

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY
PAPERS LAID

REPORT

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THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
NYARIBARI MASABA CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2017**





**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND
NYARIBARI MASABA CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

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

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



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – NYARIBARI
MASABA CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *National Government Constituencies Development Fund (NG-CDF)* was set up under the NG-CDF Act, 2003 now repealed by the NG-CDF Act, 2016. The *National Government Constituencies Development Fund* is represented by the Cabinet Secretary for Treasury and Planning, who is responsible for the general policy and strategic direction of the *National Government Constituencies Development Fund*. The objective of the fund to ensure that specific portion of the national annual budget is devoted to the constituencies for purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

(b) Key Management

The *Nyaribari Masaba 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 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Patrick M. Lidovolo
3.	Accountant	Charles Nyasani
4.	Chairman	Richard Okindo

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NG-CDF Board provide overall fiduciary oversight on the activities of NYARIBARI MASABA Constituency. The reports and recommendation of ARMC when adopted by the NGCDF Board are forwarded to the 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) NYARIBARI MASABA CDF Headquarters

P.O. Box 976
Masaba South Sub-County Hqs,
NG-CDF Office,
Keroka - Kilgoris Road
MASIMBA,
KISII COUNTY.



Reports and Financial Statements

For the year ended June 30, 2017

(f) NYARIBARI MASABA CDF Contacts

Telephone: (254) 723-447-873

E-mail: cdfnyaribarimasaba@ngcdf.go.ke

Website: www.ngcdf.go.ke

(g) NYARIBARI MASABA CDF Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

1. Co-operative Bank of Kenya,
Keroka Branch
KEROKA

(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 Nyaribari Masaba National Government Constituency Development Fund Committee in the financial year 2016/17 was allocated Eighty one million, eight hundred and ninety six thousand, five hundred and fifty one shillings and seventy cents (Kshs. 81,896.551.70) by the NGCDF Board.

During the financial year the entire amount was disbursed to the constituency, thus achieving a 100% Budget funding. The CDFC was able to disburse the funds to the Project Management Committees and also able to pay Service Providers as per the Committee and Technical Departments recommendations. In this regard, over 80% of the projects implemented are complete, with the remaining 20% at diverse levels of completion. Those projects that were completed have been successfully handed over to the community and commissioned.

The bursary for the financial year has been 100% disbursed to various Academic Institutions during the financial year.

With the above enumerated achievements, the Nyaribari Masaba National Government Constituency Development Fund Committee look forward to better performance in the next financial year 2017/18.

Sign.....
CHAIRMAN NGCDFC



Reports and Financial Statements
For the year ended June 30, 2017

III. STATEMENT OF CDF 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 agency shall prepare financial statements in respect of that agency. 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 Nyaribari Masaba Constituency Development Fund is responsible for the preparation and presentation of the Nyaribari Masaba NG-CDF financial statements, which give a true and fair view of the state of affairs of the Nyaribari Masaba NG-CDF 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 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 Nyaribari Masaba 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, 2017, and of the *NG-CDF's* financial position as at that date. The Accounting Officer charge of the Nyaribari Masaba 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 *NG-CDF's* financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the NG-CDF confirms that the Nyaribari Masaba 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 29 SEPT. 2017.



Fund Account Manager



Chairman NG-CDFC





OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Nyaribari Masaba Constituency set out on pages 5 to 16, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined 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.

In my opinion, because of the significant matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of National Government Constituencies Development Fund-Nyaribari Masaba Constituency as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (cash basis) and do not comply with the National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1. Inaccuracies of the Financial Statements

1.1 Opening Balance Difference

The statements of receipts and payments for the year ended 30 June 2017 revealed that opening balances were not correctly transferred from the previous year's financial statements on the following items;

Item	Opening Balances as per statements Kshs.	Audited Balance Kshs.	Variance Kshs.
Other Grants and Transfers	32,326,068	31,255,587	1,070,481
Use of goods and services	732,778	7,683,249	6,950,471
Surplus/Deficit	51,739,856	52,797,537	1,057,681
Fund Balance b/f	13,626,640	12,451,959	1,174,681

Consequently, the accuracy and completeness of the opening balances could not be confirmed.

1.2 Failure to Prepare a Trial Balance

The management did not prepare and provide for audit review the trial balance for the year ended 30 June 2017. Therefore, it is not clear how the financial statements submitted for audit were prepared without a trial balance.

