

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

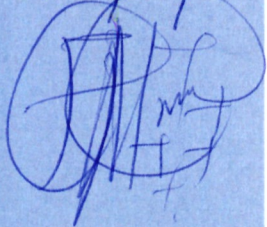
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
NATIONAL GOVERNMENT  
CONSTITUENCIES DEVELOPMENT FUND -  
RABAI CONSTITUENCY

FOR THE YEAR ENDED  
30 JUNE 2017

*Paper laid on the  
Table of the House  
by the Deputy  
Majority Leader on  
Tuesday 28/08/2018*





OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30024 - 00100 NAIROBI  
26 JUN 2018  
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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND RABAI**  
**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)

OFFICE OF THE AUDITOR GENERAL  
11 JUN 2018  
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COAST HUB

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – RABAI  
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 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Development Fund (CDF) was established under the Constituencies Development Fund (CDF) Act, 2003, amended in 2007 and repealed by the CDF Act of 2013.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 Rabai 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 2017 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chief Executive Officer	<b>Yusuf Mbuno</b>
2.	Fund Account Manager	<b>Flora N. Mutua</b>
3.	District Accountant	<b>Halima Abuu Hassan</b>

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

The Audit and Risk Management Committee (ARMC) of NG-CDF Board provide overall fiduciary oversight on the activities of Rabai 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) RABAI NG-CDF Headquarters**

NG-CDF Rabai  
P.O. Box 119-80114  
Mazeras

Telephone: (254) 0703 155 871  
E-mail: [cdfrabai@ngcdf.go.ke](mailto:cdfrabai@ngcdf.go.ke)

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- RABAI  
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**For the year ended June 30, 2017**

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**(f) RABAI NG- CDF Bankers**

African Banking Corporation  
P.O Box 46452-00100  
Nairobi  
Mombasa Branch,  
Account Number 003215001001384

**(g) Independent Auditors**

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

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

The allocation for the financial year 2016/2017 Kshs. 81,896,552/= was well utilized particularly Nine primary schools, two secondary schools and five chiefs' offices were fully funded to completion. All other payments funded in the same financial year were done as per the PFMA 2012.

NG-CDFC Rabai ensured transparency and accountability; all our financial records have been updated and reflect our true financial position.

Furthermore, we ensured that all projects have been implemented as per public works specification and the committee did continuous monitoring and evaluation of the projects.

However, NG- CDF faced challenges when preparing for proposals as per the strategic plan because the allocation for the year was reduced by more than twenty million.

NG-CDFC Rabai recommends for additional of funds to the constituency.



**CHAIRMAN NG- CDFC**

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- RABAI  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2017**

**III. STATEMENT OF NG-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 NG- CDF shall prepare financial statements in respect of that NG- CDF. 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 NG- CDF Rabai is responsible for the preparation and presentation of the NG- CDF Rabai's financial statements, which give a true and fair view of the state of affairs of the Rabai's NG- CDF for and as at the end of the financial year 2016/17) 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 fund; (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 fund; (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 fund accepts responsibility for the funds 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 funds financial statements give a true and fair view of the state of fund transactions during the financial year ended June 30, 2017, and of the funds financial position as at that date. The Accounting Officer in charge of the fund further confirms the completeness of the accounting records maintained for the fund, which have been relied upon in the preparation of the funds financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the NG- CDF Rabai confirms that the fund has complied fully with applicable Government Regulations and that the 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 funds 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 25/07 2017.



Chairman NG- CDFC



Fund Account Manager

# 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 – RABAI 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 – Rabai Constituency set out on pages 5 to 25, which comprise the statement of 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, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund – Rabai 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) and comply with National Government Constituency Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### **Basis for Qualified Opinion**

##### **Other Pending Payables**

According to Note 15.3 to the financial statements, other pending payables were Kshs.6,538,442 which includes an amount of Kshs.4,000,000 for the purchase of land for National Police Service - Rabai Sub-county which was disbursed in October, 2016. Audit verification in May, 2018 revealed that the funds were still lying in the National Government Constituencies Development Fund Committee's bank account since they were transferred to the bank account. Information available indicates that the ownership of the earmarked land was in dispute and is subject of an on-going court case. It is not clear why the funds had not been reallocated to other projects.

