


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

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 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 27 MAR 2019	DAY: WEDNESDAY
TABLED BY: Hon. Ales <sup>Dwale</sup> leader of majority party	<b>THE AUDITOR-GENERAL</b>
CLERK-AT THE TABLE: Moses Lemung	

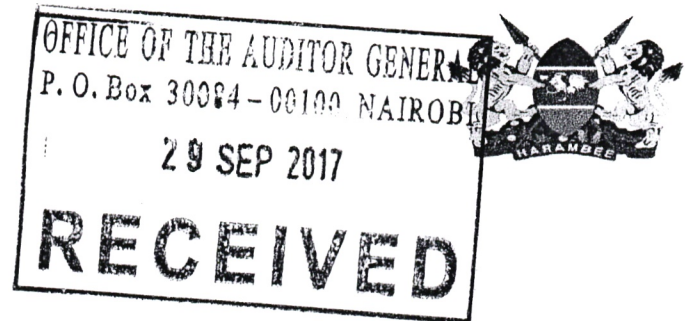
OF

ON

**THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND  
RARIEDA CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE 2017**





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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-**  
**RARIEDA CONSTITUENCY**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2017**

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

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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The Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2015. 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 Rarieda Constituency's day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NGCDFB)
- ii. NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND Committee (NGCDFC)

### **(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Accounting Officer	<b>Yusuf Mbuno</b>
2.	A.I.E holder	<b>Peter Nyajure Achar</b>
3.	Accountant	<b>Evans Osuga</b>

### **(d) Fiduciary Oversight Arrangements**

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

Provide box and physical address of the constituency CDF office  
P.O. Box 121  
NYILIMA  
The Office is situated at District Headquarters in Aram

**(f) RARIEDA NG-CDF Contacts**

Provide telephone number and email of the constituency CDF office  
Telephone: (254) 0722713331  
E-mail: [cdfrarieda@cdf.go.ke](mailto:cdfrarieda@cdf.go.ke)  
Website: [www.go.ke](http://www.go.ke)

**(g) RARIEDA NG-CDF Bankers**

Constituency CDF main banker (provide the bank, branch, account number and address)  
BANK: Cooperative Bank of Kenya Limited  
BRANCH: Kisumu Branch  
ACCOUNT NO: 0114129559700

**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**

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

**II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND COMMITTEE (NG-CDFC)**

The financial year 2016/2017 marks the 13th year since inception of CDF in the year 2003/2004. Over the years NG-CDF Rarieda has implemented projects in various sectors with the major sectors being Education, Health, Water, Security, Roads, Sports and Environment. With implementation of new NG-CDF Act 2015 in the financial year 2015-2016 to date NG-CDF Rarieda is now focusing only on the National Government projects as per the new Constitution promulgated in the year 2010. This resulted to NG-CDFC Rarieda focusing on Education, Security, Environment and sports leaving out Health, Water and Roads projects to be implemented by the County Government as per the new NG-CDF Act 2015.

This year, Rarieda Constituency Development Fund approved budget was Ksh. 81,896,551.72. Out of the total budget NG-CDF Board was able to disburse Ksh. 74,946,551.72 of the current financial year to the constituency plus balance of Ksh. 20,700,000 of the previous financial year 2015-2016 by end of the financial year. The constituency also had Ksh. 8,870,173 rolled over from financial year 2015/2016 making the total funds available for use in the financial year to be Ksh. 104,516,725. By the end of the financial year the Board had not disbursed Ksh. 6,950,000 to the constituency for the current financial year.

The constituency was able to utilize Ksh. 102,060,935 out of funds available of Ksh. 104,516,725 translating to 98% usage compared to the financial year 2015/2016 where we were able to utilize 92% of the funds available hence an improvement of 6% in the constituency's funds available utilization rate.

The major challenges in this year were the coming of the new NG-CDF Act 2015 which excluded some of the projects previously implemented by NG-CDF in health, water and roads sectors, unsatisfied demand for more NG-CDF funding, low response on the youth and women government 30% requirement and also the operations of Project Management Committees in implementation of NG-CDF projects.

The above challenges can be overcome by the parliament amending NG-CDF Act 2015 to include transitional clauses so that projects formerly implemented by NG-CDF and now County Governments are not adversely affected during this transition period, more allocation of funds to NG-CDF to address the demand for more funding by the projects and also more education on 30% youth and women requirements contracts requirements.

