REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Paper Laid
By Hon. Aden Duale, MP (Hom)
on Thurs 23.08.2018 (pm)

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND IJARA CONSTITUENCY

FOR THE YEAR ENDED 30 JUNE 2017

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- IJARA 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)

Table of Content

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The National Government Constituencies Development Fund (NGCDF) was set up under the NGCDF Act, 2003 now repealed by the NGCDF Act, 2013. The Constituencies Development Fund is represented by the Cabinet Secretary for Devolution and Planning, who is responsible for the general policy and strategic direction of the National Government Constituencies Development Fund. The objective of the fund is to ensure that specific portion of the national annual budget is devoted to the constituency for the purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

(b) Key Management

The IJARA Constituency's day-to-day management is under the following key organs:

i. National Government Constituencies Development Fund Board (NGCDFB)
ii. National Government Constituency Development Fund Committee (NGCDFC)

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Hussein Abdullahi
3.	Accountant	Yasin Golicha
4.		

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of IJARA Constituency. The reports and recommendation of ARMC when adopted by the NGCDF Board are forwarded to the National Government Constituencies 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) IJARA NGCDF Headquarters

NG-CDF Building,
P.O. Box 92-70105,
Masalani,
Kenya.

(f) IJARA NGCDF Contacts

Telephone: (254) 720020647
E-mail: habdullahi@ngcdf.go.ke
Website: www.ngcdf.go.ke

(g) IJARA NGCDF Bankers

First Community Bank
Account no: 50000774-01
Masalani Branch

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CHAIRMAN NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND COMMITTEE (NGCDFC)

The entity has utilised its allocated budget for undertaking the slotted projects for the financial year. More than 69% of the fund has been utilised despite receiving the final disbursements towards the end of the financial year. Over the years, the entity improved water, sanitation, education, access road through distilling of dams in various villages, construction of various public toilets, construction of primary and secondary schools, payment of fees for over 12,000 needy and vulnerable students across the constituency.

EMERGING ISSUES RELATED TO CDF

- Increasing Population
- Increasing school enrolment
- Petition against CDF act 2013 affected our operations

IMPLEMENTATION CHALLENGES

- Security Threat
- Lack of clear boundary

For the fund to thrive there should be minimal interference from political figures and no project should be undertaken in a boundary conflict zone without the involvement of the concerned organs of government.

Sign.....
MUSA DAGANE
CHAIRMAN NG-CDFC

III. STATEMENT OF NGCDF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government NGCDF shall prepare financial statements in respect of that NGCDF. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the IJARA NGCDF is responsible for the preparation and presentation of the NGCDF's financial statements, which give a true and fair view of the state of affairs of the NGCDF for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (I) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NGCDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the NGCDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the IJARA NGCDF accepts responsibility for the NGCDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NGCDF's financial statements give a true and fair view of the state of NGCDF's transactions during the financial year ended June 30, 2016, and of the NGCDF's financial position as at that date. The Accounting Officer charge of the IJARA NGCDF further confirms the completeness of the accounting records maintained for the NGCDF, which have been relied upon in the preparation of the NGCDF's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The NGCDF's financial statements were approved and signed by the Accounting Officer on 17-05- 2018.

Fund Account Manager

Chairman

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 GOVERNMET CONSTITUENCIES DEVELOPMENT FUND - IJARA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund–Ijara Constituency set out on pages 5 to 29, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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 matters 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 – Ijara Constituency as at June 30 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 the National Government Constituencies 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

1. Award of Contracts for Education Project

During the financial year ended 30 June, 2017, the National Government Constituencies Development Fund – Ijara Constituency spent Kshs.8,100,000 on construction of classrooms and toilets in various schools within the Constituency. However, examination of available records relating to the projects revealed that the project files lacked vital documents such as tender opening minutes, technical evaluation reports, bills of quantities, inspection and acceptance committee reports, certificate of practical completions, confidential business questionnaires and relevant tender security documents and questionnaires.