2. Cash and Cash Equivalents

The statements of financial assets reflect a bank balance of Kshs.10,974,252 as at 30 June 2017. However, the bank balance as per the reconciliation statement is reflected as Kshs.7,302,810. In addition, the balance includes stale unrepresented cheques totaling Kshs.327,304 not reversed in the cash book as at the end of the year.

Consequently, the cash and cash equivalents balance of Kshs.7,302,810 as at 30 June 2017 could not be confirmed.

3. Receipts Not Disclosed

The statement of receipts and payments for the year ended 30 June 2017 reflected a total of Kshs.81,936,551 as receipts. However, a review of the cash book revealed that a total of Kshs.200,000 was received as project supervision fees but was omitted from the total receipts.

Consequently, the receipts balance of Kshs.81,936,551 for the year ended 30 June 2017 was not correctly stated.

4. Procurement

4.1 Procurement Records Not Availed

Included in the other grant and transfers balance of Kshs.78,428,068 is Kshs.11,480,000 relating to emergency projects. A review of emergency payments

revealed that Kshs.4,000,000 was disbursed to Ikorongo Police Post for construction, installation of electricity, fencing, water harvesting, piping and lightning arrestors.

However, expenditure returns and other supporting documents were not availed for audit review.

Consequently, it has not been possible to confirm the propriety of the expenditure.

4.2 Procurement of Vehicle Tyres

Included in the use of goods and services balance of Kshs.7,183,218 is an amount Kshs.207,000 for purchase of tyres for five (5) motor vehicles. The direct procurement was done on the basis of a proforma invoice contrary to Section 105 of the Public Procurement and Assets Disposal Act, 2015 which states that a procuring entity may use a request for quotations from the register of suppliers for a procurement if the estimated value of goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in the regulations.

Consequently, the management was in breach of the law.

5. Bank Charges Not Disclosed

The statement of receipts and payments reflects expenditure of Kshs.7,183,218 on the use of goods and services. However, bank charges totaling Kshs.59,279 paid to Cooperative Bank of Kenya as bank charges were not disclosed.

Consequently, the balance of Kshs.7,183,218 on use of goods and services was not correctly stated.

6. Non-filing of Expenditure Returns

Included under other grants and other transfers figure of Kshs.78,428,068 is Kshs.1,556,034 paid for purchase of sports kits for 48 teams and Kshs.1,556,034 for planting of tree seedlings in selected schools all totaling to Kshs.3,112,068 . However, expenditure returns for the sports kits and tree seedlings projects were not availed for audit review.

Consequently, the propriety of the Kshs.3,112,068 relating to sports and environment expenditures could not be confirmed.

7. Funding of Devolved Government Functions

Included in other grants and transfers balance of Kshs.78,428,068 is Kshs.1,200,000 disbursed to fund health functions. However, even after the enactment of the NG-CDF Act, 2015 on 16 February 2016, the management continued to fund County government functions contrary to Section 24 of the Act which states that projects under this Act shall be respect of works, services falling within the functions of the national government under the Constitution.

Consequently, the management was in breach of the NG-CDF Act, 2015.

8. Emergency Projects

Included in the total grants and payments balance of Kshs.78,428,068 is Kshs.11,480,000 relating to emergency projects. However, a total of Kshs.4,400,000 was disbursed for construction of a police post from the emergency vote which did not qualify for funding as emergency in accordance with Section 8(3) of the National Government Constituencies Development Fund Act, 2015.

Consequently, the propriety of Kshs.4,400,000 spent on emergencies could not be confirmed.

9. Irregularities in Implementation of Projects

Included in grants and other transfers figure of Kshs.78,428,068 as reflected in the statement of receipts and payments are various projects amounting to Kshs.11,480,000 implemented by various PMCs in the year under review. However, the following anomalies were noted,

- i. Moi Kisii Primary School was allocated Kshs.818,194 paid to a contractor for construction of a class room which had not been constructed as at the time of the audit.
- ii. Kiamokama Administration Police Post received Kshs.300,000 for construction of a latrine which had not been constructed at the time of the audit.
- iii. Metembe Dispensary was allocated Kshs.300,000 for roofing, fixing doors and plastering of walls. However, works had not been done at the time of the audit.
- iv. Mogweko Dispensary received Kshs.300,000 for roofing, fixing doors and plastering. The works had not been done at the time of the audit on 10 May 2018.

Consequently, the propriety and completeness of these expenditures amounting to Kshs.1,718,194 for the year ended 30 June 2017 could not be confirmed.

