

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid by the
Majority party Whip
(Hon Benjamin Wachihi)
on 14.2.2018.
IBm*

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2016**



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

REPORTS AND FINANCIAL STATEMENTS

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

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –
 WANDERA SOUTH 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The Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2013.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 MANDERA SOUTH 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 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Mohamud Gedi
3.	Accountant	Francis Murungi
4.		

(d) Fiduciary Oversight Arrangements

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

Shukri building
Elwak-Wajir Road.
P.O Bo 10
Elwak.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND MANDERA
SOUTH CONSTITUENCY**

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

(f) MANDERA SOUTH NGCDF Contacts

Telephone: (254) 0721726301/0720782828
E-mail: mgedi@cdf.go.ke
Website: www.ngcdf.go.ke

(g) MANDERA SOUTH NGCDF Bankers

1. Equity Bank
P.O Box 75104
City square 00200
Nairobi, Kenya

(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 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 MANDERA SOUTH.

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

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

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

Approval of the financial statements

The NGCDF's financial statements were approved and signed by the Accounting Officer on

30/08/2016

Isahied

Fund Account Manager

[Signature]

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 – MANDERA SOUTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Mandera South Constituency set out on pages 6 to 29, 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, and the summary statement of appropriation together with 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 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 Statements of National Government Constituencies Fund - Mandera South Constituency for the year ended 30 June 2016

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 South 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 South spent Ksh.123,984,186 on capital projects. Physical verification carried on 28 March, 2017 revealed that the projects were completed and in use. However, scrutiny of projects records for revealed that projects worth Kshs.13,034,995 had not been supported properly. There were no certificates of practical completion to support the payments and therefore the input of the technical departments and institutions were not sought. There was no indication that the respective committees inspected the projects. Further, contract agreements between the contractors and the project management committee or the fund manager were not provided for audit review.

Under the circumstances, the propriety and value-for-money on the expenditure of Kshs.13,034,995 incurred on the projects could not be ascertained as at 30 June 2016.

2.0 Stores Expenses

The NG-CDF Mandera South paid Kshs.2,500,000 for goods and services during the year under review. However, the management used Kshs.1,000,000 and Kshs.1,500,000 to procure motor bikes and double-decker respectively. Audit review of records on the items procured revealed that the items were not received in the stores ledger and stores receipt vouchers as government financial regulations stipulate. Further, there were no inspection and acceptance certificates and documentary evidence confirming that the stores were issued out for use was not made available for audit review.

Consequently, the propriety and value-for-money on the expenditure of Kshs.2,500,000 incurred on the items cannot be confirmed.

3.0 Unsupported Bursary Funds Expenses

Sum of Ksh.17,800,000 was spent on bursary awards granted to various schools for the benefit of needy students during the financial year under review. However, disbursements totalling Kshs.4,490,384 were not supported with fee payment receipts

issued by the institutions that the monies were purported to have been paid to. Further, students list showing details on beneficiaries including institutions and years of study were not presented for audit. In addition, evidence of authority for the awards from selection committees was not provided as required.

In view of the foregoing, it has not been possible to confirm whether the funds were utilized for the intended purpose.

4.0 Administration/ Monitoring and Evaluation Expenses

The NG-CDF Mandera South office spent Kshs.1,995,000 on administration/ monitoring and evaluation during the period under review. However, there was no proof that monitoring teams from the NG-CDF visited any of the projects under implementation. Lists and progress reports on projects visited were not made available for audit review. It was further noted that there were no attendance registers to confirm occurrence of the committee meetings.

Under the circumstances, it has not been possible to confirm the propriety of the expenditure of Kshs.1,995,000 reported to have been incurred on monitoring and evaluation during the year under review.

5.0 Constituency Oversight Committee

National Government – Constituencies Development Fund Act Section 53(1) of the requires Constituency oversight committees to be appointed for every NG-CDF. However, there were no oversight committee was appointed for National Government Constituency Development Fund for Mandera South and therefore the Fund operated without the mandatory oversight committee. No proper explanation was given for not appointing the committee.

