

REPUBLIC OF KENYA



*Paper Laid*  
*By LOMP, Hon Bualama*  
*on 11/4/2018*  
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OFFICE OF THE AUDITOR-GENERAL



**REPORT**

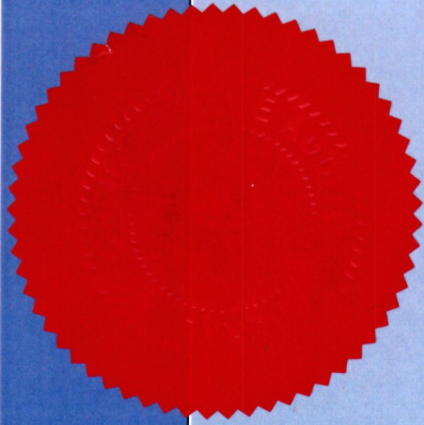
**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2016**





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

**REPORTS AND FINANCIAL STATEMENTS**

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

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

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

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Table of Content	Page
I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT .....	2
II. FORWARD BY THE CABINET SECRETARY.....	4
III. STATEMENT OF NGCDF MANAGEMENT RESPONSIBILITIES .....	5
IV. STATEMENT OF RECEIPTS AND PAYMENTS .....	6
V. STATEMENT OF ASSETS.....	7
VI. STATEMENT OF CASHFLOW.....	8
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED .....	9
VIII. SIGNIFICANT ACCOUNTING POLICIES.....	10
IX. NOTES TO THE FINANCIAL STATEMENTS.....	12

## I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

### **Background information**

- (a) The Constituencies Development Fund (CDF) was established under the Constituencies Development Fund (CDF) Act, 2003, amended in 2007 and repealed by the CDF Act of 2013. In 2015, the CDF Act of 2013 was declared unconstitutional and a new Act was enacted in 2015, being the National Government Constituencies Development Fund Act, NG-CDF Act, 2015. The National Government Constituencies Development Fund (NG-CDF) is under the Ministry of Devolution and Planning. The objective of the Fund is to provide mechanisms for supplementing implementation of the National Government development Agenda at the constituency level.

### **(b) Key Management**

The NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND SOUTH MUGIRANGO Constituency's day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NG-CDFB)
- ii. National Government Constituency Development Fund Committee (Ng-Cdfc)

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

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	<b>Yusuf Mbuno</b>
2.	A.I.E holder	<b>Francis O.Onyango</b>
3.	Accountant	<b>Antony Mbugua</b>
4.		

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

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of SOUTH MUGIRANGO Constituency. The reports and recommendation of ARMC when adopted by the NG-CDF Board are forwarded to the NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND Committee (NG-CDFC) for action. Any matters that require policy guidance are forwarded by the Board to the Cabinet Secretary and National Assembly Select Committee.

### **(e) SOUTH MUGIRANGO NG-CDF Headquarters**

NG-CDF Office complex ,Nyarambe.  
P.O Box 991-40200.  
Kisii

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO  
CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2016

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**(f) SOUTH MUGIRANGONGCDF Contacts**

Telephone: (254) 0725912723  
E-mail: south mugirango@ngcdf.go.ke

**(g) SOUTH MUGIRANGONGCDF Bankers**

1. Cooperative Bank of Kenya  
Rongo

**(h) Independent Auditors**

Auditor General  
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

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO  
CONSTITUENCY

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

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

It is my pleasure to present to you NG-CDFC SOUTH MUGIRANGO annual report and financial statements for the financial year 2015/2016

The actual amounts utilised by the constituency in its various expense items were less than 100% of its budget performance, however the target should be 100% if funds are availed in time during the financial year.