In addition, no contract agreements were entered into or signed between the Project Management Committees and the contractors as required by section 87(1) of Public Procurement and Asset Disposal Act, 2015. Also, the project file did not contain opening minutes and tender opening registers contrary to section 78 of Public Procurement and Disposal Act, 2015. It was further observed that the payments were not supported with certificate of practical completion from the line ministry.

Further, 10% retention money was not deducted from the contractors as required by the conditions of the Contract and therefore full payment was made to the contractors making no provision for any defects that could arise before the expiry of the defect liability period. Consequently, the propriety of the expenditure of Kshs.8,100,000 could not be ascertained.

2. Unsupported Road Projects

A review of the expenditure for the financial year 2016/2017 revealed that the Fund disbursed Kshs.2,200,000 to various Project Management Committees to undertake bush clearing projects at various locations within the constituency as detailed below.

Payment voucher no.	Payee	Amount Kshs.	Description
231	Kotile township-ritare road pmc	400,000	Being payment for bush clearing of 5Km at Kotile-township-ritare road.
238	Tuntush to hulugho pmc	500,000	Being payment for bush clearing of 5Km at Tuntush to hulugho road.
235	Abalitero-Gubis road pmc	500,000	Being payment for bush clearing of 5Km at Abalitero-Gubis road.
197	Bulo-qolmutho to jolish road pmc	400,000	Being payment for bush clearing of 5Km at Bula-Qolmutho road.
230	Domi-Elkabere pmc	400,000	Being payment for bush clearing of 5km of Domi-Elkabere road

The project files had bills of quantity and other tender documents as required however, a review of the payments revealed that there was no certificate of practical completion for the projects. It was also noted that contract agreements signed between the Project Management Committees and the contractors were not attached to the payment vouchers or availed for audit review.

In the circumstances, the propriety and validity of the expenditure of Kshs.2,200,000 could not be confirmed as at 30 June 2017.

3. Unaccounted for Bursary

In the financial year 2016/2017, the Committee for Ijara Constituency disbursed bursaries amounting to Kshs.28,578,700 to various secondary schools and tertiary institutions for the benefit of needy students. However, examination of available records revealed that an amount of Kshs.4,381,000 disbursed to various institutions and secondary schools has not been acknowledged through official receipts or acknowledgement letters by the beneficiary

institutions. It was therefore not possible to confirm whether the payments were made to the rightful recipients and whether the funds benefited the needy students as shown below:

Description	Amount (Kshs.)
Kenya wildlife service training	430,000
Kemu university	813,000
Kenyatta university	1,145,000
Kenya medical training college	452,000
Hulugho boys secondary school	1,099,000
Hulugho girls secondary school	442,000
Total	**4,381,000**

Consequently, the propriety and authenticity of the expenditure of Kshs.4,381,000 could not be ascertained as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund –Ijara 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 and other matter sections, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matters

1.0 Budgetary control and Performance

1.1. Budget Performance Analysis

A review of the statement of appropriation revealed that during the year under review, the Constituency had an approved budget of Kshs.136,505,904. Out of the Kshs.136,505,904 budgeted for the financial year under review, an amount of Kshs.8,690,085.51 was unspent balance from the financial year 2015/2016. The budget utilization on receipts and expenditure are as follows: -

Item	Budget (Kshs)	Actual (Kshs)	Difference Under (Kshs)	Actual % of Budget
Receipts	136,505,904	127,863,783	8,642,121	93.70%
Expenditure	136,553,869	127,863,783	8,690,086	93.70%

The above analysis shows the Fund received a total of Kshs.127,863,783 out of the Kshs.136,505,904 budgeted for resulting to a short fall of Kshs.8,642,121or 7.3% of the Fund's budget. Further, Ijara Constituency spent an amount of Kshs.127,863,783 resulting to under expenditure of Kshs.8,690,086 or 7.3% of the approved budget for the year.