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

6.0 Bank Accounts For Project Management Committee (Pmc's)

It is a requirement by NG- CDF Regulations, 2016 Section15(10)(a) and (b) to maintain records of Bank accounts opened by Project Management Committee (PMC) and prepare and table quarterly reports. However, contrary to this requirement, there were no records of the bank accounts operated by the various project Management committees for NG- CDF Mandera South office. There were no PMC's Bank Statements and cash books maintained. Therefore no bank reconciliation statements for the PMC's accounts were 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 PMCs were managed in accordance with the relevant regulations, standards and expectations.

7.0 Cash and Cash Equivalent

The statement of financial assets reflects a cash and cash equivalents balance of Kshs.102,117,149 as at 30 June 2016. However, the Bank reconciliation statement as

at 30 June, 2016 reflects payments totalling Kshs.2,676,515 in the cash book not recorded in the bank statement, which include stale cheques totaling Kshs.958,550 with some dating back to April, 2014. No explanation has been given for failure to clear the stale cheques dating back to 2013/2014 financial year.

As a result, the accuracy and completeness of the cash and cash equivalents.

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 South 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 National Government Constituencies Development Fund Act, 2015.

Other Matter

1.0 Budgetary Control and Performance

During the year under review, Mandera South National Government Constituency Development Fund had a final budget amounting to Kshs.241,514,047 with Kshs.227,601,335 or 94.2 % allocated to development projects and Kshs.13, 912,71 or 5.8 % allocated to recurrent expenditure. The NG –CDF Mandera South received a total of Kshs.240,014,047 to finance the budget. This being Kshs.193,980,361 (80.31 per cent) as transfers from the NG-CDF Board and had Kshs.46,033,686 (19 per cent) cash balance brought forward from FY 2014/2015. However, the Fund was underfunded by Kshs.1,500,000 (0.63 percent).

The budget analysis on budgeted allocation and expenditure by items are reflected in the table below:

Development Budget

Item	Budget Allocation Kshs.	Actual Expenditure Kshs.	Under/Over Absorption Kshs.
Development			
Transfer to other Government Units	135,093,943	60,634,191	74,459,752
Other grants & Transfers	92,507,392	63,349,995	29,157,397
Total	227,601,335	123,984,186	103,617,149

Recurrent Budget

Item	Budget Allocation Kshs.	Actual Expenditure Kshs.	Under/Over Absorption Kshs.

Use of Goods & Services	11,659,912	11,659,912	-
Compensation to Employees	2,252,800	2,252,800	-
Total	13,912,712	13,912,712	-

However,

- i. From the above analysis, the National Government Constituency Development Fund for Mandera South under-spent in by Kshs.103,617,149 on Transfers to other Government Units and Other Grants and Transfers. No plausible explanation has been provided by the management for the under-expenditure.
- ii. A total of Kshs.227,601,335 was allocated during the year to finance 47 (Forty seven) projects. However, by 30 June, 2016 only 14 projects had been completed and paid for with the remainder 33 not paid for. No reason has been given for the delay or non-implementation of the 33 projects planned and budgeted for implementation in 2016/2017.

2.0 Outstanding Prior Years Audit Issues 2014/2015

The management of NG-CDF Mandera South Constituency did not respond or provide implementation status to the issues raised in the audit report for 2014/2015 financial year and therefore the following issues remain unsolved.

2.1 Budget Performance Analysis

NG-CDF Mandera South under spent on transfers to other government units and other grants by Kshs.47,033,685 and no plausible explanation was given for the under spending expenditure.

2.2 Presentation, Accuracy and Completeness of the Financial Statements

The NG-CDF Mandera South financial statements for 2014/15 did not show net increase in cash and cash equivalents, did not contain a disclosure note for pending bills and further, presentation of the financial statements did not conform to IPSAS (Cash Basis) reporting format approved by the Accounting Standards Board.

2.3 Unaccounted for Grants

NG CDF Mandera South issued grants totaling to Kshs.11,232,759 to (5) projects, and although the projects were implemented and completed the respective procurement records were not made available for audit verification.