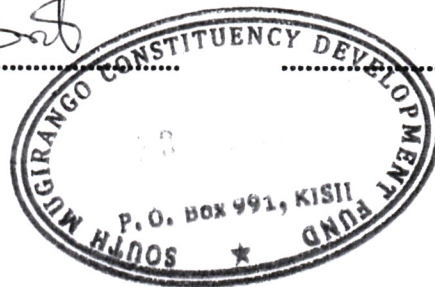
**Key achievements for the CDF**

- By providing funds directly to each constituency for fighting poverty, NG-CDF assists in ironing out regional imbalances due to patronage.
- NG-CDF has been able to open rural access roads (feeder roads) thus contributing to economic growth.
- Through the Health Sector NG-CDF has made it possible for the public to easily access health facilities
- Water projects have been implemented to enhance access to clean and reliable water.
- In the education sector-NG- CDF funding of schools has assisted in increasing student enrolment, the NG-CDF bursary has helped retain in schools students from low income families.

**Implementation challenges and recommended way forward**

- Late disbursement of funds, lead to rise in project costs due to factors like inflation due to time value of money and also the public do not get the value of the funds in time, a good case is in late bursary awards, to remedy this, funds should be released by NG-CDF Board in time.
- Frequent development forums and awareness forums should be held to intuit the public with information concerning the development initiatives, from various funding agencies and stakeholders and NG-CDF, County Government and other development stakeholders plan together to avoid duplication of projects
- Lack of a simple but standardized practical curriculum for training PMC's in order to enhance their capacity to implement the projects, hence a PMC training manual should be operationalised.

ZERA OMWANDO NCDFC Chairperson.....



### 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 NG-CDF 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 SOUTH MUGIRANGO NG-CDF is responsible for the preparation and presentation of the NG-CDF's financial statements, which give a true and fair view of the state of affairs of the NG-CDF 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 NG-CDF; (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 NG-CDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

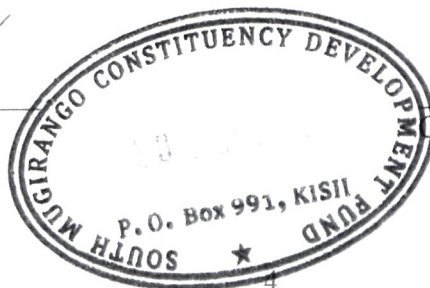
The Accounting Officer in charge of the SOUTH MUGIRANGO NG-CDF accepts responsibility for the NG-CDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NG-CDF's financial statements give a true and fair view of the state of NG-CDF's transactions during the financial year ended June 30, 2016, and of the NG-CDF's financial position as at that date. The Accounting Officer in charge of the SOUTH MUGIRANGO-NG-CDF further confirms the completeness of the accounting records maintained for the NG-CDF, 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 SOUTH MUGIRANGO-NG-CDF confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NG-CDF'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 NG-CDF'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 NG-CDF's financial statements were approved and signed by the Accounting Officer on 30 September 2016.

Fund Account Manager



Chairperson

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI



## **OFFICE OF THE AUDITOR-GENERAL** **REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES** **DEVELOPMENT FUND - SOUTH MUGIRANGO CONSTITUENCY FOR THE YEAR ENDED 30** **JUNE 2016**

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### **REPORT ON THE FINANCIAL STATEMENTS**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - South Mugirango Constituency set out on pages 5 to 24, which comprise the statement of financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

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

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Summary Statement of Appropriation**

- i. The summary statement of appropriation reflects an original budget of Kshs.127,151,820 and an adjustment of Kshs.32,326,334 bringing the total budget to Kshs.159,478,154. However, the adjustments have not been supported by approved code list showing the 2014/2015 activities that were financed in 2015/2016.
- ii. The Constituency received Kshs.126,651,820 against the budgeted amount of Kshs.127,151,820 leading to undisbursed balance of Kshs.500.000.
- iii. The management did not provided schedules of projects earmarked for implementation from the funds rolled-over from the previous year. In the absence of the list of the projects, it has not been possible to confirm that the funds were utilized for the intended purpose.

Consequently, the accuracy and validity of summary statements of appropriation cannot be confirmed.