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

In the circumstances, value for money for Kshs.4,000,000 had not been realized and the public may take longer to benefit from the project.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund - Rabai 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 judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

### Other Matters

#### 1.0 Budgetary Controls and Performance

The National Government Constituencies Development Fund - Rabai Constituency overall budget for the year under review was Kshs.103,941,371 against total actual expenditure of Kshs.95,184,159 resulting to under absorption of Kshs.8,757,212 or 8% as summarized below:

Budget line	Final Budget	Expenditure	Unspent Balance	% of Utilization
Compensation of Employees	2,233,588	1,729,820	503,768	23
Use of goods and services	9,446,245	8,126,896	1,319,349	14
Transfers to Other Government Units	36,487,172	36,487,172	0	0
Other grants and transfers	53,856,016	48,317,574	5,538,442	10
Acquisition of assets	918,350	522,697	395,653	43
Other payments	1,000,000	0	1,000,000	100
<b>Total</b>	<b>103,941,371</b>	<b>95,184,159</b>	<b>8,757,212</b>	<b>8</b>

The under-expenditure of Kshs.8,757,212 or 8% implies that public funds were lying idle at the expense of other deserving areas. This may affect delivery of goods and services to the residents of Rabai Constituency contrary to values and principles of public service as provided for under Article 232 (1- c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services.

## 2.0 Project Implementation

According to the project implementation status report as at 30 June 2017, the following three (3) projects with a total budget of Kshs.5,052,000 were not implemented during the period under review:

No.	Name of project	Project Activity	Allocation (Kshs.)
1	Mwele Primary School	Purchase of 105 desks	482,000
2	National Police Service – Rabai	Purchase 1.5 acres land to construct National Police Service offices in Rabai Sub County	4,000,000
3	Ruruma Chiefs office	Construction of 3No. toilets at the chiefs office	570,000
	<b>Total</b>		<b>5,052,000</b>

Non-implementation of development projects affects goods and service delivery to the public and the intended purpose of the projects may not be realized.

## 3.0 Project Inspection

Audit inspection of five (5) projects with a total value of Kshs.11,391,379 during the month of May 2018 indicated the following state of affairs of the following specific projects:

	Name of Projects	Activity	Project Allocation	Observations
1	Isaac Nyundo Primary School	Construction of an administration block	1,991,379	Audit inspection of work done against the bills of quantities revealed that the skirting on the floor was not done.
2	Kajiwe Primary School	Construction of 3no. classroom	3,900,000	Cracks on classroom walls
3	Chiferi Secondary School	Construction of 2no. classrooms	2,700,000	Audit inspection of work done against the bills of quantities revealed the classroom had 10 windows instead of 14 windows as per bills of quantities.
4	Kambe/Ribe ACC's office	Construction of office	1,900,000	Audit inspection of work done against the bills of quantities revealed the following: <ul style="list-style-type: none"> <li>• The ceiling was made of plywood instead of ceiling board</li> <li>• There were cracks on the walls.</li> <li>• The floor had no skirting.</li> <li>• The roof had 80 iron sheets instead of 92 iron sheets as per bills of quantities.</li> </ul>

5	Mbwaka Primary School	Construction of 1no. classroom	1,300,000	Audit inspection of work done against the bills of quantities revealed the following: <ul style="list-style-type: none"> <li>• The floor had no skirting</li> <li>• Electrical works were not done</li> <li>• The roof had 52 iron sheets instead of 115 iron sheets as per bills of quantities.</li> </ul>
	<b>Total</b>		<b>11,791,379</b>	

The above variations were not supported with site meeting minutes approving the changes. It was therefore not clearly explained who authorized the changes. The above scenario also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the National Government Constituency Development Fund Committee (CDFC). As a result, it has not been possible to ascertain if value for money on the projects has been obtained.