Sign.   
CHAIRMAN NG-CDFC

## 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 Rarieda 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, 2017. 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 Rarieda 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 (IP SAS). 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, 2017, and of the NGCDF's financial position as at that date. The Accounting Officer in charge of the Rarieda 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 Rarieda 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  
25. 8. 2017.

  
Fund Account Manager

  
Chairman



# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - RARIEDA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Rarieda Constituency set out on pages 7 to 28, which comprise the statement of financial assets as at 30 June 2017, statement of receipts and payments, statement of cash flows and summary statement of appropriation for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements do present fairly, the financial position of National Government Constituencies Development Fund- Rarieda Constituency as at 30 June 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (cash Basis).

In addition, as required by Article 229 (6) of the Constitution, based on the procedures performed, Except for the effects of the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1. Transfer to Primary and Secondary Schools

Included in the financial statement under note 4 is transfer to other government entities of Kshs.48,670,500 is Kshs.41,670,500 in respect of transfers to primary and secondary schools. However, the payment schedule reflected Kshs.37,250,000 resulting to unreconciled/unexplained variance of Kshs.4,420,500.

The accuracy of transfer to primary and secondary schools of Kshs.41,670,500 could not be confirmed.

##### 2. Project Implementation

Included in the financial statement under note 4 is transfer to other Government entities of kshs.48,670,500 which includes Kshs.19,700,000 and Kshs.21,970,500 to

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*Report of the Auditor-General on the Financial Statements of National Government Constituencies  
Development Fund - Rarieda for the year ended 30 June 2017*

secondary and primary schools respectively. However, physical verification of the projects revealed the following anomalies:

- i. No bank statements from the schools were made available for audit review.
- ii. No evidence was availed to confirm that the projects were implemented and supervised in consultation with the line Ministries
- iii. Mirau primary school funds of Kshs.800,000 which was meant for the renovation of three (3) classrooms was reallocated to the construction of one (1) classroom without authority from the Board.

The regularity of the expenditure totaling Kshs.41,670,500 could not be confirmed.

### **3. Erection of Solar Flood Lights**

Included in other grants and other transfers of Kshs.41,816,500 is Kshs.8,700,00 in respect of solar flood lights categorized under to security projects. Examination of the payments vouchers and physical verification of the projects on 30 May 2018 revealed the following anomalies:

- i. No evidence of the criteria that was used to evaluate the quotations was availed for audit review.
- ii. The list of prequalified suppliers was not made available for audit review
- iii. No service order (SO) was signed between the procuring entity and the suppliers who were awarded the above works.
- iv. The bills of quantities (BQ) of the two contractors (Solareen and Lightmark Limited respectively) who were awarded the above works did not quote for the specific amounts for each component that would be used to erect the solar flood lights but rather, they quoted a whole sum figure of Kshs.4,350,000 each. We were therefore unable to confirm which components/parts that were used to erect the solar flood lights.
- v. The line Ministry was not involved in implementing the above works and no evidence that projects were duly supervised at every stage.
- vi. Physical verification of the solar flood lights on 30 May 2018 revealed that all the six solar flood lights were erected in 2014/2015 financial year expenditure and not 2015/2016 nor financial years.

The solar flood lights were not working as was disclosed from the residents of the respective places where the lights were erected.

The regularity and value for money of the expenditure of Kshs.8,700,000 for the year ended 30 June 2017 could not be confirmed.

#### **4. Bursary Disbursements**

Included in the other grants and other payments balance of Kshs.41,816,500 under note 5 were transfers of bursaries to tertiary, secondary and special schools totalling Kshs.20,474,000. However, the following anomalies were noted:

- i. There was no official receipts and acknowledgement letters from the beneficiary institutions to confirm that the funds amounting to Kshs.20,470,000 were received.
- ii. Ochieng Oneko Secondary school and Chianda Boys High School revealed that the amount allocated to each respective institution were not acknowledged by any formal communication, no bank statement was availed and the amount allocated to each student by a receipt was not made available.
- iii. The cheque release register was not maintained by the Constituency indicating that the cheques were released and received by the respective institutions.

Consequently, the regularity of the bursaries of Kshs.20,474,000 disbursed to respective institutions could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund- Rarieda Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, have determined that there are no Key Audit Matters to communicate in my report.