#### **2. Non-filing of Expenditure Returns by Project Management Committees**

The Constituency Development Fund Committee disbursed a total of Kshs.38,637,931 being transfers to other Government units during the year under review and specifically, to primary and secondary schools. These funds were administered through Project Management Committees (PMCs) spread all over the Constituency. However, grants totalling Kshs.18,800,000 disbursed to various PMCs were not supported with expenditure returns including cashbooks, bank statements, stores records, minutes, and other relevant accounting documents

In the absence of the supporting documents, the propriety of the disbursements totalling Kshs.38,637,931 cannot not be confirmed.

#### **3. Construction of Nyaketonkono Water Project**

The Constituency Development Fund Committee (CDFC) directly implemented the construction of Nyaketonkono Water Project at contract sum of Kshs.3,264,820 through a contract awarded to Sasi Contractors contrary to the provisions of the National

Government Constituencies Development Fund Act, 2015 which requires that all projects under the Act be implemented through Project Management Committees (PMCs) with the assistance of relevant National Government department. Direct implementation of projects by CDFCs contravenes the provisions of the Act.

### 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- South Mugirango 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. Budget Performance Analysis

During the year under review, South Mugirango CDF was allocated Kshs.127,151,820 by the National Government Constituency Development Fund Board but received Kshs.126,651,820 and incurred an expenditure totalling Kshs.91,083,741. Comparison of budget and actual expenditure amounts for the year under review is shown below:

Item	Budget Kshs	Actual Kshs	Under Expenditure Kshs	Over Expenditure Kshs	Absorpt -ion Rate %
Receipts	127,151,820	126,651,820			96%
<b>Payments</b>					
Compensation of Employees	2,311,320	1,960,070	351,250		85%
Use of Goods and Services	7,873,808	3,993,164	3,880,644		51%
Committee Expenses	1,191,215	4,611,825		3,420,610	387%
Social Security Benefits	67,320	657,620		590,300	977%
Bursary/Cats/Mocks	17,500,000	13,180,000	4,320,000		75%
Transfers to Primary schools	14,000,000	18,737,931		4,737,931	134%
Transfers to Secondary Schools	20,500,000	19,900,000	600,000		97%
Transfer to tertiary Institutions	12,500,000	0	12,500,000		0%
Health Projects	400,000	0	400,000		0%
Water Projects	5,455,000	1,149,282	4,305,718		21%
Roads	35,385,510	19,121,508	16,264,002		54%
Security	1,700,000	3,600,000		1,900,000	212%
Environmental Projects	2,000,000	958,000	1,042,000		48%

Emergency	5,767,647	3,214,341	2,553,306		56%
Audit Fee	500,000	0	500,000		0%
<b>Total</b>	<b>127,151,820</b>	<b>91,083,741</b>	<b>46,216,920</b>	<b>10,648,841</b>	<b>72%</b>

The following were noted:

- i. Overall under expenditure was 36% below budget mainly attributed to low absorption of funds.
- ii. The Constituency under spent on eleven (11) line items with a total expenditure of Kshs.46,216,920 and overspent on four (4) line items with a total of Kshs.10,648,841.
- iii. Included in the total payments of Kshs.91,083,741 in the statements of receipts and payments is expenditure of Kshs.35,568,079 which relates to 2014/2015 which were rolled-over to the financial year 2015/2016.
- iv. The expenditure shows that committee expenses, security, primary schools, and social security had the highest over expenditure. No explanation was provided for the material variations and neither were reallocations approved by the National Government Constituencies Development Fund Board before the end of the financial year as required under the NGCDF Act 2015.
- v. As at 30 June 2016, the reconciled bank balance was Kshs.67,894,413. However some of the projects had not been undertaken and thus the citizens did not receive all the services provided for in the approved budget.

Delayed service delivery due to slow rate of absorption of funds may cause projects vital to the community's welfare not to be implemented.