2.4 Award of Contracts for Capital Projects

Contracts worth Kshs.19,937,931 lacked contract agreements, tender opening/evaluation and award minutes and letters of notification to unsuccessful bidders.

2.5 Emergency Projects

An amount of Kshs.34,399,950 was spent on emergency activities but was not supported with the relevant documents.

2.6 Bursary Expenses

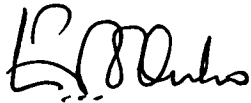
Bursaries worth Kshs.3,330,800 disbursed to various institutions were not supported with official receipts and acknowledgement letters from the institutions.

2.7 Administration, Monitoring/ Evaluation Expenses

An amount of Kshs.8,655,500 was paid in respect of administration, monitoring/evaluation expenses. However, the respective expenditure vouchers were not supported with relevant documents confirming validity of the expenditures.

2.8 Unutilized Health Facilities

NG-CDF-Mandera South Constituency office constructed two (2) health facilities at Chachabole and Kutayu which were however not put in use after completion. No plausible explanation has been given for the anomaly.



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

Nairobi.

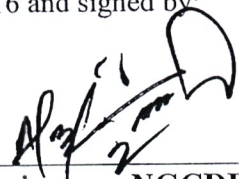
30 October 2017

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

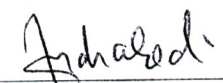
IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015 - 2016 Kshs	(Reclassified) 2014 - 2015 Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	193,980,361.00	181,930,270.00
Proceeds from Sale of Assets	2		
Other Receipts	3		
TOTAL RECEIPTS		193,980,361	181,930,270
PAYMENTS			
Compensation of employees	4	2,252,800	1,237,800
Use of goods and services	5	11,659,912	9,757,816
Transfers to Other Government Units	6	60,634,191	81,724,787
Other grants and transfers	7	63,349,995	48,466,523
Acquisition of Assets	8	-	-
Other Payments	9	-	-
TOTAL PAYMENTS		137,896,898	141,186,927
SURPLUS/DEFICIT		56,083,463	40,743,343.01

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MANDERA SOUTH NG-CDF financial statements were approved on 30/08/ 2016 and signed by:



Chairman - NGCDFC



Fund Account Manager

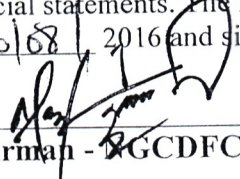
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND MANDERA
SOUTH CONSTITUENCY**

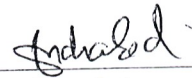
**Reports and Financial Statements
For the year ended June 30, 2016**

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	102,117,149	46,033,686
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		<u>102,117,149</u>	<u>46,033,686</u>
REPRESENTED BY			
Retention	12		
Fund balance b/fwd 1st July...	13	46,033,686	5,289,743
Surplus/Deficit for the year		56,083,463	40,743,343
Prior year adjustments	14	-	-
NET FINANCIAL POSITION		<u>102,117,149</u>	<u>46,033,086</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MANDERA SOUTH NGCDF financial statements were approved on 30/08/2016 and signed by:


Chairman - NGCDFC


Fund Account Manager

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

VI. STATEMENT OF CASHFLOW		(Reclassified)	
Receipts for operating income		2015 - 2016	2014 - 2015
Transfers from CDF Board	1	193,980,361	181,930,270
Other Receipts	3	-	-
		193,980,361	181,930,270
Payments for operating expenses			
Compensation of Employees	4	2,252,800	1,237,800
Use of goods and services	5	11,659,912	9,757,816
Transfers to Other Government Units	6	60,634,191	81,724,787.99
Other grants and transfers	7	63,349,995	48,466,523
Other Payments	9	-	-
		137,896,898	40,743,943.01
Adjusted for:			
Adjustments during the year	14	-	-
Net cash flow from operating activities		-	-
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	9	-	-
Net cash flows from Investing Activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		56,083,463	40,743,943.01
Cash and cash equivalent at BEGINNING of the year	13	46,033,686.01	5,289,743
Cash and cash equivalent at END of the year		102,117,149.01	46,033,686.01

