

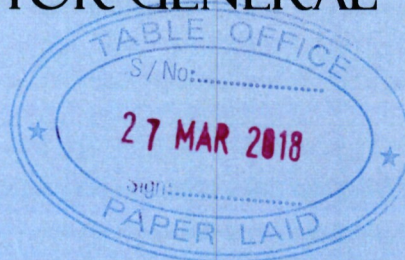
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*Paper laid by
Leader of Majority Party
Tuesday 27/3/18
A. J. K.*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND –
CENTRAL BANK OF KENYA ACCOUNT**

**FOR THE YEAR
ENDED 30 JUNE 2017**

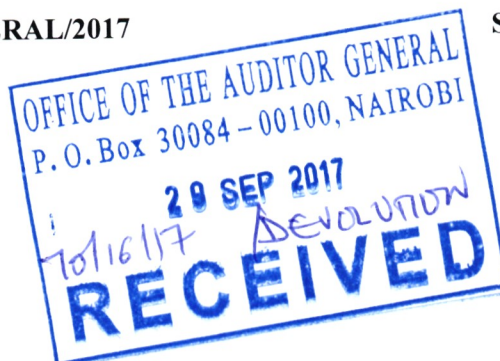


National Government Constituencies Development Fund Board
Harambee Cooperative Plaza, 5th Floor
Junction of Haile Selassie Avenue & Uhuru Highway
P.O Box 46682-00100
Nairobi, Kenya
Tel: 020-2230019, 2230027, 2230032 | Cell: 0709894000
Email: info@cdf.go.ke | Website: www.ngcdf.go.ke

NG-CDF BOARD/AUDITOR GENERAL/2017

SEPTEMBER 29, 2017

Mr. Edward Ouko, CBS
The Auditor General
P.O Box 30084 – 00100
NAIROBI



Dear Sir

**RE: NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND
FINANCIAL STATEMENTS FOR 2016/2017 FINANCIAL YEAR (CBK)**

Pursuant to Section 81 of the Public Finance Management Act, 2012 and Section 39 (4) of the National Government Constituencies Development Fund (amendment) Act, 2015, we wish to submit 2016/2017 financial year annual accounts of **NG-CDF Board (CBK)** for your necessary action.

Yours sincerely

YUSUF MBUNO
Ag. CHIEF EXECUTIVE OFFICER

Vision: Equitable social-economic development countrywide



ISO 9001:2008 Certified



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND

ANNUAL REPORT 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)

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I. KEY NG-CDF INFORMATION AND MANAGEMENT

(a) Background information

The National Government Constituencies Development Fund (NG-CDF) is established under the National Government Constituencies Development Fund (Amendment) Act, 2015. The 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.

The Fund's overall management is the responsibility of the NG-CDF Board. While the supervision and coordination is done by Ministry of Devolution and planning.

(b) Principal Activities

As outlined in the NG-CDF Act 2015 the Board's core mandate and responsibilities include:

- Ensuring timely and efficient disbursements of funds to every constituency
- Ensuring efficient management of the fund
- Receiving and discussing annual reports and returns from the constituencies
- Ensuring the compilation of proper records, returns and reports from the constituencies
- Receiving and addressing complaints and disputes, and taking appropriate action
- Considering project proposals submitted from various constituencies in accordance with the Act, approving for funding for those projects proposals that are consistent with the Act and sending funds to respective Constituency Fund accounts of the approved projects.

The Board will provide strategic direction in the management, use and accountability of monies drawn from the Fund. The Board therefore aspires to the following Vision, Mission and Core Values in meeting its mandate.

VISION

Equitable Socio-economic development countrywide

MISSION

To provide leadership and policy direction for effective and efficient management of the Fund

CORE VALUES

1. Patriotism – we uphold the national pride of all Kenyans through our work
2. Participation of the people- We involve citizens in making decisions about programmes we fund

3. Timeliness – we adhere to prompt delivery of service
4. Good governance – we uphold high standards of transparency, accountability, equity, inclusiveness and integrity in the service of the people
5. Sustainable development – we promote development activities that meet the needs of the present without compromising the ability of future generations to meet their own needs.

KEY STRATEGIC OBJECTIVES

1. To improve operational efficiency and effectiveness in service delivery
2. To Strengthen Institutional Capacity (skills, numbers and work environment)
3. To ensure efficient and effective project management
4. Enhance good governance
5. Promote effective communication and appropriate partnership

STRATEGIC GOALS

- a) Continue Automation of Board's operations
- b) Improve performance management
- c) Implement quality management systems
- d) Improve accounting system
- e) Strengthen research capacity to support evidence based decision making
- f) Strengthening Audit and risk management
- g) Strengthen disaster responsiveness and management
- h) streamline the organizational structure
- i) develop capacity of staff
- j) Develop and implement a talent management and succession planning strategy
- k) improve on the work environment
- l) Promote public participation in project identification and implementation
- m) Promote timely submission and approval of project proposals
- n) Promote prioritization of on-going projects in allocation of Funds
- o) Improve collaboration with technical officers from relevant government agencies
- p) Improve management of transition of NG-NG-CDFC's in relation to resources and projects
- q) widen projects scope and strengthen collaboration with MDAs
- r) Promote openness and accountability in management of the Fund
- s) Promote compliance with applicable laws, regulations and standards.
- t) Adopt Transformative Leadership
- u) Mainstream Cross cutting issues and public participation