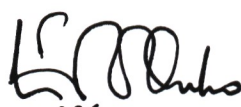
## 2. Project Verification

Sixteen (16) projects costing Kshs.22,407,817 were physically verified in June 2017. Nine of the projects were found to be complete and in use as analysed below:

Details	Project Activity	Kshs	Remarks
Rigena SDA Primary School	Construction of 2 classrooms and renovation of 7 classrooms	1,000,000	Project complete and labelling done
Nyakeyo Mixed Secondary School	Renovation of dormitory	500,000	Project complete and labelling done
Kiobweri Igare Road	Opening, grader works	3,264,820	Project complete and labelling done
Nyagetonkono Water Project	Rehabilitation of water spring	922,997	Project complete and labelling done
Bosinange Chiefs office	Construction of office	700,000	80% complete. No Labelling done

Kiendege Sec School	construction of science laboratory	700,000	Complete and in use
Nyangweta SDA Secondary School	Construction of a dining hall	3,000,000	Complete and in use
Nyatwoni Secondary School	Construction of two classrooms	1,000,000	Complete and in use
Marongo PAG.Sec.School	Construction of dormitory	1,000,000	Complete and in use
Ramoya Hill Sec	Construction of dormitory	2,000,000	Complete and in use
Nduru Girls High School	Construction of girls dormitory	2,500,000	Complete and in use
Nyamondo Water Project	rehabilitation of distribution lines	350,000	ongoing
Ekioge Water Project	purchase and fixing the main switch and wiring the pump house	470,000	ongoing
Moticho -Suguta	routine maintainance, drainage 6km	1,500,000	Complete and in use
Nyamarambe Esaka	Routine maintainance drainage 8 km	1,500,000	Complete and in use
Riogaro Riasabuonsi Nyandoro Matino Eboya Access Road	opening grader works 4km	2,000,000	Complete and in use
	<b>Total</b>	<b>22,407,817</b>	

It was noted that two projects were not branded because they were on-going. Lack of branding risks overlapping of projects especially in instances where other government agencies fund similar projects.



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

**Nairobi**

**20 February 2018**

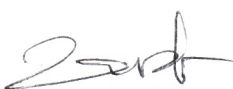
NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO  
CONSTITUENCY

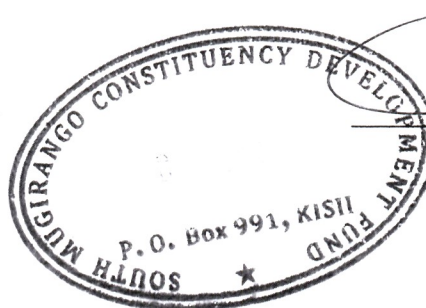
Reports and Financial Statements  
For the year ended June 30, 2016

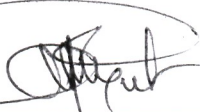
IV. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2016

RECEIPTS	Note	2015 - 2016	2014 - 2015
		Kshs	Kshs
Transfers from CDF board	1	126,651,820	119,890,426
Proceeds from Sale of Assets	2		
Other Receipts	3	-	
<b>TOTAL RECEIPTS</b>		<b>126,651,820</b>	<b>119,890,426</b>
<b>PAYMENTS</b>			
Compensation of employees	4	1,960,070	1,506,669
Use of goods and services	5	3,045,164	2,967,977
Committee Expenses	6	5,559,825	7,085,150
Transfers to Other Government Units	7	38,637,931	23,772,493
Other grants and transfers	8	41,223,131	79,086,983
Social Security	9	657,620	21,500
Acquisition of Assets	10	-	-
Other Payments	11	-	138,427
<b>TOTAL PAYMENTS</b>		<b>91,083,741</b>	<b>114,579,199</b>
<b>SURPLUS/DEFICIT</b>		<b>35,568,079</b>	<b>5,311,226</b>