1.2 Under Expenditure on overall Budget

The Ijara Constituency recorded an overall 7.3% under expenditure during the year under review as follows: -

Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Under Expenditure (Kshs)	% Difference
Compensation of employees	5,665,952	2,613,780	3,052,172	46.10%
Use of goods and services	24,110,241	12,213,603	11,896,638	50.60%
Transfer to other Government units	44,688,476	61,600,000	-16,911,524	137.80%
Other grants and transfers	62,089,200	49,486,400	12,602,800	79.70%
Acquisition of assets	-	1,950,000	-1,950,000	-
TOTAL	**136,505,904**	**127,863,783**	**8,690,086**	**93.70%**

No explanation was given for not utilizing all the funds allocated for the year in order to offer the required services.

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 its 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's 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

12 July 2018

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Transfers from Other Government Entities	1	83,596,552	112,439,982
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	47,965	34,394.42
TOTAL RECEIPTS		83,644,517	112,474,376.42
PAYMENTS			
Compensation of Employees	4	2,613,780	1,806,000.00
Use of goods and services	5	12,213,603	11,707,781.42
Transfers to Other Government Units	6	61,600,000	48,042,500.00
Other grants and transfers	7	49,486,400	51,677,021.00
Acquisition of Assets	8	1,950,000	5,500,000.00
Other Payments	9	-	-
TOTAL PAYMENTS		127,863,783	118,733,302.42
SURPLUS/DEFICIT		(44,219,266)	(6,258,926)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The IJARA NGCDF financial statements were approved on 17-05-2018 and signed by:

Chairman - NGCDFC

Fund Account Manager

V. STATEMENT OF ASSETS

	Note	2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per cash book)	10A	8,690,086	52,909,351.81
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		8,690,086	52,909,352
REPRESENTED BY			
Retention	12	-	-
Fund balance b/fwd	13	52,909,352	59,168,278
Surplus/Deficit for the year		(44,219,266)	(6,258,926)
Prior year adjustments	14	-	-
NET FINANCIAL POSITION		8,690,086	52,909,352

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The IJARA NGCDF financial statements were approved on 17-05-2018 and signed by:

Chairman - NGCDFC

Fund Account Manager

VI. STATEMENT OF CASHFLOW

		2016 – 2017	2015 – 2016
Receipts for operating income			
Transfers from NGCDF Board	1	83,644,517	112,439,982
Other Receipts	3	47,965	34,394.42
Payments for operating expenses			
Compensation of Employees	4	2,613,780	1,806,000
Use of goods and services	5	12,213,603	11,707,781.42
Transfers to Other Government Units	6	61,600,000	48,042,500
Other grants and transfers	7	49,486,400	51,677,021
Other Payments	8	-	-
Adjusted for:			
Adjustments during the year		-	-
Net cash flow from operating activities		**(42,269,266)**	**(758,926)**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	10	1,950,000	5,500,000
Net cash flows from Investing Activities		(1,950,000)	(5,500,000)
NET INCREASE IN CASH AND CASH EQUIVALENT		**(44,219,266)**	**(6,258,926)**
Cash and cash equivalent at BEGINNING of the year	**15**	**52,909,352**	**59,168,278**
Cash and cash equivalent at END of the year	**16**	**8,690,086**	**52,909,352**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The IJARA NGCDF financial statements were approved on 17-05-2018 and signed by:

Chairman NGCDFC **Fund Account Manager**

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	81,896,552	54,609,352	136,505,904	136,505,904	0	100%
Proceeds from Sale of Assets			-		-	-
Other Receipts	-	47,965	47,965	47,965	-	100%
TOTALS	81,896,552	54,657,317	136,553,869	136,553,869	0	2
PAYMENTS					-	
compensation of employees	2,365,952	3,300,000	5,665,952	2,613,780	3,052,172	46%
Use of goods and services	11,601,020	12,509,221	24,110,241	12,213,603	11,896,638	51%
Transfers to Other Government Units	18,550,000	26,138,476	44,688,476	61,600,000	(16,911,524)	138%
Other grants and transfers	49,379,580	12,709,620	62,089,200	49,486,400	12,602,800	80%
Acquisition of Assets	-	-	-	1,950,000	(1,950,000)	-
Other Payments	-	-	-	-	-	-
TOTAL	**81,896,552**	**54,657,317**	**136,553,869**	**127,863,783**	**8,690,086**	**94%**