### **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 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's 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's 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 July 2018**

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- RABAI  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2017**

**IV. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2016-2017	2015-2016
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from NG-CDF board-AIEs' Received	1	81,896,552	105,799,552
Proceeds from Sale of Assets	2	0	0
Other Receipts	3	0	121,000
<b>TOTAL RECEIPTS</b>		<b>81,896,552</b>	<b>105,920,552</b>
<b>PAYMENTS</b>			
Compensation of Employees	4	1,729,820	1,541,860
Use of goods and services	5	8,126,896	7,413,408
Transfers to Other Government Units	6	36,487,172	51,496,075
Other grants and transfers	7	48,317,574	36,230,449
Acquisition of Assets	8	522,697	2,697,873
Other Payments	9	0	2,300,000
<b>TOTAL PAYMENTS</b>		<b>95,184,159</b>	<b>101,679,665</b>
<b>DEFICIT/SURPLUS</b>		<b>(13,287,607)</b>	<b>4,240,887</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NG- CDF Rabai financial statements were approved on 25/07/17 2017 and signed by:



Chairman – NG-CDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- RABAI  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2017**

**V. STATEMENT OF ASSETS**

	Note	2016-2017 Kshs.	2015-2016 Kshs.
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances (as per cash book)	10A	8,757,212	22,044,819
Cash Balances (cash at hand)	10B	0	0
Outstanding Imprest	11	0	0
<b>TOTAL FINANCIAL ASSETS</b>		<b><u>8,757,212</u></b>	<b><u>22,044,819</u></b>
<b>Represented By</b>			
Retention	12	0	0
Fund balance b/fwd.	13	22,044,819	17,803,932
Deficit for the year		(13,287,607)	4,240,887
Prior year adjustments	14	0	0
<b>NET FINANCIAL POSITION</b>		<b><u>8,757,212</u></b>	<b><u>22,044,819</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NG-RABAI CDF financial statements were approved on 25/07 2017 and signed by:



**Chairman – NG-CDFC**



**Fund Account Manager**

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- RABAI  
CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2017**

**VI. STATEMENT OF CASHFLOW**

		2016-2017	2015-2016
		Kshs	Kshs
Transfers from the NG-CDF Board	1	81,896,552	105,799,552
Other Receipts	3	0	121,000
<b>Payments for operating expenses</b>		<b>81,896,552</b>	<b>105,920,552</b>
Compensation of Employees	4	1,729,820	1,541,860
Use of goods and services	5	8,126,896	7,413,408
Transfers to Other Government Units	6	36,487,172	51,496,075
Other grants and transfers	7	48,317,574	36,230,449
Other Expenses	9	0	2,300,000
<b>Adjusted for:</b>			
Adjustments during the year			
<b>Net cash flow from operating activities (a)</b>			
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	0	0
Acquisition of Assets	8	522,697	2,697,873
<b>Net cash flows from Investing Activities (b)</b>			
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
<b>Net cash flow from financing activities ©</b>			
<b>NET INCREASE/ IN CASH AND CASH EQUIVALENT (d)</b>		(13,287,607)	4,240,887
<b>Cash and cash equivalent at BEGINNING of the year (e)</b>		22,044,819	17,803,932
<b>Cash and cash equivalent at END of the year</b>		8,757,212	22,044,819

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NG-CDF RABAI financial statements were approved on 25/07 2017 and signed by:

  
\_\_\_\_\_  
**Chairman NG-CDFC**

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- RABAI 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 Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Transfers from CDF Board	81,896,552	22,044,819	103,941,371	81,896,552	22,044,819	79
Proceeds from Sale of Assets	0	0	0	0	0	
Other Receipts	0	0	0	0	0	
<b>TOTAL RECEIPTS</b>	<b>81,896,552</b>	<b>22,044,819</b>	<b>103,941,371</b>	<b>81,896,552</b>	<b>22,044,819</b>	
<b>PAYMENTS</b>						
Compensation of Employees	1,935,318	298,270	2,233,588	1,729,820	503,768	77
Use of goods and services	5,435,372	4,010,873	9,446,245	8,126,896	1,319,349	86
Transfers to Other Government Units	31,555,172	4,932,000	36,487,172	36,487,172	0	100
Other grants and transfers	42,970,690	10,885,326	53,856,016	48,317,574	5,538,442	90
Acquisition of Assets	0	918,350	918,350	522,697	395,653	57
Other Payments	0	1,000,000	1,000,000	0	1,000,000	0
<b>TOTAL PAYMENTS</b>	<b>81,896,552</b>	<b>22,044,819</b>	<b>103,941,371</b>	<b>95,184,159</b>	<b>8,757,212</b>	<b>92</b>

1. Other payments: Expenditure Kshs. 1,000,000 could not be incurred at all as the CDFC members were waiting for an approval for re-allocation of funds from the CDF Board. Funds were re-allocated to primary schools to purchase desks.