#### **Other Matter**

##### **1. Budget Performance Analysis**

During the year under review Rarieda CDF received transfers from treasury amounting to Kshs.95,646,552 against original budget of Kshs.81,896,552. During the same period Rarieda CDF absorbed Kshs.102,060,935. A comparison of budget and actual amounts for the year under review revealed the following:

CDF underspent on compensation of employees and acquisition of asset respectively. The water project was approved in 2015/2016 financial year expenditure but payment for the same was made in 2016/2017 financial year

expenditure but the payment voucher of Kshs.200,000 was not made available for audit examination

Failure to utilize development and recurrent vote budget constrains implementation of programmes which are meant to benefit the people of Rarieda Constituency.

### **Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

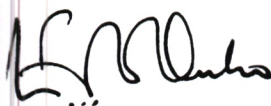
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

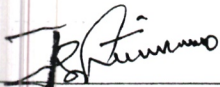
**11 October 2018**

**III. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2016 - 2017	2015 - 2016
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from CDF board-AIEs' Received	1	95,646,552	87,097,469
<b>TOTAL RECEIPTS</b>		<b>95,646,552</b>	<b>87,097,469</b>
<b>PAYMENTS</b>			
Compensation of employees	2	1,503,587	1,307,285
Use of goods and services	3	6,871,301	7,816,101
Transfers to Other Government Units	4	48,670,500	40,794,430
Other grants and transfers	5	41,816,500	39,776,432
Acquisition of Assets	6	1,059,048	-
Other Payments	7	2,140,000	-
<b>TOTAL PAYMENTS</b>		<b>102,060,935</b>	<b>89,694,247</b>
<b>SURPLUS/DEFICIT</b>		<b>(6,414,384)</b>	<b>(2,596,778)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Rarieda NGCDF financial statements were approved on 25.8, 2017 and signed by:



**Chairman – NGCDFC**



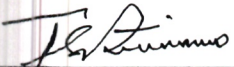
**Fund Account Manager**


**IV. STATEMENT OF FINANCIAL ASSETS**

	Note	2016 - 2017	2015 - 2016
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	8A	2,455,789	8,370,173
Outstanding Imprests	8B	-	500,000
<b>TOTAL FINANCIAL ASSETS</b>		<b>2,455,789</b>	<b>8,870,173</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd. 1st July 2016	9	8,870,173	11,466,951
Surplus/Deficit for the year		(6,414,384)	(2,596,778)
<b>NET LIABILITIES</b>		<b>2,455,789</b>	<b>8,870,173</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Rarieda NGCDF financial statements were approved on 25.8.2017 and signed by:

  
 Chairman – NGCDF

  
 Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – RARIEDA CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

**VI. STATEMENT OF CASHFLOW**

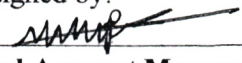
<b>Receipts for operating income</b>		<b>2016 - 2017</b>	<b>2015- 2016</b>
		<b>Ksh.</b>	<b>Ksh.</b>
Transfers from CDF Board	1	95,646,552	87,097,469
		<b>95,646,552</b>	<b>87,097,469</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	2	1,503,587	1,307,285
Use of goods and services	3	6,871,301	7,816,101
Transfers to Other Government Units	4	48,670,500	40,794,430
Other grants and transfers	5	41,816,500	39,776,432
Other Payments	7	2,140,000	-
		<b>101,001,888</b>	<b>89,694,248</b>
<b>Net cash flow from operating activities</b>		<b>(5,355,336)</b>	<b>(2,596,778)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	6	(1,059,048)	-
<b>Net cash flows from Investing Activities</b>		<b>(1,059,048)</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(6,414,384)</b>	<b>(2,596,778)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	13	<b>8,870,173</b>	<b>11,466,951</b>
<b>Cash and cash equivalent at END of the year</b>		<b>2,455,789</b>	<b>8,870,173</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Rarieda NGCDF financial statements were approved on 25.8.2017 and signed by:

  
 \_\_\_\_\_

**Chairman – NGCDF**

  
 \_\_\_\_\_  
**Fund Account Manager**



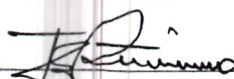
NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – RARIEDA CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2017