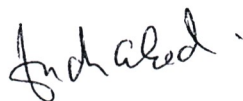
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND MANDERA
SOUTH CONSTITUENCY**

**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 MANDERA SOUTH NGCDF financial statements were approved on 30/08/ 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 Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c%
RECEIPTS						
Transfers from CDF Board	194,480,361	47,033,686	241,514,047	240,014,047	1,500,000	99.4%
Proceeds from Sale of Assets			-		-	
Other Receipts			-		-	
TOTAL	194,480,361	47,033,686	241,514,047	240,014,047	1,500,000	99.4%
PAYMENTS						
Compensation of Employees	2,252,800		2,252,800	2,252,800	-	100.0%
Use of goods and services	11,659,912		11,659,912	11,659,912	-	100.0%
Transfers to Other Government Units	106,500,000	28,593,943	135,093,943	60,634,191	74,459,752	44.9%
Other grants and transfers	74,067,649	18,439,743	92,507,392	63,349,995	29,157,397	68.5%
Acquisition of Assets			-		-	0.0%
Other Payments			-		-	
TOTAL	194,480,361	47,033,686.01	241,514,047	137,896,898	103,617,149	57.1%

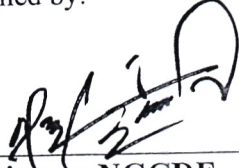
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
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(a) [Provide below a commentary on significant underutilization (below 50% of utilization)]

- i. Transfer to Other Government Units of 44.9% is because of security challenges and exodus of Headteachers in education sector who are secretaries to PMCs. They play a key role in project implementation and hence their absence has slowed down the project leading to low utilisation.

The MANDERA SOUTH ^{mandera} ~~NORTH~~ NGCDF financial statements were approved on 30/08/2016 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 Kshs 3,269,908 in the Financial Year 2014/2015 has been reclassified. The item is to be presented under Use of Goods and Services. The Comparative amount in the Financial Year 2015/2016 is Reclassified to comply with the requirement of IPSAS.

Social Security benefit of Kshs 19,200 in the Financial Year 2014/15 has been reclassified. The item is to be presented under Compensation of Employees. The comparative amount in Financial Year 2015/16 is reclassified to comply with IPSAS requirement.

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.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
SOUTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

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 – MANDERA
SOUTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the NGCDF at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

6. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The NGCDF’s budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the NGCDF’s actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
SOUTH CONSTITUENCY**

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

IX. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

		2015 – 2016	2014 – 2015
Normal Allocation	AIE NO.A796489	20,000,000.00	38,432,567
	AIE NO .A796328	10,000,000.00	7,300,000
	AIE NO.A724125	10,000,000.00	23,439,540.50
	AIE NO A 820902	20,000,000.00	22,293,027.50
	AIE NO 820610	20,000,000.00	45,732,567.50
Conditional grants	AIE NO 825541	17,000,000.00	44,732,567.50
	AIE NO 825800	96,980,361	
Receipt from other constituency	-	-	-
TOTAL		193,980,361	181,930,270

2. PROCEEDS FROM SALE OF ASSETS

	2015 – 2016	2014 – 2015
	Kshs	Kshs
Receipts from sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment		
Receipts from sale of office and general equipment		
Receipts from the Sale Plant Machinery and Equipment		
Total		

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
SOUTH CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

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

4. COMPENSATION OF EMPLOYEES

Description	2015 - 2016 Kshs	(Reclassified) 2014 - 2015 Kshs
	Basic wages of contractual employees	2,160,000
Basic wages of casual labour	-	-
Personal allowances paid as part of salary	-	-
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Other personnel payments	-	-
Employer contribution to NSSF gratuity	92,800	19,800
Total	2,252,800	1,237,800.00

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
SOUTH CONSTITUENCY**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	2015 - 2016	(Reclassified) 2014 - 2015
	Kshs	Kshs
Utilities, supplies and services	3,409,912	4,667,908
Office rent	600,000	600,000
Communication, supplies and services	550,000	550,000
Domestic travel and subsistence	800,000	670,000
Printing, advertising and information supplies & services		
Rentals of produced assets		
Training expenses	1,000,000	
Hospitality supplies and services	-	
Other committee expenses	2,000,000	1,000,000
Committee allowance	3,000,000	2,269,908
Insurance costs	300,000	
Specialised materials and services		
Office and general supplies and services		
Fuel ,oil & lubricants		
Other operating expenses		
Routine maintenance – vehicles and other transport equipment		
Routine maintenance – other assets		
	11,659,912	9,757,816