The NG- CDF RABAI financial statements were approved on 25/07/17 2017 and signed by:

Chairman NG-CDF 

Fund Account Manager 

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – RABAI  
CONSTITUENCY**

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

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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 and relevant legal framework of the Government of Kenya. 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 fund. 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 Fund

**2. Recognition of revenue and expenses**

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

**3. In-kind contributions**

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

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – RABAI  
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For the year ended June 30, 2017**

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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 Fund 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 Fund budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Fund 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, 2017.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – RABAI  
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**For the year ended June 30, 2017**

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**IX. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

	<b>Description</b>	<b>2016 - 2017</b>	<b>2015 - 2016</b>
		<b>Kshs</b>	<b>Kshs</b>
CDF Board	A829979	4,094,828	20,000,000
	A839614	36,853,449	30,000,000
	A855607	40,948,275	55,799,552
	<b>TOTAL</b>	<b>81,896,552</b>	<b>105,799,552</b>

**2. PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS**

	<b>2016 - 2017</b>	<b>2015 - 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts from the Sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment	0	0
Receipts from the Sale Plant Machinery and Equipment		
Receipts from the Sale of office and general equipment		
<b>Total</b>	<b>0</b>	<b>0</b>

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**3. OTHER RECEIPTS**

	<b>2016 - 2017</b>	<b>2015 - 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest Received	0	0
Rents	0	0
Sale of tender documents	0	121,000
Share of Kaloleni NG-CDF	0	0
Others	0	0
<b>Total</b>	<b>0</b>	<b>121,000</b>

**4. COMPENSATION OF EMPLOYEES**

	<b>2016 - 2017</b>	<b>2015 - 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic wages of contractual employees	1,378,900	1,042,150
Basic wages of casual labour	0	65,500
Personal allowances paid as part of salary	0	0
Transport allowance	0	0
House allowance	0	0
Leave allowance	0	0
Other personnel payments	0	0
Gratuity	350,920	434,210
<b>Total</b>	<b>1,729,820</b>	<b>1,541,860</b>

1. NSSF items has been combined with compensation of employees

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Utilities, supplies and services	2,257,818	1,314,326
Office rent	0	0
Communication, supplies and services	0	0
Domestic travel and subsistence	0	0
Printing, advertising and information supplies & services	0	0
Rentals of produced assets	0	0
Training expenses	0	0
Hospitality supplies and services	0	0
Insurance costs	209,740	287,814
Specialised materials and services	0	0
Office and general supplies and services	0	0
Fuel ,oil & lubricants	399,493	332,733
Other operating expenses	0	0
Routine maintenance – vehicles and other transport equipment	342,445	179,630
Routine maintenance – other assets	0	0
Committee expenses	4,917,400	5,298,905
<b>Total</b>	<b>8,126,896</b>	<b>7,413,408</b>

1. Committee expenses was combined with use of goods and services

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**6. TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to primary schools	23,487,172	28,496,075
Transfers to secondary schools	13,000,000	23,000,000
Transfers to Tertiary institutions	0	0
Transfers to Health institutions	0	0
<b>TOTAL</b>	<b>36,487,172</b>	<b>51,496,075</b>

**7. OTHER GRANTS AND OTHER PAYMENTS**

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bursary –Secondary	18,386,119	17,513,818
Bursary –Tertiary	13,738,100	5,949,000
Bursary-Special schools	0	0
Mocks & CAT	0	0
Water projects	0	0
Agriculture projects	0	0
Electricity	0	0
Security	3,600,000	6,000,000
Roads	0	0
Sports	3,558,095	2,188,920
Environment projects	1,637,930	2,115,991
Emergency Projects	7,397,330	2,462,720
Other grants to Multipurpose Hall	0	0
<b>Total</b>	<b>48,317,574</b>	<b>36,230,449</b>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**8. ACQUISITION OF ASSETS**

<b>Non-Financial Assets</b>	<b>2016-2017</b>	<b>2015 - 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Buildings	0	0
Construction of Buildings	0	0
Refurbishment of Buildings	0	1,900,000
Purchase of Vehicles	0	0
Purchase of Bicycles & Motorcycles	0	0
Overhaul of Vehicles	0	0
Purchase of office furniture and fittings	365,800	501,073
Purchase of computers ,printers and other IT equipments	89,700	146,000
Purchase of photocopier	0	150,800
Purchase of other office equipments	67,197	0
Purchase of soft ware	0	0
Acquisition of Land	0	0
	0	0
<b>Total</b>	<b>522,697</b>	<b>2,697,873</b>