**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 %
<b>RECEIPTS</b>						
Transfers from CDF Board	81,896,552	29,570,173	111,466,725	104,516,725	6,950,000	93.8%
<b>TOTAL</b>	<b>81,896,552</b>	<b>29,570,173</b>	<b>111,466,725</b>	<b>104,516,725</b>	<b>6,950,000</b>	<b>93.8%</b>
<b>PAYMENTS</b>						
Compensation of Employees	1,503,587	1,086,129	2,589,716	1,503,587	1,086,129	58%
Use of goods and services	5,048,137	1,915,672	6,963,809	6,871,301	92,508	98.7%
Transfers to Other Government Units	39,250,000	12,760,000	52,010,000	48,670,500	3,339,500	93.6%
Other grants and transfers	36,094,827	8,174,835	44,269,662	41,816,500	2,453,162	94.5%
Acquisition of Assets		3,493,537	3,493,537	1,059,048	2,434,490	30%
Other Payments		2,140,000	2,140,000	2,140,000	-	
<b>TOTAL</b>	<b>81,896,552</b>	<b>29,570,173</b>	<b>111,466,725</b>	<b>102,060,935</b>	<b>9,405,789</b>	<b>91.6%</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Rarieda NGCDF financial statements were approved on 25.8.2017 and signed by:



**Chairman – NGCDFC**



**Fund Account Manager**

## **VIII. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### **1. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the NGCDF and all values are rounded to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the NGCDF.

### **2. Recognition of revenue and expenses**

The NGCDF recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the NGCDF. In addition, the NGCDF recognises all expenses when the event occurs and the related cash has actually been paid out by the NGCDF.

### **3. In-kind contributions**

In-kind contributions are donations that are made to the NGCDF in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the NGCDF includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**4. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**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.

**IX. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM NG-CDF BOARD**

<b>Description</b>		<b>2016 - 2017</b>	<b>2015 - 2016</b>
		<b>Kshs</b>	<b>Kshs</b>
	<b>825910</b>	19,000,000.00	30,000,000.00
Normal Allocation	<b>829981</b>	4,094,827.60	20,000,000.00
	<b>839572</b>	1,700,000.00	37,097,469.00
	<b>855175</b>	36,853,449.00	
	<b>855709</b>	33,998,275.10	
<b>TOTAL</b>		<b>95,646,552</b>	<b>87,097,469</b>

**2. COMPENSATION OF EMPLOYEES**

<b>Description</b>		<b>2016 - 2017</b>	<b>2015 - 2016</b>
		<b>Kshs</b>	<b>Kshs</b>
Basic wages of contractual employees		1,474,787	1,290,485
Basic wages of casual labour		-	-
<b>Personal allowances paid as part of salary</b>		-	-
House allowance		-	-
Transport allowance		-	-
Leave allowance		-	-
Other personnel payments		-	-
Employer contribution to NSSF gratuity		28,800	16,800
		-	-
<b>Total</b>		<b>1,503,587</b>	<b>1,307,285</b>

### 3. USE OF GOODS AND SERVICES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Utilities, supplies and services	29,568	55,591
Office rent	-	-
Communication, supplies and services	6,960	13,920
Domestic travel and subsistence	-	-
Printing, advertising and information supplies & services	-	-
Rentals of produced assets	-	-
Training expenses	-	-
Hospitality supplies and services	-	-
Other committee expenses	-	703,000
Committee allowance	6,120,023	6,152,300
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	-	-
Fuel ,oil & lubricants	700,000	690,000
Other operating expenses	-	-
Routine maintenance – vehicles and other transport equipment	14,750	177,290
Routine maintenance – other assets	-	24,000
	-	-
<b>Total</b>	<b>6,871,301</b>	<b>7,816,101</b>

### 4. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to primary schools	21,970,500	18,194,430
Transfers to secondary schools	19,700,000	20,300,000
Transfers to Tertiary institutions	7,000,000	450,000
Transfers to Health institutions	-	1,850,000
<b>TOTAL</b>	<b>48,670,500</b>	<b>40,794,430</b>

**5. OTHER GRANTS AND OTHER TRANSFERS**

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bursary -Secondary	10,973,000	8,033,000
Bursary -Tertiary	9,167,000	3,117,050
Bursary-Special schools	334,000	-
Mocks & CAT	-	-
water	200,000	3,898,563
Agriculture (food security)	-	-
Electricity projects	-	-
Security	13,048,000	17,233,620
Roads	-	-
Sports	1,500,000	1,900,000
Environmental Projects	1,950,000	1,850,000
Community Halls	550,000	300,000
Emergency Projects (specify)	4,094,500	3,444,199
<b>Total</b>	<b>41,816,500</b>	<b>39,776,432</b>

**6. ACQUISITION OF ASSETS**

<u>Non-Financial Assets</u>	2016 - 2017	2015 - 2016
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	1,059,048	-
Refurbishment of Buildings	-	-
Purchase of Vehicles	-	-
Purchase of Bicycles & Motorcycles	-	-
Overhaul of Vehicles	-	-
Purchase of Office furniture and fittings	-	-
Purchase of computers ,printers and other IT equipment's	-	-
Purchase of other office equipment's	-	-
Purchase of soft ware	-	-
Acquisition of Land	-	-
<b>Total</b>	<b>1,059,048</b>	<b>-</b>