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
SOUTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Transfers to primary schools	25,434,191	64,624,789.99
Transfers to secondary schools	25,200,000	15,000,000
Transfers to Tertiary institutions	10,000,000	-
Transfers to Health institutions	-	2,100,000
TOTAL	60,634,191	81,724,789.99

7. OTHER GRANTS AND OTHER PAYMENTS

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Bursary -Secondary	800,000	3,000,000
Bursary -Tertiary	17,000,000	17,122,329
Bursary-Special schools	-	-
Mocks & CAT	22,249,995	6,750,000
water	-	-
Agriculture (food security)	-	-
Electricity projects	-	-
Security	2,200,000	3,658,605
sports	-	9,100,000
Roads	-	-
Other capital grants and transfer	-	-
Environmental projects	-	3,435,330
Emergency Projects (specify)	5,700,000	5,400,259
Total	63,349,995	48,446,523

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
SOUTH CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

Non-Financial Assets

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

Total

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
SOUTH CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. OTHER PAYMENTS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Others	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2015 - 2016 Kshs	2014 - 2015 Kshs
Equity Bank Mandera Branch A/c no 100261176664	102,117,149	46,033,686.01
	-	-
	-	-
	-	-
	102,117,149.16	46,033,686.01
10B: CASH IN HAND		
	2015 - 2016	2014 - 2015
	Kshs	Kshs
Location 1		
Location 2		
Location 3		
Other Locations (specify)		
Total		

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA SOUTH CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

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

0

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

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – MANDERA
SOUTH CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. BALANCES BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	46,033,686.01	5,289,743
Cash in hand		
Imprest	-	-
Total	<u>46,033,686.01</u>	<u>5,289,743</u>

[Provide short appropriate explanations as necessary]

14. PRIOR YEAR ADJUSTMENTS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Imprest	-	-
Total	<u>-</u>	<u>-</u>

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

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE

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

15.2: PENDING STAFF PAYABLES

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

15.3: OTHER PENDING PAYABLES (See Annex 1)

	Kshs	Kshs
Amounts due to other Government entities (see attached list)	77,200,000	-
Amounts due to other grants and other transfers (see attached list)	24,700,000	-
Others (specify)	-	-
	101,900,000	-

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		

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						

NATIONAL GOVERNMENT ENTITY - (Indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2016 (Kshs'000)

ANNEX 1 - 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. Wargadud Secondary School	Renovation of Four Classrooms	800,000			800,000		
2. Wargadud Secondary School	Fencing of School Compound	5,000,000			5,000,000		
3. Shimpir Fatuma Secondary School	Construction of Two Classrooms	2,000,000			2,000,000		
4. Elwak Secondary School	Construction of Dining Hall	6,500,000			6,500,000		
5. Borehole 11 Secondary School	Construction of two Classrooms	2,000,000			2,000,000		
6. Borehole 11 Secondary School	Construction of Four Toilets	600,000			600,000		
7. Chief Mohamed Jari Sec School	Construction of Principal's House	3,500,000			3,500,000		
8. Borehole 11 Sec School	Purchase and Installation of Furnitures and Fitting	1,100,000			1,100,000		
9. Chirole Primary School	Construction of Two Classrooms	1,700,000			1,700,000		
10. Buke Primary School	Construction of Two Classrooms	1,700,000			1,700,000		
11. Shimpir Fatuma Primary School	Construction of Four Classrooms	3,400,000			3,400,000		
12. Kobadadi primary School	Construction of Two Classrooms	1,700,000			1,700,000		
13. Dololo Primary School	Construction of Two Classrooms	1,700,000			1,700,000		

NATIONAL GOVERNMENT ENTITY - (MANDERA SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND)