**9. OTHER PAYMENTS**

	<b>2016 - 2017</b>	<b>2015 - 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Strategic plan	0	2,300,000
<b>Total</b>	<b>0</b>	<b>2,300,000</b>

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**10A: BANK ACCOUNTS (CASH BOOK BANK BALANCE)**

<b>Name of Bank, Account No. &amp; currency</b>	<b>Amount in bank account currency</b>	<b>2016-2017 Kshs</b>	<b>2015-2016 Kshs</b>
African Banking Corporation Ltd	Kes	8,757,212	22,044,819
<b>Total</b>		<b>8,757,212</b>	<b>22,044,819</b>

**13. BALANCES BROUGHT FORWARD**

	<b>2016-2017 Kshs.</b>	<b>2015-2016 Kshs.</b>
Bank accounts	22,044,819	17,803,932
Cash in hand	0	0
Imprest	0	0
<b>Total</b>	<b>22,044,819</b>	<b>17,803,932</b>

**15.1: PENDING ACCOUNT PAYABLES (See Annex 1)**

	<b>2016-17 Kshs.</b>	<b>2015-16 Kshs.</b>
Nil	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**15.2: PENDING STAFF PAYABLES (See Annex 2)**

	<b>2016-17 Kshs.</b>	<b>2015-16 Kshs.</b>
Gratuity	291,876	230,640
<b>Total</b>	<b>291,876</b>	<b>230,640</b>

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**15.3: OTHER PENDING PAYABLES (See Annex 3)**

	<b>2016-17 Kshs.</b>	<b>2015-16 Kshs.</b>
Amount due to other Government entities(see attached list )	0	4,932,000
Amount due to other grants and other transfers(see attached list)	6,538,442	12,885,326
<b>Total</b>	<b>6,538,442</b>	<b>17,817,326</b>

**15.4 PMC ACCOUNT BALANCES (See Annex 5)**

	<b>2016-17 Kshs.</b>	<b>2015-16 Kshs.</b>
Amount due to other Government entities(see attached list )	4,094,137	0
Amount due to other grants and other transfers(see attached list)	738,105	0
<b>Total</b>	<b>4,832,242</b>	<b>0</b>

**15.5 PENDING DISBURSEMENT FROM THE NG-CDF BOARD**

	<b>2016-17 Kshs.</b>	<b>2015-16 Kshs.</b>
	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

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**SUMMARY OF FIXED ASSET REGISTER (Annex 4)**

<b>Asset class</b>	<b>Historical Cost (Kshs) 2016/17</b>	<b>Historical cost (Kshs) 2015/16</b>
<b>Buildings and structures</b>	17,282,279	17,282,279
<b>Transport equipment</b>	7,162,747	7,162,747
<b>ICT Equipment, Software and Other ICT Assets</b>	1,173,593	1,021,130
<b>Other Machinery and Equipment</b>	863,529	493,295
<b>Total</b>	<b>26,482,148</b>	<b>25,959,451</b>

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

Name	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
Nil	a	b	c	d=a-c	0	
<b>Grand Total</b>	<b>0</b>				<b>0</b>	

**ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES**

Name	Job group	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
Gratuity		A	b	c	d=a-c		
George K.Tsuma	H	62,000		0	62,000	62,000	
Munga Nzaka	G	32,240		0	32,240	32,240	
May Mgeni Tsuma	H	57,040		0	57,040	37,200	
Margaret Mwaka	H	37,200		0	37,200	37,200	
Serah Hilai	G	31,000		0	31,000	31,000	
Ndenge Mwaringa	G	31,000		0	31,000	31,000	
Ali Mcharo	G	41,396		0	41,396	0	
<b>Grand Total</b>		<b>291,876</b>		<b>0</b>	<b>291,876</b>	<b>230,640</b>	