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

  
Chairperson - NGCDFC



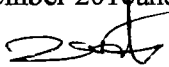
  
Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO  
 CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2016

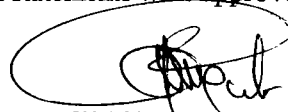
V. STATEMENT OF ASSETS AS AT 30 JUNE 2016

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	12A	67,894,413	32,326,334
Cash Balances (cash at hand)	12B	-	-
Outstanding Imprests	13	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b><u>67,894,413</u></b>	<b><u>32,326,334</u></b>
<b>REPRESENTED BY</b>			
Retention	14		
Fund balance b/fwd 1st July 2015	15	32,326,334	27,015,117
Surplus/Deficit for the year		35,568,079	5,311,227
Prior year adjustments	16	-	-
<b>NET LIABILITIES</b>		<b><u>67,894,413</u></b>	<b><u>32,326,344</u></b>

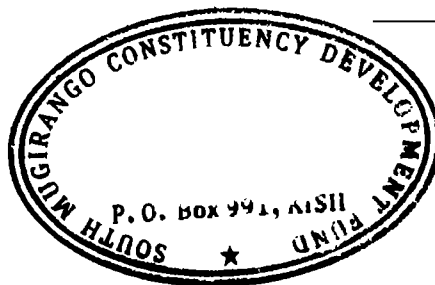
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Chairperson – NG-CDFC



Fund Account Manager



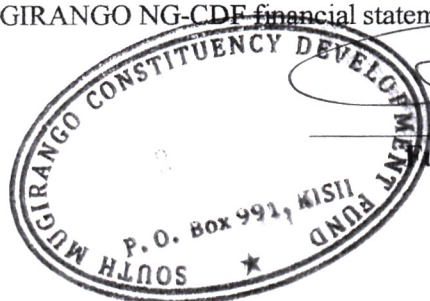
NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO  
 CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2016

VI. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2016

Receipts for operating income		2015 - 2016	2014 - 2015
Transfers from CDF Board	1	126,651,820	119,890,426
Other Receipts	3	-	-
		<b>126,651,820</b>	<b>119,890,426</b>
<b>Payments for operating expenses</b>			
Compensation of employees	4	1,960,070	1,506,669
Use of goods and services	5	3,045,164	2,967,977
Committee Expenses	6	5,559,825	7,085,150
Transfers to Other Government Units	7	38,637,931	23,772,493
Other grants and transfers	8	41,223,131	79,086,983
Social Security	9	657,620	21,500
Other Payments	11	-	138,427
		<b>91,083,741</b>	<b>114,579,199</b>
<b>Adjusted for:</b>			
Adjustments during the year	11	-	-
<b>Net cash flow from operating activities</b>		<b>35,568,079</b>	<b>5,311,227</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	-	-
<b>Net cash flows from Investing Activities</b>		-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>35,568,079</b>	<b>5,311,227</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	15	<b>32,326,334</b>	<b>27,015,117.00</b>
<b>Cash and cash equivalent at END of the year</b>		<b>67,894,413</b>	<b>32,326,344</b>

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

  
 Chairperson NG-CDFC



  
 and Account Manager

*CONSTITUENCIES DEVELOPMENT FUND SOUTH MUGIRANGO CONSTITUENCY*  
**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 %
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
<b>RECEIPTS</b>						
Transfers from CDF Board	127,151,820	32,326,334	159,478,154	158,978,154	500,000	99.7%
Proceeds from Sale of Assets				-	-	
Other Receipts	-			-	-	
<b>TOTAL</b>	<b>127,151,820</b>	<b>32,326,334</b>	<b>159,478,154</b>	<b>158,978,154</b>	<b>500,000</b>	<b>99.7%</b>
<b>PAYMENTS</b>						
Compensation of Employees	2,378,640	500,000	2,878,640	1,960,070	260,950	90.9%
Use of goods and services	7,873,808	-	7,873,808	3,045,164	4,828,644	39%
Committee Expenses	1,191,215		1,191,215	5,559,825	4,368,610	467%
Transfers to Other Government Units	47,400,000	23,137,931	70,537,931	38,637,931	31,900,000	54.8%
Other grants and transfers	67,808,157	8,688,403	76,496,560	41,223,131	35,273,429	53.9%
Social Security				657,620	-	100%
Other Payments	500,000		500,000		500,000	0.0%
<b>TOTAL</b>	<b>127,151,820</b>	<b>32,326,334</b>	<b>159,478,154</b>	<b>91,083,741</b>	<b>68,394,413</b>	<b>57.1%</b>