**7. OTHER PAYMENTS**

	2016 - 2017	2015 - 2016
Description	Ksh.	Ksh.
Strategic Plan	740,000	-
Fish Banda	650,000	-
Jua Kali Shades	750,000	-
<b>TOTAL</b>	<b>2,140,000</b>	<b>-</b>

**8A. BANK BALANCES (CASHBOOK BANK BALANCE)**

Name of Bank, Account No. & currency		2016 - 2017	2015 - 2016
	Account Number	Kshs (30/6/2017)	Kshs (30/6/2016)
Cooperative Bank , Kisumu Branch	O1141295597000	2,455,789.44	8,870,173.00
<b>Total</b>		<b>2,455,789.44</b>	<b>8,870,173.00</b>

**8B. OUTSTANDING IMPREST**

Name of Officer	2016-2017 30/6/2017 Kshs.	2015-2016 30/6/2016 Kshs.
Peter N. Achar- Warrant no. 2466666	-	500,000
<b>Total</b>	<b>-</b>	<b>500,000</b>

**9. BALANCES BROUGHT FORWARD**

	2016 - 2017	2015 - 2016
	Kshs (1/7/2016)	Kshs (1/7/2015)
Bank accounts	8,870,173	11,466,951
Cash in hand	-	-
Imprest	-	-
<b>Total</b>	<b>8,870,173</b>	<b>11,466,951</b>

**10. OTHER IMPORTANT DISCLOSURES**

**10.1: PENDING ACCOUNTS PAYABLE( Annex 1)**

	2016 – 2017	2015- 2016
	Kshs	Kshs
Construction of buildings	2,434,489.20	4,156,951.00
Construction of civil works	-	-
Supply of goods		-
Supply of services		1,838,387
<b>TOTAL</b>	<b>2,434,489.20</b>	<b>5,995,338</b>

**10.2 OTHER PENDING PAYABLES (Annex 2)**

	2016-2017	2015-2016
	Kshs	Kshs
Amounts due to other Government entities (see attached list)		xxx
Amounts due to other grants and other transfers (see attached list)	6,950,000	xxx
<b>Total</b>	<b>6,950.000</b>	<b>xxx</b>

**10.3 : PMCs ACCOUNT BALANCES (Annex 5)**

Details	2016 - 2017 As at 30/6/2017	2015-2015
	Kshs	Ksh
PMCs Accounts balances	10,961,765.81	830.26



**10.4 PENDING ACCOUNT RECEIVABLES (PENDING DISBURSEMENTS FROM NG-CDF BO.  
(Annex 6)**

<b>Details</b>	<b>2016 - 2017 As at 30/6/2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Ksh</b>
Pending disbursement.	6,950,000	<b>20,700,000</b>

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**ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	A	B	C	d=a-c		
<b>Construction of buildings</b>						
1. Nyawambi Buldcive Contractors	3,493,537.20	5/12/2016	1,059,048	2,344,89.20	N/A	Project completed in 2017/2018
2.						
3.						
<b>Sub-Total</b>	<b>3,493,537.20</b>			<b>2,344,89.20</b>		
<b>Supply of goods</b>						
4.						
5.						
6.						
<b>Sub-Total</b>						
<b>Supply of services</b>						
7.						
8.						
9.						
<b>Sub-Total</b>						
<b>Grand Total</b>	<b>3,493,537.20</b>			<b>2,344,89.20</b>		

**ANNEX 2: ANALYSIS OF OTHER PENDING PAYABLES**

**2.1 Other Grants and Other Transfers**

<b>No.</b>	<b>Project</b>	<b>Amount Ksh.</b>
1	Rangengni AP Line	150,000.00
2	Asembo Bay Chief Camp	1,500,000.00
3	Kamariga Chief Camp	1,500,000.00
4	Ndara-Okago Chief Camp	1,500,000.00
5	Nyangoye Beach Management Unit	400,000.00
6	Osindo Chief Camp	1,500,000.00
7	Ralayo Beach Management Unit	400,000.00
	<b>Total</b>	<b>6,950,000.00</b>