- v) Enhance engagement with internal & external stakeholders
- w) Enhance Media Relations
- x) Enhance relations with other Government agencies
- y) Enhance Media monitoring

STRATEGIC PROGRAMMES

- a) Design, Develop & Rollout Management information systems
- b) Further installation of appropriate ICT network infrastructure and improve their security
- c) Develop and implement annual performance contract for the board, cascade to constituencies
- d) Operationalize M&E Unit and review M&E framework
- e) Develop constituencies factsheets and conduct monitoring & evaluation of Boards' operations
- f) Continuously carry out QMS audits to maintain certification and carry out recertification audit for organization
- g) Develop and disseminate accounting manual for constituencies and establish constituencies accounting unit at Headquarters
- h) Train staff and key stakeholders on public finance management and reporting
- i) Prepare/review annual financial statements and implement audit recommendations
- j) Receive and review financial returns and update the assets register
- k) Establish and operationalize a research and policy Unit and establish and operationalize a resource centre
- l) Establish a Risk management Unit, conduct risk assessment and carryout Risk Response planning
- m) Develop a disaster preparedness and management manual and train constituencies on Disaster Risk Reduction and Response Mechanism
- n) Develop & issue guidelines on community managed disaster risk reduction (CMDRR)
- o) Review and implement an organizational structure, conduct work load analysis to establish optimal staffing levels and recruit more staff
- p) Conduct Training Needs Assessment and develop and implement an annual training plan
- q) Conduct work environment survey and employee satisfaction survey and implement feasible recommendations
- r) Acquire additional office space
- s) Develop and issue guidelines on public participation & identification of projects; submission of project proposals; Projects and release of funds; Project funds absorption; Management of incomplete & on-going projects during NG-NG-CDFCs transitions and Residual Projects

- t) Develop collaboration framework for the NG-NG-CDFCs and government technical officers
- u) Establish a liaison office to enhance operations of the Board, Ministries and National Assembly
- v) Train NG- NG-CDFCs
- w) Develop and implement policy on documentation and dissemination of constituency best practices
- x) Evaluate constituencies' performance, publicize top performers and showcase the best practices in implementation of projects
- y) Implement Mwongozo code of governance and ensure compliance with all tendering and procurement requirements
- z) Facilitate access to information and publish constituency financial and project reports on a timely basis
- aa) Convene regular stakeholder forums/awareness campaigns, open days and road shows and participate in Corporate Social Responsibility activities
- bb) Update the Boards website and social media presence and participate in relevant television and radio programmes to enhance the profile of the NG-NG-CDF
- cc) Review and implement service charter and Corporate Identity Manual
- dd) Participate in relevant exhibitions and conferences and organize media events (press conferences, media tours, workshops, breakfast meetings) to clarify and explain issues to the media on newsworthy events
- ee) Carryout customer satisfaction survey and implement feasible recommendations

KEY STRATEGIC PRIORITIES

- Improve the implementation, Monitoring and Evaluation projects
- Come up with strategies to develop and turnaround for under-performing Constituencies
- Ensure timely availability and disbursement of Funds to Constituencies
- Develop and implement guidelines for project implementation that are in line with existing procurement laws and regulations
- Develop sound financial controls in line with Finance management Act of 2012 and in compliance with Office of the Auditor General Requirements

(c) Key Management

The *NG-CDF's* day-to-day management is under the following key organs:

- NG-CDF Board

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

No.	Designation	Name
1.	Ag.Chief Executive Officer	Yusuf Mbuno

(d) Fiduciary Oversight Arrangements

- Finance and Administration Committee of the Board
- Audit and Risk Management Committee of the Board

(e) Registered office

NG-CDF headquarters
Harambee Plaza Building
10th Floor
Telephone No. 2230015/19/27
Haille Sellasie/Uhuru Highway Junction.
P.O. Box 46682 - 00100
NAIROBI

(f) Contacts

Telephone :(020) 2230015/9, 2230027
E-mail: info@NG-CDF.go.ke
Website: www.NG-CDF.go.ke

(g) NG-CDF Bankers

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

Kenya Commercial Bank Ltd
Kipande House
Kenyatta Avenue
P.O. Box 30012 - 0010
NAIROBI

Co-operative Bank of Kenya
Cannon House
Parliament Road
P.O. Box 5772-00200

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

II. THE BOARD OF DIRECTORS



1. Hon Elias Mbau – Board Chair (Resigned in February 2017)

Hon Mbau holds a Masters degree in Economics and Public Finance

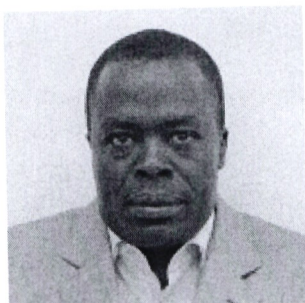


2. Joseph Mukui – Alternate Director to the Principal Secretary, State Department of Planning and, Ministry of Devolution and Planning (Reappointed 07.01.2016)