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**ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
<b>Amounts due to other Government entities</b>							
Nil		0			0	0	
<b>Sub-Total</b>		<b>0</b>			<b>0</b>	<b>0</b>	
<b>Amounts due to other grants and other transfers</b>							
1. Gandani Primary School		0		0		700,000	Funds were disbursed in July 2016
2. Mwele Primary School		0		0		4,232,000	Funds were disbursed in fy 2016-17
<b>Sub-Total</b>		<b>0</b>				<b>4,932,000</b>	
<b>Others (specify)</b>							
1. Emergency		2,425		0	2,425	3,304,927	Waiting for an emergency to occur.
2. Sports		27,297		0	27,297	1,947,461	Sports tournament arrangement was going on
3. Kenya National Audit		1,000,000		0	1,000,000	1,000,000	Funds have been reallocated to desks projects . Waiting for reallocation of funds approval from CDF Board
4. Mwawe Water Project		1,413,794		0	1,413,794	1,413,794	Funds have been reallocated to desks projects . Waiting for reallocation of funds approval from CDF Board
5. National Police Service Land		4,000,000		0	4,000,000	0	Acquisition of land procedures were going on as at 30/06/2017
6. Rabai Strategic plan		0		0		1,000,000	Expenditure was incurred
7. Bursaries		94,926		0	94,926	4,219,144	Disbursement process going on
<b>Sub-Total</b>		<b>6,538,442</b>		<b>0</b>	<b>6,538,442</b>	<b>12,885,326</b>	
<b>Grand Total</b>		<b>6,538,442</b>		<b>0</b>	<b>6,538,442</b>	<b>17,817,326</b>	

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

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
<b>Primary and Secondary Schools</b>				
Mbwaka Primary School	African Banking Corporation	003215001004434	129,038	0
Chiferi Secondary School	African Banking Corporation	003215001004395	583,461	0
Benyoka Primary School	African Banking Corporation	003215001002347	182,465	0
Chonyi Primary School	African Banking Corporation	003215001001780	51,217	0
Kasidi Secondary School	African Banking Corporation	003215001003150	12,425	0
Kambe Secondary School	African Banking Corporation	003215001004393	12,773	0
Gandani Primary School	African Banking Corporation	003215001003881	392,055	0
Mwele Primary School	Co-operative Bank	01141254631900	1,430,469	0
Pangani Primary School	Co-operative Bank	01141254646900	284,885	0
Kajiwe Primary School	Co-operative Bank	01141254627700	307,816	0
Ruruma Chiefs Office	Co-operative Bank	01141252752900	212,125	0
Buni Primary School	Co-operative Bank	01141252073400	232,329	0
Isaac Nyondo Pri. School	Co-operative Bank	01141254632800	263,079	0
<b>Sub Total</b>			<b>4,094,137</b>	
<b>Security Projects</b>				
Kambe/ Ribe ACCs Office	Co-operative Bank	01141254643800	536,325	0
Kambe Chiefs Office	African Banking Corporation	003215001003883	4,477	0
Mikahani Chiefs office	Co-operative Bank	01141254626400	125,825	0
Chiefs Office Pangani	African Banking Corporation	003215001003893	71,478	0
<b>Sub Total</b>			<b>738,105</b>	<b>0</b>
<b>Grand Total</b>			<b>4,832,242</b>	<b>0</b>

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**ANNEX 4 - FIXED ASSETS REGISTER**