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

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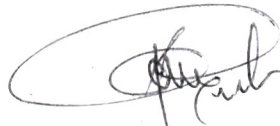
- a. There is underutilization of funds in transfers to the other governments units other grants and transfer is because part of the funding had not been granted to the respective projects due to delayed funding from the NG-CDF board.
- b. The excess expenditure on committee expenses is a result of amalgamation of Monitoring and evaluation and Office administration which serves the item of committee expenses.
- c. The excess in use of goods and services are as a result of employer's contribution and penalties due to late payments which were not budgeted for.

The SOUTH MUGIRANGONGCDF financial statements were approved on 30 September 2016 and signed by:



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**Chairperson NG-CDF**



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**Fund Account Manager**

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

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**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 NG-CDF 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 NG-CDF.

**2. Recognition of revenue and expenses**

The NG-CDF recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the NG-CDF. In addition, the NG-CDF 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 NG-CDF 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 NG-CDF 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 other persons which have not been rendered or accounted for at the end of the financial year.

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SOUTH  
MUGIRANGO CONSTITUENCY  
Reports and Financial Statements  
For the year ended June 30, 2016  
SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**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 NG-CDF 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 NG-CDF'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 NG-CDF'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 – SOUTH  
MUGIRANGO CONSTITUENCY  
Reports and Financial Statements  
For the year ended June 30, 2016

IX. NOTES TO THE FINANCIAL STATEMENTS

<b>1 TRANSFERS FROM OTHER GOVERNMENT AGENCIES</b>			
<b>Description</b>		<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Disbursement</b>	A 724154	10,000,000.00	119,890,426
	A 796370	10,000,000.00	
	A820790	20,000,000.00	
	A 820644	10,000,000.00	-
	A821000	13,000,000.00	
	A825814	63,651,820.00	
<b>TOTAL</b>		<b>126,651,820.00</b>	<b>119,890,426</b>

<b>2 PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS</b>			
<b>Description</b>		<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
Receipts from the Sale of Buildings		-	
Receipts from the Sale of Vehicles and Transport Equipment		-	-
Receipts from the Sale Plant Machinery and Equipment		-	
Receipts from the Sale of office and general equipment		-	
	<b>Total</b>		

<b>3 OTHER RECEIPTS</b>			
<b>Description</b>		<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
Interest Received		-	-
<b>Total</b>		<b>-</b>	<b>-</b>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**4 COMPENSATION OF EMPLOYEES**

Description	2015 -	2014 -
	2016	2015
	Ksh	Ksh
Basic wages of contractual employees	1,780,070	1,506,669
Basic wages of casual labor	-	-
<b>Personal allowances paid as part of salary</b>	-	-
House allowance	120,000	-
Transport allowance	-	-
Leave allowance	-	-
Other personnel payments(MEDICAL ALLOWENCE)	60,000	-
gratuity	-	-
<b>Total</b>	<b>1,960,070</b>	<b>1,506,669</b>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**5 USE OF GOODS AND SERVICES**