The IJARA NGCDF financial statements were approved on 17-05- 2018 and signed by:

Chairman NGCDF

Fund Account Manager

VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

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

2. Recognition of revenue and expenses

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

3. In-kind contributions

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

4. Cash and cash equivalents

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

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

6. Budget

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

7. Comparative figures

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

8. Subsequent events

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

IX. NOTES TO THE FINANCIAL STATEMENTS

1.1.1.1.1.1.1.1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2016 - 2017	2015 - 2016
		Kshs	Kshs
Normal allocation			
	AIE No.A796268		10,000,000.00
	AIE No.A724080		10,000,000.00
			30,000,000.00
			25,000,000.00
	AIE No. A		37,439,982.00
	AIE NO. A	1,700,000.00	
	AIE NO.A	4,094,827.60	
	AIE NO.A	36,853,449.00	
		40,948,275.10	
TOTAL		83,596,552	112,439,982

1.1.1.1.1.1.1.2 PROCEEDS FROM SALE OF ASSETS

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Receipts from sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from sale of office and general equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.1.3 OTHER RECEPTS

	2016 - 2017 Kshs	2015 - 2016 Kshs	2013 - 2015 Kshs
Interest Received	-	-	-
Rents	-	-	-
Receipts from Sale of tender documents	-	-	-
Other Receipts Not Classified Elsewhere	47,965	34,394.42	-
			-
Total	47,965	34,394.42	47,965

1.1.1.1.1.1.1.4 COMPENSATION OF EMPLOYEES

	2016 - 2017 Kshs	2015 - 2016 Kshs
Basic wages of contractual employees	2,613,780	1,806,000
Basic wages of casual labor		
Employer Contribution NSSF		
Personal allowances paid as part of salary		
House allowance		
Transport allowance		
Leave allowance		
Gratuity		
Other personnel payments		
Total	**2,613,780**	1,806,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.1.5 USE OF GOODS AND SERVICES

	2016-2017 Kshs	2015-2016 Kshs
Utilities, supplies and services	176,000	1,787,000
Office rent		
Communication, supplies and services		
Domestic travel and subsistence		763,400.00
Printing, advertising and information supplies & services		1,990,393.00
Rentals of produced assets		
Training expenses		1,078,000.00
Committee Allowance		
Other Committee Expenses	7,597,600	
Hospitality supplies and services		
Insurance costs		
Specialised materials and services		560,260.42
Office and general supplies and services	982,711	1,560,472.00
Fuel ,oil & lubricants	3,377,335	582,700.00
Other operating expenses		2,269,500.00
Routine maintenance – vehicles and other transport equipment	79,957	59,556.00
Routine maintenance – other assets		1,056,500.00
TOTAL	**12,213,603**	**11,707,781.42**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.1.6 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to primary schools (see attached list)	30,250,000	25,700,000.00
Transfers to secondary schools (see attached list)	18,850,000	3,917,500.00
Transfers to tertiary institutions (see attached list)		10,000,000.00
Transfers to health institutions (see attached list)	12,500,000	8,425,000.00
TOTAL	**61,600,000**	**48,042,500**

1.1.1.1.1.1.1.7 OTHER GRANTS AND OTHER PAYMENTS

	2016 - 2017	2015 -2016
	Kshs	Kshs
Bursary -Secondary	10,921,700.00	10,000,000.00
Bursary -Tertiary	17,657,000.00	9,454,000.00
Bursary-Special schools		
Mocks & CAT		
water		3,556,782.00
Agriculture (food security)		
Electricity projects		
Security	1,500,000	1,200,000.00
Roads	7,400,000	22,200,000.00
Sports	4,421,000	
Other capital grants and transfer		
Emergency Projects (specify)	7,586,700	5,266,239
Total	**49,486,400**	**51,677,021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.1.8 ACQUISITION OF ASSETS

