs, Shantoley 20pcs, Rhamu District Hospital 20pcs, Rhamu District H/Q 20Pcs, Girisra Dispensary 20pcs)	900,000.00	-	900,000	
Bursary for Tertiary Institutions	Payment of bursary to needy students in colleges and universities.	600,000	-	600,000	
Bursary for Secondary School	Payment of bursary to needy students in colleges and universities.	351,928	-	351,928	
Emergency	To cater for any unforeseen occurrences in the constituency during the financial year	231,162	-	231,162	
Sub-Total		10,483,090	6,750,000	3,733,090	
Others (specify)					
Compensation of employees	staff salaries	3,032,033	2,212,600	819,433	
Admin and Monitoring	Goods and Services	14,319,497	9,217,169	5,102,328	

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Audits fees and other items	Audits and vote balances	1,082,075	-	1,082,075	
Sub-Total		18,433,605	11,429,769	7,003,836	
Grand Total		114,016,695	78,122,769	35,893,926	

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Land		
Buildings and structures		
Transport equipment		
Office equipment, furniture and fittings	2,227,500.00	1,347,500.00
ICT Equipment, Software and Other ICT Assets	420,000.00	100,000.00
Other Machinery and Equipment		
Heritage and cultural assets		
Intangible assets		
Total	2,647,500.00	1,447,500.00

Prepared by:


Adan Salah Mustafa.

Fund Account Manager
MANDERA NORTH



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ANNEX 5 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.1	Budget performance analysis - Implementation of Projects for FY 2013/14 were lagging behind schedule	Implementation of projects were lagging behind schedule due to late disbursement of funds and security challenges before and immediately after election.	FAM	Resolved	
2.2	Under expenditure of Kshs 74,655,528.75	Under expenditure was due to late disbursement of funds and security challenges before and immediately after election.	FAM	Resolved	
3.2	Board of Survey – during the audit it was noted that Board of survey was not conducted at closure of financial year 2014/15 as required by Government regulations.	During the Month of June, 2015 security challenge in Mandera County was at its peak leading to death, destructions and displacement and most of Non – local staff were not around and there was lack of quorum for Board of survey.	FAM	Resolved	
4.0	Under Funding of ksh 74,655,528.75	This was occasioned by delayed disbursement from the Board with lead to under expenditure as	FAM	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		mentioned in 2.2 above.			
5.0	Award of Contract for Capital Project Ksh 19,762,900.00	PMC have being trained on procurement procedure and Government Financial regulations on contract, responses containing attachments on supporting documents for contract awarded provided for audit verification.	FAM	Resolved	
6.0	Irregular Procurement of Goods and Works Ksh. 13,180,500.00	<ul style="list-style-type: none"> - Restricted tendering method was used and authority sort from the tender committee - Oversight from the PMC lead to Bill of Quantities not signed on more than one pages, now they are trained to overcome the challenges. 	FAM	Partially Resolved	May 2017
7.0	Payment for Emergency Project Kshs. 5,048,200	To implement auditors recommendation	FAM	Unresolved	May 2017
8.0	Payment for Environments Projects Ksh 3,172,800	All relevant documentation are availed for audit	FAM	Resolved	
9.0	Unaccounted for Bursary Expenses of Kshs.	Acknowledgments receipt for bursary expenses totalling to Khs 1,606,000 was availed for	FAM	Partially resolved	May 2017

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	2,181,000	Audit verification.			
10.0	Supply of Office Furniture and equipment Ksh. 1,447,500	To implement auditors recommendation	FAM	Unresolved	May 2017
11.0	Payment for office rents of Kshs. 420,000	Relevant documentation avail for audit verification.	FAM	Resolved	

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

NG CDF Fund Account Manager



NG CDF Chairman