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Utilities, supplies and services		
Office rent	78,000	156,000
Communication, supplies and services	6,960	410,260
Domestic travel and subsistence	1,031,100	573,600
Printing, advertising and information supplies & services	271,020	-
Rentals of produced assets	-	-
Training expenses	681,000	1,473,500
Hospitality supplies and services	-	553,500
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	207,483.86	362,489.44
Fuel ,oil & lubricants	474,000	725,960
Other operating expenses	-	-
Routine maintenance – vehicles and other transport equipment	295,600.20	843,597
Routine maintenance – other assets	-	-
<b>Total</b>	<b>3,045,164</b>	<b>2,967,977</b>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. COMMITTEE EXPENSES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Other committee expenses	4,611,825	7,085,150
Committee allowance	948,000	
<b>Total</b>	<b>5,559,825</b>	<b>7,085,150</b>

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

**7 TRANSFERS TO OTHER GOVERNMENT ENTITIES**

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Transfers to primary schools	18,737,931	7,120,977.50
Transfers to secondary schools	19,900,000	12,200,000.00
Transfers to Tertiary institutions	-	
Transfers to Health institutions	-	4,451,515.48
<b>TOTAL</b>	<b>38,637,931</b>	<b>23,772,493</b>

**8 OTHER GRANTS AND OTHER PAYMENTS**

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bursary -Secondary	100,000	-
Bursary -Tertiary	13,080,000	17,951,000
Bursary-Special schools	-	-
Mocks & CAT	-	-
water	1,149,282	13,775,743.80
Agriculture (food security)		-
Electricity projects	-	-
Security	3,600,000	-
Roads	19,121,508	46,606,323.67
office renovations	-	619,915.30
Other capital grants and transfer(Environment	958,000	134,000
Emergency Projects	3,214,341	-
<b>Total</b>	<b>41,223,131</b>	<b>79,086,983</b>

**9. SOCIAL SECURITY**

Description	2015 - 2016	2014 - 2015
	Ksh	Ksh
Personal allowances paid as part of salary	-	
Employer contribution to NSSF	657,620	23,500
gratuity	-	
<b>Total</b>	<b>657,620</b>	<b>23,500</b>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 ACQUISITIONS OF ASSETS

	2015 - 2016	2014 - 2015
<b>Non-Financial Assets</b>	<b>Kshs</b>	<b>Kshs</b>
Purchase of Buildings	-	-
Construction of Buildings	-	-
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 photocopier	-	-
Purchase of other office Equipment's	-	-
Purchase of soft ware	-	-
Acquisition of Land	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**11 OTHER PAYMENTS**

		<b>2015 - 2016</b>	<b>2014 - 2015</b>
		<b>Kshs</b>	<b>Kshs</b>
NHIF		-	21,260
KRA		-	143,275
<b>TOTAL</b>		<b>-</b>	<b>164,535</b>

<b>12A: Bank Balances (cash book bank balance)</b>			
<b>Name of Bank, Account No. &amp; currency</b>		<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Account Number</b>	<b>Kshs (30/6/2016)</b>	<b>Kshs (30/6/2015)</b>
COOPERATIVE BANK, RONGO.	01120018205600,	67,894,413	32,326,334.00
<b>Total</b>		<b>67,894,413</b>	<b>32,326,334</b>

**12B: CASH IN HAND)**

	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs (30/6/2015)</b>	<b>Kshs (30/6/2015)</b>
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other receipts (specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<b>13: OUTSTANDING IMPRESTS</b>			
<i>Name of Officer</i>		<i>Amount Taken</i>	<i>Amount Surrendered</i>
	<b>Date imprest taken</b>	<i>Kshs</i>	<i>Kshs</i>
			-
		-	-
		-	-
<b>14 Retention</b>			
<b>Supplier/Contractor</b>	<b>PV no</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - SOUTH  
MUGIRANGO CONSTITUENCY

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**15 BALANCES BROUGHT FORWARD**

	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs (1/7/2015)</b>	<b>Kshs (1/7/2014)</b>
Bank accounts	32,326,334.00	24,224,336
Cash in hand	-	
Imprest	-	2,790,780
<b>Total</b>	<b>32,326,334</b>	<b>27,015,117</b>