	Description	Date of purchase	Serial No.	2016/17 (Ksh)	2015/16 (Ksh)
1.	Cdf Office Rabai	2014/15		15,382,279	15,382,279
2.	Fixing of metal grill, chained linked fencing and purchase water tank	2015/16		1,900,000	1,900,000
				<b>17,282,279</b>	<b>17,282,279</b>
	<b>Office Vehicles</b>				
1.	Motorbike	28/03/2014	3TT-206869	420,964	420,964
2.	Cdf vehicle	23/01/2015		6,741,783	6,741,783
	<b>Sub total</b>			<b>7,162,747</b>	<b>7,162,747</b>
	<b>Office Furniture</b>				
1.	Office executive chair	26/11/2013	1	21,000	21,000
2.	H/Leather office chair executive	“	1	32,000	32,000
3.	Office HB chair fabric	“	1	8,300	8,300
4.	Executive office table	“	2	119,990	119,990
5.	Conference table executive 35MTS	“	1	109,995	109,995
6.	Office visitors chair	“	12	84,000	84,000
7.	Office table ID1680 (44)	“	2	33,190	33,190
8.	Pedestal fixed 4d2w IDFP-4D	“	2	14,800	14,800
9.	Office table set WMB221.8MTS (vs.)	“	1	44,995	44,995
10.	Counter top executive 1201.2MTS (vs.)	“	1	5,795	5,795
11.	Lina chair YD- B104 4 Pax (AN31)	“	2	45,990	45,990
12.	Executive Chair	28/09/2016	1	28,495	28,495
13.	Executive Table	“	1	65,995	65,995
14.	Conference Table	“	1	54,995	54,995
15.	Small Office table	“	1	11,995	11,995
16.	Conference Chairs	“	1	7,495	7,495
17.	Conference Chairs	“	11	82,445	82,445
18.	Visitors' Chairs	“	4	29,980	29,980
19.	Conference Table small	“	1	24,995	24,995
20.	Orthopaedic Chair	“	1	21,995	21,995
21.	Side Wall unit shelve	“	1	36,995	36,995
22.	Office Chairs	“	2	16,790	16,790
23.	Office tables big	“	2	42,980	42,980
24.	Filling cabinet	“	2	27,998	27,998

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25.	Ordinary office chairs	“	16	47,920	47,920
26.	Safe	02/08/2016	1	25,995	0
27.	Filling Cabinet with 4 drawers	“	1	23,995	0
28.	Reception table	“	1	37,480	0
29.	Wooden Cabinet	“	1	40,000	0
30.	Computer Tables	“	4	24,995	0
	<b>Sub total</b>			<b>1,173,593</b>	<b>1,021,130</b>
	<b>Other Machinery and equipments</b>				
1.	Desktop computer (DELL) S/NO:BKZ3PV1	26/11/2013	1	70,000	70,000
2.	Laptop computer (HP) S/NO:5CD3294MIR	“	1	60,000	60,000
3.	Printer laser jet pro 100 MI75NW S/NO:CND8F67867	“	1	50,000	50,000
4.	Ramtons water Dispenser RM/419	27/11/2014	1	16,497	16,497
5.	Photocopy Machine	28/09/2015	1	150,800	150,800
6.	Desktop computer HP 300	12/06/2016	1	98,000	98,000
7.	Laser jet Printer HP 1102 PRO 200	“	1	48,000	48,000
8.	Telecommunication gadgets	02/08/2016	7	168,340	0
9.	Laptop-HP	23/05/2017	1	89,700	0
10.	40 inch Samsung Tv-5 series HD 1080P	“	1	44,995	0
11.	Vehicle tools kitty	“	10 items	67,197	0
	<b>Sub total</b>			<b>863,529</b>	<b>493,295</b>
	<b>TOTAL</b>			<b>26,482,148</b>	<b>25,959,451</b>

**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)
Msa/RABAI /-CDF/2014-15(2)	<p><b>1. Bank Balances</b>                      - Stale cheque no.778, Kshs. 5,000 had not been reversed in the cash book.                      - Un recorded bank charges amounting to Kshs. 15,422</p> <p><b>Transfers from CDF Board</b>                      The statement of receipts and payments reflect an amount of Kshs. 99,898,256 for the year ended 30 June 2015 in respect of transfers from the CDF Board. The disbursement as per parent Ministry is a</p>	<p><b>Qualified opinion</b></p> <p>Replacement of the stalled cheque amounting to Kshs. 5,000/= and unrecorded bank charges amounting to Kshs 15,422/= required authorisation from constituency development Fund Committee through a minuted resolution.</p> <p>The information to reverse the stalled cheque and unrecorded bank charges was conveyed to us during the audit in the month (12/05/2015) it</p>	Flora Mutua (Fund Account Manager)	Resolved. Replacement of the stalled cheque and unrecorded bank charges amounting to Kshs 15,422/= transactions were authorised and reversal in the cash book immediately when the new NG-CDFC took over the office.	

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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)
	total Kshs. 137,574,475 was disbursed to Rabai CDF during the financial year under review resulting to unexplained and reconciled variance of Kshs. 37,676,219	was not possible to effect the transaction without minuted resolution from the constituency development fund committee who had left office on 19 <sup>th</sup> February 2016. By the time of audit, a new CDFC had not been gazetted to authorise the transaction.			