**ANNEX 3: SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost	Historical Cost
	(Kshs) 2016/17	(Kshs) 2015/16
Land		-
Buildings and structures	5,200,000	5,200,000.00
Transport equipment	3,130,000	3,130,000.00
Office equipment, furniture and fittings	6,259,048	899,456
ICT Equipment, Software and Other ICT Assets	490,000	490,000.00
Other Machinery and Equipment	-	0
Heritage and cultural assets	-	0
Intangible assets	-	0
<b>Total</b>	<b>10,778,504</b>	<b>9,719,456</b>

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**ANNEX 4: TRIAL BALANCE**

<b>RARIEDA NG-CDF</b>			
<b>TRIAL BALANCE AS AT 30TH JUNE 2017</b>			
		<b>DR</b>	<b>CR</b>
<b>Cash and Cash equivalents</b>			
	Bank Balances	2,455,789	
	Cash Balances	-	
<b>Payments</b>			
	Compensation of Employees	1,503,587	
	Use of goods and services	6,871,301	
	Committee Expenses	-	
	Transfers to Other Government Units	48,670,500	
	Other grants and transfers	41,816,500	
	Social Security Benefits	-	
	Acquisition of Assets	1,059,048	
	Other Payments	2,140,000	
<b>Receipts</b>			
	Transfers from the Board		95,646,552
<b>Fund Balance b/f</b>			8,870,173
<b>TOTAL</b>		<b>104,516,725</b>	<b>104,516,725</b>

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ANNEX 5 –PMC BANK BALANCES AS AT 30<sup>TH</sup> JUNE 2017

No	PMC	Bank	Account no.	Bank Balance 2016/ 207	Bank Balan 2016/ 207
1	Lweya Primary School	KCB	1147320441	429,650.45	59.
2	Nyamboyo Primary School	KCB	1154501933	350,000.70	140.
3	Kakremba Primary School	KCB	1207504970	115,589.45	15.
4	Kiswaro Primary School	KCB	1135112702	312,912.00	.
5	Langu Primary School	KCB	1208920279	175,215.55	.
6	Mirau Primary School	KCB	1132565170	257,390.26	275.
7	Lieta Secondary School	EQUITY	0750298311122	927,800.00	12.
8	Masala Secondary School	KCB	1133790112	328,740.85	275.
10	Ruma Secondary School	EQUITY	0297329832	12,078.90	7.
11	Makasembo Secondary School	EQUITY	0750402711310	427,000.65	42.
12	Nyakongo Secondary School	KCB	1137095156	899,997.75	-
13	Tanga Secondary School	KCB	1135314144	215,389.25	-
14	KMTC –RARIEDA	KCB	1203540949	6,510,000.00	-
	<b>Total</b>			<b>10,961,765.81</b>	<b>830.</b>

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**ANNEX 6: PENDING ACCOUNTS RECEIVABLES FROM THE NG-CDF BOARD**

No.	Project	Amount Ksh.
1	Rangengni AP Line	150,000.00
2	Asembo Bay Chief Camp	1,500,000.00
3	Kamariga Chief Camp	1,500,000.00
4	Ndara-Okago Chief Camp	1,500,000.00
5	Nyangoye Beach Management Unit	400,000.00
6	Osindo Chief Camp	1,500,000.00
7	Ralayo Beach Management Unit	400,000.00
	<b>Total</b>	<b>6,950,000.00</b>

**ANNEX 7: 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)
RE.KSM/RARIEDA/NGCDF/2015/16/3	During the year under review, twelve (12) projects worth Kshs. 22,300,000 were verified during the audit in the month of May, 2017. However, seven projects	The stalled projects were projects started by NG-CDF but now falling under the county government after enactment of NG-CDF Act, 2015. -Rarieda NG-CDF included the balance to completion of these projects but they were	NGCDF Board	Note 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)
	were found to be complete while four had stalled and one was in progress.	not approved as a result of new NG-CDF Act, 2015 which was aligned to the new Constitution and came into being which clearly indicate the kind of projects to be funded by the National Government. -Rarieda NG-CDF Management have already written to NG-CDF			

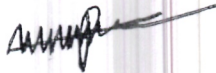
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Board to address the issue of unfinished devolved projects as per the Annexed 4 - letter from the Board asking about the projects from constituencies .-This is a good recommendation to NG-CDF Board about NG-CDF Act 2015 which the board</p>			

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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)
		should use to advise the National Assembly Select Committee on NG-CDF to introduce transitional clause on such projects.			

Prepared by:



**Peter Nyajure Achar**  
**Fund Account Manager**  
**Rarieda**