10. Bursary Disbursements Not Supported

Included in the transfer to other grants and transfers figure of Kshs.78,428,068 is Kshs.63,836,000 issued as bursaries. However, minutes and payments vouchers for bursaries totaling Kshs.28,017,000 were not availed for audit review.

Consequently, the propriety of Kshs.28,017,000 paid out as bursaries 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- Nyaribari Masaba 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 adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Adverse Opinion and Other Matter sections of my report, I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

During the year under review, the Fund spent Kshs.143,928,892 against a budgeted amount of Kshs.136,211,795 resulting to an under-absorption of Kshs.7,717,097 representing 5% as highlighted below:

Expense Item	Final Budget Kshs.	Actual on Comparable Basis Kshs.	Budget Utilization Difference Kshs.	% of Utilization
Payments				
Compensation of Employees	980,000	667,000	313,000	68
Use of goods and services	2,765,000	7,183,218	(4,418,218)	260
Transfers to Other Government Units	76,383,744	49,933,509	26,450,235	65
Other grants and transfers	63,800,148	78,428,068	(14,627,920)	123
Totals	143,928,892	136,211,795	7,717,097	95

The management underspent a total of Kshs.26,775,235 on two (2) expenditure items and also over spent a total of Kshs.19,046,138 on two items. No explanation was provided for the big variations.

2. Failure to Address Prior Year Matters

The management did not outline remedial measures on matters relating to cash and cash equivalents and implementation of projects reported in the previous year as required.

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 continue 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.

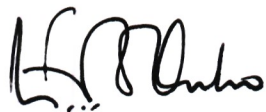
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 continue 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

20 September 2018



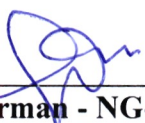
Reports and Financial Statements

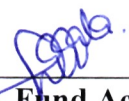
For the year ended June 30, 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	81,896,551.70	127,581,663.00
Other Receipts	2	40,000.00	117,000.00
TOTAL RECEIPTS		81,936,551.70	127,698,663.00
PAYMENTS			
Compensation of employees	3	667,000.00	1,927,800.00
Use of goods and services	4	7,183,218.00	7,683,249.00
Transfers to Other Government Units	5	49,933,509.00	34,034,490.00
Other grants and transfers	6	78,428,068.00	31,255,587.00
TOTAL PAYMENTS		136,211,795.00	74,888,326.00
Deficit		(54,275,243.30)	52,797,537.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nyaribari Masaba NG-CDF financial statements were approved on 29 SEPT. 2017 and signed by:


 Chairman - NG-CDFC


 Fund Account Manager

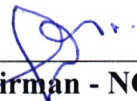



Reports and Financial Statements
 For the year ended June 30, 2017

V. STATEMENT OF ASSETS

	Note	2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	7	10,974,252.00	65,249,496.00
Outstanding Imprest		-	-
TOTAL FINANCIAL ASSETS		10,974,252.00	65,249,496.00
REPRESENTED BY			
Fund balance b/fwd 1st July 2017	7	65,249,496.00	12,451,959.00
Surplus/Deficit for the year		(54,275,243.30)	52,797,537.00
NET LIABILITIES		10,974,252.70	65,249,496.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nyaribari Masaba NG-CDF financial statements were approved on 29 SEPT. 2017 and signed by:


 Chairman - NG-CDFC


 Fund Account Manager



Reports and Financial Statements
 For the year ended June 30, 2017

VI. STATEMENT OF CASHFLOW

Receipts for operating income		2016-2017	2015-2016
Transfers from CDF Board	1	81,896,551.70	127,581,663.00
Other Receipts	2	40,000.00	117,000.00
Payments for operating expenses			
Compensation of Employees	3	667,000.00	1,927,800.00
Use of goods and services	4	7,183,218.00	7,683,249.00
Transfers to Other Government Units	5	49,933,509.00	34,034,490.00
Other grants and transfers	6	78,428,068.00	31,255,587.00
Net cash Outflow from operating activities		(54,275,243.30)	74,901,126.00
NET INCREASE IN CASH AND CASH EQUIVALENT			
		(54,275,243.30)	52,797,537.00
Cash and cash equivalent at BEGINNING of the year	7	65,249,496.00	12,451,959.00
Cash and cash equivalent at END of the year		10,974,252.70	65,249,496.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nyaribari Masaba NG-CDF financial statements were approved on 29 SEPT. 2017 and signed by:



 Chairman NG-CDFC



 Fund Account Manager



VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Transfers from CDF Board	81,896,551.70	65,289,496.00	147,186,047.70	147,186,047.70	-	99.83
Other Receipts	0.00	0.00	0.00	40,000.00		
TOTALS	81,896,551.70	65,289,496.00	147,186,047.70	147,226,047.70	0.00	99.83
PAYMENTS						
Compensation of Employees	980,000.00		980,000.00	667,000.00	313,000.00	68.06
Use of goods and services	2,765,000.00		2,765,000.00	7,183,218.00	(4,418,218.00)	259.79
Transfers to Other Government Units	40,500,000.00	35,883,744.00	76,383,744.00	49,933,509.00	26,450,235.00	65.37
Other grants and transfers	34,394,396.10	29,405,752.00	63,800,148.10	78,428,068.00	(14,627,919.90)	122.93
TOTALS	78,639,396.10	65,289,496.00	143,928,892.10	136,211,795.00	7,717,097.10	

The Nyaribari Masaba NG-CDF financial statements were approved on 29 SEPT. 2017 and signed by:


Chairman NG-CDF


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 *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

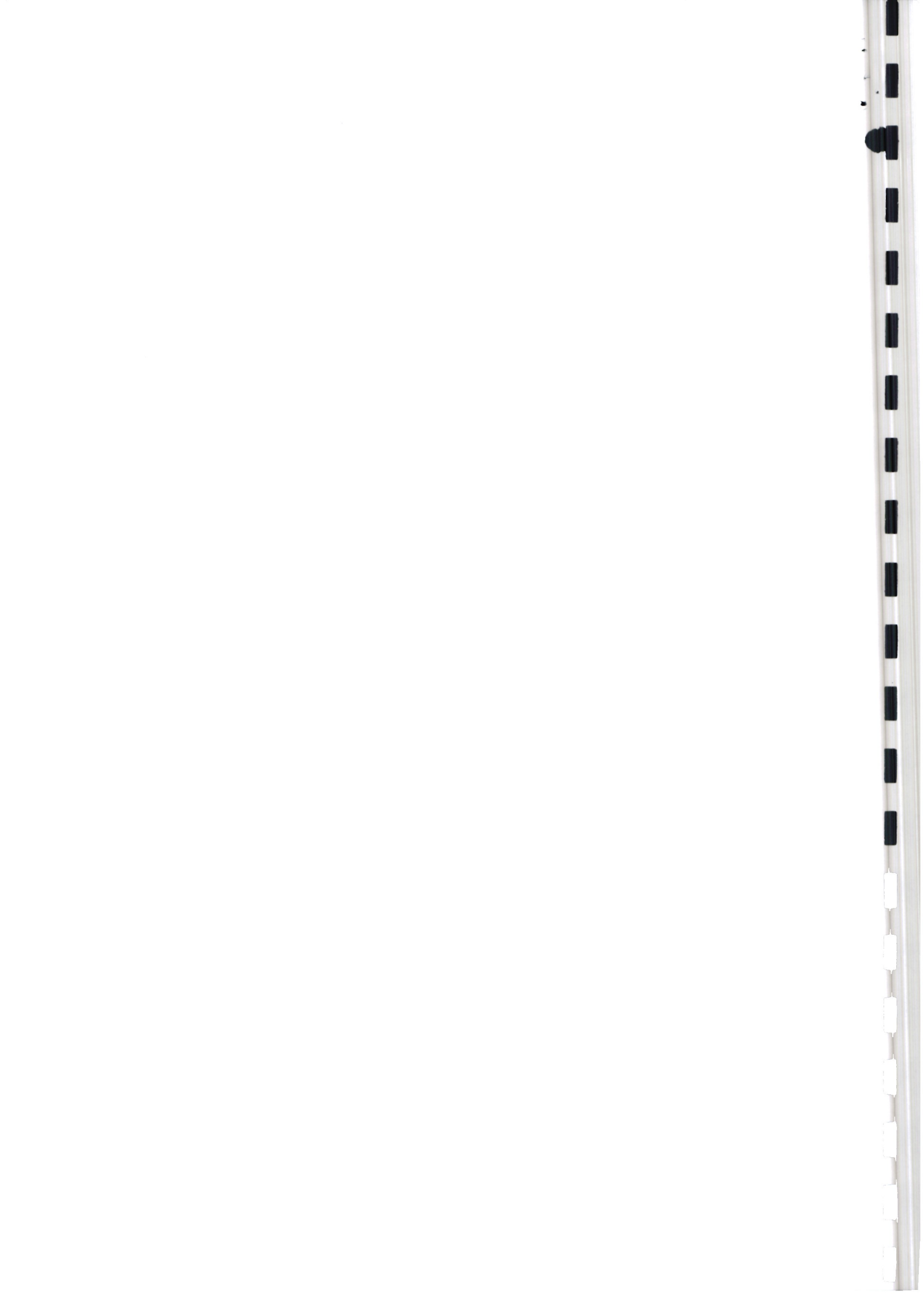
The *NG-CDF* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *NG-CDF*. In addition, the *NG-CDF* recognises all expenses when the event occurs and the related cash has actually been paid out by the *NG-CDF*.