Non-Financial Assets	**2016 - 2017**	**2015 - 2016**
	Kshs	**Kshs**
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	1,950,000	-
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	-	-
Purchase of ICT Equipment, Software and Other ICT Assets	-	5,500,000
Purchase of Specialized Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Total	**1,950,000**	**5,500,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.1.9 OTHER PAYMENTS

	2016 – 2017 Kshs	2015 - 2016 Kshs
Specify	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2016 - 2017	2015 - 2016
	Kshs	Kshs
First Community Bank Masalani Branch *A/C* 50000774-01	8,690,085.51	52,909,351.81
	8,690,085.51	**52,909,351.81**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10B: CASH IN HAND

	2016 - 2017 Kshs	2015 – 2016 Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other Locations (specify)	-	-
	-	-
Total	-	-

[Provide cash count certificates for each]

11: OUTSTANDING IMPRESTS

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

[Include an annex of the list is longer than 1 page.]

12: RETENTION

	2016 - 2017 Kshs	2015 - 2016 Kshs
Unpaid Retentions	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. BALANCES BROUGHT FORWARD

	2016 - 2017 Kshs	2015 - 2016 Kshs
Bank accounts	52,909,352	59,168,277.81
Cash in hand	-	-
Imprest		-
Total	52,909,352	59,168,278

[Provide short appropriate explanations as necessary]

14. PRIOR YEAR ADJUSTMENTS

	2016 - 2017 Kshs	2015 - 2016 Kshs
Bank accounts	-	-
Cash in hand	-	-
Imprest	-	-
Total	-	-

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016- 2017 Kshs	2015 - 2016 Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
	-	-

15.2: PENDING STAFF PAYABLES (See Annex 2)

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

15.3: OTHER PENDING PAYABLES (See Annex 3)

	Kshs	Kshs
Amounts due to other Government entities (see attached list)	-	-
Amounts due to other grants and other transfers (see attached list)	11,680,503	
Others (specify)	-	-
	11,680,503	-

15.4: PMC account balances (See Annex 5)

	Kshs	Kshs
PMC account Balances (see attached list)	47,201	-
	47,201	-

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
	a	B	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10. Use of Services	40,086					
11.						
12.						
Sub-Total	**40,086**					
Grand Total						

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
		A	B	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
		A	B	c	d=a-c		
Amounts due to other Government entities							
1. Sangailu secondary school	Construction of 4classrooms and Supply of 100desks	3,500,000					
2. Wardei qoqa Primary School	Construction of 2classrooms and Supply of 30desks	1,550,000					
3. Ruqa Primary School	Construction of 2classrooms and Supply of 30desks	1,550,000					
4. Dabar Mattan Primary School	Construction of 2classrooms and Supply of 30desks	1,550,000					

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
		A	B	c	d=a-c		
Amounts due to other Government entities							
5.							
6.							
7.							
Sub-Total							
Amounts due to other grants and other transfers							
8. Security	Construction of A.P camps	3,030,503					
9.							
10.							
Sub-Total							
Sub-Total		**3,030,503**					
Others (specify)							
11.							
12.							
13.							
Sub-Total							
Grand Total		**11,720,589**					

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2016/17	Historical Cost (Kshs) 2015/16
Land	-	-
Buildings and structures	9,950,000.00	8,000,000.00
Transport equipment	-	-
Office equipment, furniture and fittings	1,204,774	1,204,774
ICT Equipment, Software and Other ICT Assets		
Other Machinery and Equipment	5,865,700	5,865,700
Heritage and cultural assets	-	-
Intangible assets	-	-
Total	**17,020,474**	**15,070,474**