<b>16. PRIOR YEAR ADJUSTMENTS</b>	<b>2015 - 2016</b>	<b>2014 - 2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts		
Cash in hand	-	
Imprest	-	-
	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

17. OTHER IMPORTANT DISCLOSURES

17.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2015- 2016	2014 - 2015
	Kshs	Kshs
Construction of buildings	0	0
Construction of civil works	0	0
Supply of goods	0	0
Supply of services	0	0
	<b>0</b>	<b>0</b>

17.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
Senior management	0	0
Middle management	0	0
Unionisable employees	0	0
Others (specify)	0	0
	<b>0</b>	<b>0</b>

17.3: OTHER PENDING PAYABLES (See Annex 3)

	Kshs	Kshs
Amounts due to other Government entities (see attached list)	30,294,280	0
Amounts due to other grants and other transfers (see attached list)	28,217,459	0
Others (specify)	2,552,768	0
	<b>61,064,507</b>	<b>0</b>

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SOUTH  
MUGIRANGO CONSTITUENCY  
For the year ended June 30, 2016

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost	Historical Cost
	(Kshs)	(Kshs)
	2015/16	2014/15
Land		NIL
Buildings and structures	7,281,179.00	7,281,179.00
Transport equipment	4,378,363.00	4,378,363.00
Office equipment, furniture and fittings	81,180.00	81,180.00
ICT Equipment, Software and Other ICT Assets	280,067.00	280,067.00
Other assets (cutlery)	10,274.00	10,274.00
<b>Total</b>	<b>12,031,063.00</b>	<b>12,031,063.00</b>

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – SOUTH  
MUGIRANGO CONSTITUENCY

For the year ended June 30, 2016

**ANNEX 5 –FOLLOWUP OF PREVIOUS AUDIT REPORTS**

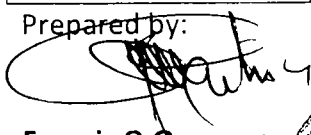
The following audit issues raised by the auditor in the prior years and how we have responded:

Reference Number	Audit Issues in 2014/20`15	Management Comments	Focal Point	Status
<b>Summary Statement of Appropriation</b>	The summary statement of appropriation indicates the current year's final budget figures for total receipts and total payments as Kshs. 144,114,763. However, a record from the National Government Constituency Development Fund Board indicates that the final approved budget for the year 2014/2015 was Kshs. 119,890,426. The accuracy of the Summary statement of appropriation could not therefore be confirmed		Fund Manager/Accountant	Resolved
<b>Implementation of Projects</b>	Contrary to the provisions of the CDF Act which requires that all projects under the Act be implemented through Project Management Committees (PMCs) with the assistance of relevant Government departments, it was observed that there were some projects funded by the CDF being implemented by the Constituency Development Fund Committee (CDFC)		Fund Manager/Accountant	Resolved
<b>Unauthorized Re-allocation of Funds</b>	A review of the accounting records of South Mugerango indicated that payments for the purchase of furniture and the		Fund Manager/Accountant	

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND SOUTH MUGIRANGO CONSTITUENCY  
 For the year ended June 30, 2016

	Nyamokomba water projects exceeded the approved allocations for the year under review. The CDF used funds from other budget items			
Inadequate Project Implementation documents	The South Mugirango Constituency Development Fund committee disbursed a total of Kshs 23,772,493 in the form of transfers to other Government units during the year under review as reflected in the statement of receipts and transfers. These funds were administered through Project Management Committees (PMCs) spread throughout the constituency. During the audit review, disbursements totaling Kshs 13,700,000 made to various PMCs were not adequately supported with complete expenditure returns including cashbooks, bank statements, stores records, minutes, and other relevant accounting documents		Fund Manager/Accountant	Resolved

Prepared by:



Francis O. Onyango  
 FUND ACCOUNT MANAGER  
 SOUTH MUGIRANGO CDF