**Reports and Financial Statements
For the year ended June 30, 2016 (Kshs'000)**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2014	Comments
14. Qarsadamu Primary School	Construction of Two Classrooms	1,700,000			1,700,000		
15. Iresuki Primary School	Construction of Two Classrooms	1,700,000			1,700,000		
16. Elagarsu Primary School	Construction of Four Classrooms	3,400,000			3,400,000		
17. Elwak DEB Primary School	Construction of Dining Hall	7,000,000			7,000,000		
18. Godhe Primary School	Construction of Two classrooms	1,700,000			1,700,000		
19. Dawder Primary School	Construction of Two Classrooms	300,000			300,000		
20. Dimu Primary School	Construction of Two Classrooms	1,700,000			1,700,000		
21. Kotulo Primary School	Construction of Six toilets	900,000			900,000		
22. Elram Primary School	Coknstruction of Administration Block	3,500,000			3,500,000		
23. Alweis Primary School	Fencing of School Compound	1,900,000			1,900,000		
24. Kurayu Primary School	Construction of Four Toilets	600,000			600,000		
25. Elram Primary School	Purchase of Office Furniture	1,500,000			1,500,000		
26. Fincharo Primary School	Fencing of School Compound	5,000,000			5,000,000		
27. Elagarsu Primary School	Construction of Four Toilets	600,000			600,000		
28. Elwak Technical Training Institute	Construction of Perimeter fence	14,000,000			14,000,000		
Sub-Total		77,200,000			77,200,000		
Amounts due to other grants and other transfers							
29. Behehote 11 AP Camp	Fencing of Camp	3,500,000			3,500,000		

NATIONAL GOVERNMENT ENTITY - (MANDERA SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND)

**Reports and Financial Statements
For the year ended June 30, 2016 (Kshs'000)**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2014	Comments
30. Elwak Rapid Deployment Unit	Fencing of Unit Camp	6,000,000			6,000,000		
31. Constituency Sports Activities	Sports Tournament/trophies/ games kits to winners	1,500,000			1,500,000		
32. Electricity	Electricity Poles and Connection to Elwak	10,000,000			10,000,000		
33. Environmental Activities	Tree Planting in Elwak sec, Kotulo Sec, Borehole 11 Sec, Elwak Mixed Sec	1,500,000			1,500,000		
34. Bursary	Bursary Payment for Secondary Schools	2,200,000			2,200,000		
	Sub-Total	24,700,000			24,700,000		
Others (specify)							
35.							
36.							
37.							
	Sub-Total						
	Grand Total	101,900,000					

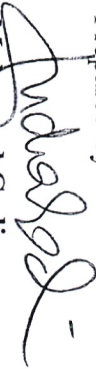
NATIONAL GOVERNMENT ENTITY - (MANDERA SOUTH NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND)

Reports and Financial Statements
For the year ended June 30, 2016 (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		
Transport equipment	-	-
Office equipment, furniture and fittings	-	-
ICT Equipment, Software and Other ICT Assets	1,500,000	1,500,000
Other Machinery and Equipment	-	-
Heritage and cultural assets	-	-
Intangible assets		
Total	1,500,000	1,500,000

Prepared by:



Mohamud Gedi
Fund Account Manager
MANDERA SOUTH

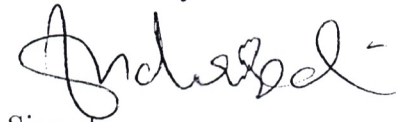
ANNEX 3: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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.

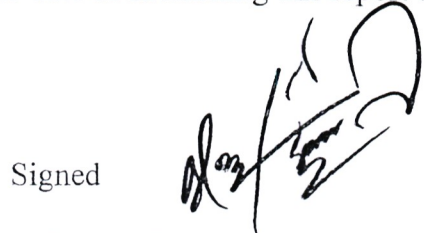
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		We received the Auditor General report for 2014/15 FY on 27 th March 2017. We request you give us till end of May 2017 to give proper response on issues raised.			

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.


Signed

NG-CDF FUND ACCOUNT MANGER


Signed

NG CDFC Chairman