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

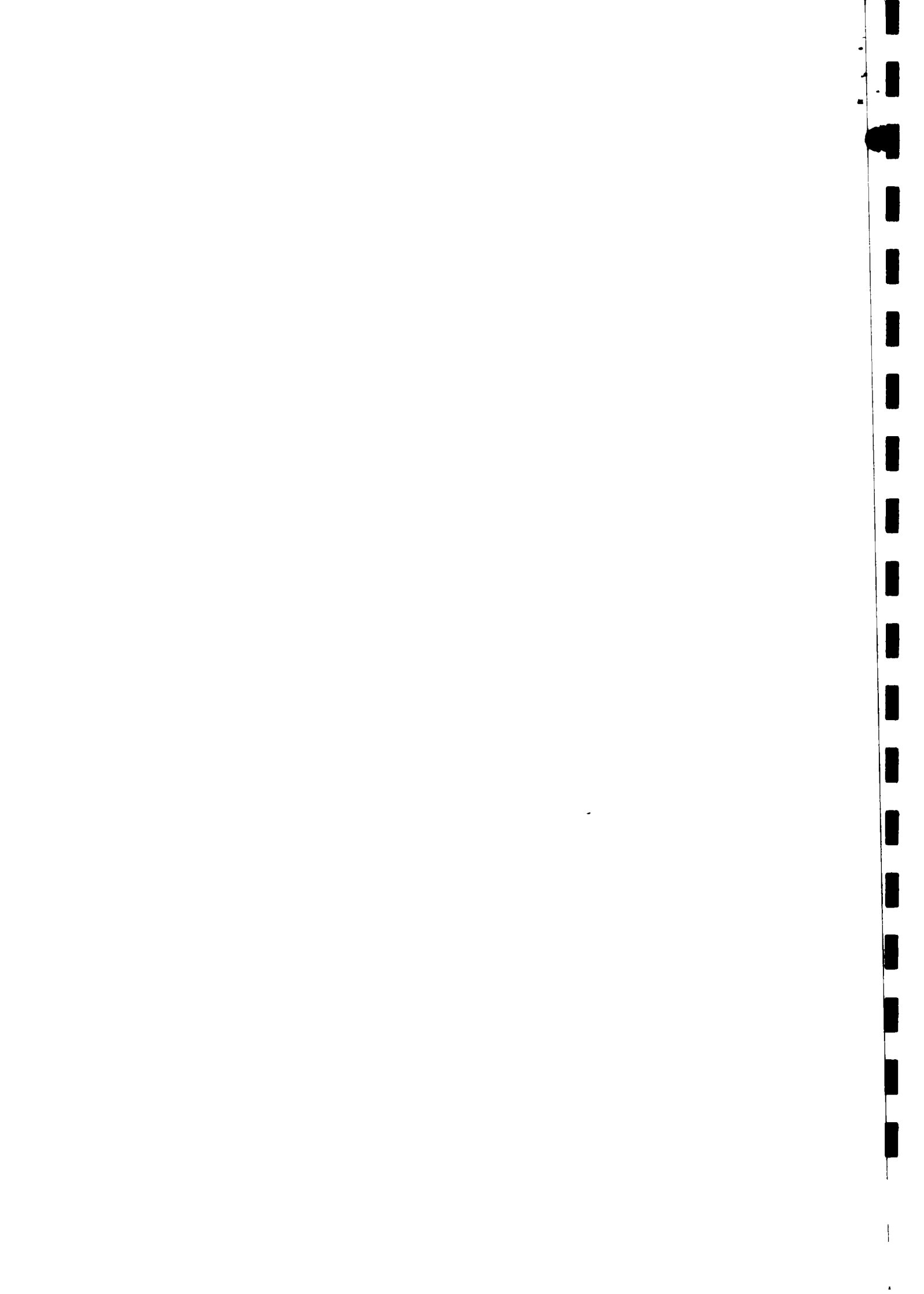
Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account 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



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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.