ANNEX 5 –PMC BANK BALANCES AS AT 30TH JUNE 2017

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Gerile Primary school CDF PROJECT	First Community Bank	50002079	1,100	
Gababa Primary School CDF project	First Community Bank	50002141	1,200	
Hara Primary School CDF Project	First Community Bank	50002083-01	1200	
Gedilun Primary School Cdf Project	First Community Bank	50002081	1400	
Shurie Secondary school CDF Project	First Community Bank	50002072	1300	
Hulugho Secondary School CDF Project	First Community Bank	50002082	1700	
Boni ECD Centre	First Community Bank	50002099	1200	
Shurie Secondary school CDF Project	First Community Bank	50002072	0	
Bula Dahir Adult Education Project Committee	First Community Bank	50002156	1350	
Bodhai Primary school CDF Project	First Community Bank	50002143	1,500	
County Council Secondary School CDF Project	First Community Bank	50002092-01	1,500	
Hulugho Girls Secondary School CDF Project	First Community Bank	50002064	1,300	
Yusuf Haji Girls Secondary School CDF Project	First Community Bank	50002128	1,100	
Masalani Social Hall Project Management Committee	First Community Bank	50002130	1,200	
Dololo Primary School CDF Project	First Community Bank	50002146-01	1200	
Ijara District Hospital Incinerator Project Committee	First Community Bank	50002165	1400	
Waraideijab Primary school CDF Project	First Community Bank		1300	

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Dahir Pry school cdf project	First Community Bank	50002201	1700	
Masalani girls pry school CDF project	First Community Bank	50002209	1100	
Alijarire Pry School CDF Projct	First Community Bank	50000038-02	1300	
Jalish Pry School Cdf Project	First Community Bank	50002125	1800	
Ijara Girls Pry school cdf project	First Community Bank	50002098	1500.17	
Nasib Pry school CDF Project	First Community Bank	50002089-01	1600.83	
Hara pry school Cdf Project	First Community Bank	50002083-01	1000	
Korissa Pry school CDF Project	First Community Bank	50002069	1700	
Mai Pry school CDF project	First Community Bank	50002101-01	1100	
Sangailu Pry School CDF Project	First Community Bank	50002100	1250	
Hidaya pry school Cdf project	First Community Bank	50002108-01	1,500	
Kotile primary school cdf project	First Community Bank	50002572	1,300	
Wakabharey Primary school cdf project	First Community Bank	500001946	1,200	
Warsame Primary school Cdf project	First Community Bank	50002236	1200	
Ruqa Primary school CDF Project	First Community Bank	50000200-03	1400	
Martaarba Primary school CDF Project	First Community Bank	50002870	1200	
Waranwein Primary school CDF Project	First Community Bank	50002872	1400	
Wardegoga Dam Project Management Committee	First Community Bank	50002847	1300	
Furqan Primary school CDF Project	First Community Bank	50002140	1700	
TOTAL				

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
			47,201	

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)*
	Bank schedules supporting the amount had a variance aggregating to Kshs. 4,260,000 , against what was disclosed in the financial statements	The inaccuracies were noted and an effort has been made to rectify the same. The ratification of the errors is has journalised attached.	Hussein Abdullahi - FAM	Resolved	Resolved
	Bank balance confirmation certificate and the board of survey certificate were not availed for review to confirm the balances held as at 30th June 2016	The bank reconciliation have been made available for audit verification (see annex al.) the board of survey certificate together with the bank confirmation are now available for audit verification (see annex a2)	Hussein Abdullahi - FAM	Resolved	Resolved
	No value attached to land and buildings owned by the fund as they had not been valued and there was no breakdown of the assets included in the schedule	The vary for structures and buildings is included on the states asset figure. The other assets were purchased overtime and their respective values are included	Hussein Abdullahi - FAM	Resolved	Resolved

Prepared by:

HUSSEIN ABDULLAHI
FUND ACCOUNT MANAGER
IJARA