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SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

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



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IX. NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT AGENCIES			
Description		2016-2017	2015-2016
		Kshs	Kshs
Normal Allocation			
AIE	21.11.16	4,094,827.60	
AIE	19.01.2017	36,853,449.00	
AIE	5/4/2017	40,948,275.10	
			127,581,663.00
TOTAL		81,896,551.70	127,581,663.00
2 OTHER RECEIPTS			
		2016-2017	2015-2016
		Kshs	Kshs
Receipts from Sale of Tender		40,000.00	117,000.00
		40,000.00	117,000.00
3 COMPENSATION OF EMPLOYEES			
Description		2016-2017	2015-2016
		Kshs	Kshs
Basic wages of contractual employees		667,000.00	1,915,000.00
Total		667,000.00	1,915,000.00
4 USE OF GOODS AND SERVICES			



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Description	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	640,000.00	
Communication, supplies and services	200,000.00	
Capacity building	410,000.00	
Other committee expenses	3,300,000.00	3,800,000.00
Committee allowance	1,117,736.00	3,150,471.00
Insurance costs	451,904.00	-
Fuel ,oil & lubricants	700,000.00	677,000.00
Routine maintenance - vehicles	363,578.00	
Bank Charges	-	55,778.00
Total	7,183,218.00	7,683,249.00
5 TRANSFER TO OTHER GOVERNMENT ENTITIES		
Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to primary schools	49,933,509.00	18,085,625.00
Transfers to secondary schools	-	11,748,865.00
Transfers to Health institutions	-	4,200,000.00
TOTAL	49,933,509.00	34,034,490.00
6 OTHER GRANTS AND OTHER PAYMENTS		



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Description		2016-2017	2015-2016
		Kshs	Kshs
Bursaries		63,836,000.00	
water			
Agriculture (food security)		-	1,000,000.00
Electricity projects		-	998,286.00
Security		-	2,890,910.00
Roads		-	12,861,565.00
Sports		1,556,034.00	2,352,460.00
Environment		1,556,034.00	2,352,460.00
Emergency Projects		11,480,000.00	8,799,906.00
Total		78,428,068.00	31,255,587.00
7.A: Bank Balances (cash book bank balance)			
Name of Bank, Account No. & currency	Account Number	2016-2017	2015-2016
		Kshs (30/6/2017)	Kshs (30/6/2016)
<i>Cooperative Bank, Keroka Branch A/C no. 01120018104700</i>		10,972,252.00	65,249,496.00
Total		10,972,252.00	65,249,496.00
BALANCES BROUGHT FORWARD			
		2016-2017	2015-2016
Bank Balance as per Bank Statement		16,463,763.25	12,451,959.00
		16,463,763.25	12,451,959.00



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ANNEX 1 - SUMMARY OF FIXED ASSET REGISTER				
Asset class			Historical Cost	Historical Cost
			(Kshs)	(Kshs)
			2016-2017	2015-2016
Buildings and structures			18,924,723.00	18,924,723.00
Transport equipment			4,000,000.00	4,000,000.00
Office equipment, furniture and fittings			1,357,635.00	1,357,635.00
ICT Equipment, Software and Other ICT Assets			75,000.00	75,000.00
Other Machinery and Equipment				
Total			24,357,358.00	24,357,358.00



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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference Number	Audit Issues in 2014/20'15	Management Comments	Focal Point	Status
Statement of Financial Assets	The statement of financial assets indicates that the fund balance brought forward at 1 st July 2014 was Kshs. 37,054,825 which differs with the 2013/2014 closing balance figure of Kshs. 38,874,825. In addition, the total financial assets figure of Kshs. 12,451,951 differs with the net liabilities figure of Kshs. 11,554,281. The accuracy of the fund balance brought forward figure of Kshs. 37,054,825 could not be confirmed.	The necessary corrections had been done and balances adjusted.	Fund Manager	Resolved
Summary Statement of Appropriation	The summary statement of appropriation indicates that the current year's final budget figures for total receipts and total payments as Kshs. 110,968,581 and Kshs. 137,365,819 respectively. However, records from the CDF board indicate that the final approved budget figure as Kshs. 101,168,581. The accuracy of the summary statement of appropriation could not therefore be confirmed.	The necessary corrections had been done and balances adjusted.	Fund Manager	Resolved