3. Mumbi Mahinda, Alternate Director to the Attorney General (Appointed 07.04.2014)

An Advocate of the High Court of Kenya



4. Kennedy Ondieki, Alternate Director National Treasury (appointed 14.10.2015)



5. Robert Masese, Alternate Director to Principal Secretary State Department of Basic Education, Ministry of Education and Technical Science (appointed 26.02.2016)



6. Yusuf Mbuno
Ag. Chief Executive Officer

III. MANAGEMENT TEAM

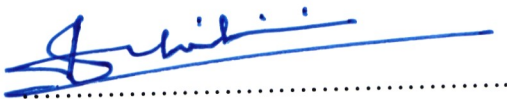
	NAME	DESIGNATION	ACADEMIC	PROFESSIONAL
1	Yusuf Mbuno	Chief Executive Officer	Master of Arts – Economics Bachelor of Arts –Economics	<ul style="list-style-type: none"> • Certificate in Project Planning & Management
2	Simon Ndweka	Corporation Secretary	Master of Business Administration Bachelor of Laws	<ul style="list-style-type: none"> • CPA K • CPS Final
3	Venazio Gachara	Senior Accountant	Degree course (Ongoing)	<ul style="list-style-type: none"> • CPA K
4	Alice Wachira	Chief Internal Auditor	Master of Business Administration – Finance & Banking	<ul style="list-style-type: none"> • CPA K • CPS Final
5	Anne Thumbi	Senior Manager Human Resource	Master of Science – Human Resource Management Bachelor of Science – Communication & PR	<ul style="list-style-type: none"> • Higher Diploma – Human Resource Management • Diploma – Personnel Management
6	Brenda Onyino	Senior Manager Communication	Master of Arts – Communication (ongoing) Bachelor of Arts in Communication – PR & Business Administration	Diploma in Project Management
7	Jack Odhoch	Chief ICT Officer	Master of Science – Information Systems Bachelor of Science	<ul style="list-style-type: none"> • Certified Professional – Oracle • CCNSP • Prince 2 and Web development
8	Shafee Yaqub	Procurement Officer	Msc Procurement & Logistics (Ongoing) Bachelor of Commerce - Finance	<ul style="list-style-type: none"> • CIPS • Diploma – Purchasing & Supply
9	Elizabeth Twili	Program Manager - Coordination	Master of Education – Economics & Education Bachelor of Education – Arts	<ul style="list-style-type: none"> • Diploma in Management – Project Planning

IV. CHAIRMAN'S STATEMENT

The Board has the responsibility of preparing financial statements that give a true and fair view of the state of affairs of the Fund at the end of the financial year and also the Income and Expenditure Statement for the same period. The National Government Constituencies Development Fund (Amendment) Act 2015 requires that the Directors do ensure that proper books of accounts and records are maintained which disclose with reasonable accuracy at any time the financial position of the Fund and ensure that the financial statements comply with the establishing Act. They are also responsible for safeguarding the assets of the Fund and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors regularly meet to monitor the Fund's financial performance. Specific review of management performance and operational issues are undertaken through Committees, which make suitable recommendations to the Board of Directors.

Nothing has come to the attention of the Directors to indicate that the Constituencies Development Fund will not remain as a going concern for at least the next twelve months



Joseph Mukui
Board of Directors

Date... 29/9/2017

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The National Government Constituencies Development Fund (NG-CDF) Board is a Body Corporate established under the NG-CDF Act 2015, with the principal mandate of ensuring efficient and effective management of the Fund.

The Fund was initially established in 2003 as the Constituencies Development Fund (CDF). The name was changed to the National Government Constituencies Development Fund (NG-CDF) following the enactment of the NG-CDF Act, 2015 which was meant to align the Fund with the Constitution of Kenya.

One of the functions of the N-CDF Board as stipulated in Section 16 (a) of the Act is to disburse funds to every constituency. The Act under Section 39 (2) further requires that the funds be disbursed to the Constituencies Fund Account at the beginning of every quarter.

Between 2003/2004 and 2016-2017, the fund has been allocated a total of Kes.232.179 billion. Kes.228.516 being statutory allocation while Kes.3.663 billion was conditional grant for completing stalled projects. Out of the funds allocated, Kes.9.05 billion was allocated for running the Board secretariat while the balance of Kes.223.129 billion was allocated for disbursement to constituencies.

In financial Year 2016/2017, the allocation was Kes 25Billion. The Board had also pending receipts from National Treasury amounting to Kes 4,976,750,000 relating to financial Years 2011/2012, 2013/14 and 2014/15 by the end of 2015/2016 Financial Year. This totalled to Kes 29,976,750,000 expected to be received in financial year 2016/2017

However, in a preliminary ruling in High Court on the petition against NGDCF, the Cabinet Secretary in charge of National Treasury was barred from releasing to the National Government Constituencies Development Fund any amount exceeding Kes. 25,000,000,000 during financial year 2016/2017 pending hearing and disposal of the Petition. Due to this court ruling, the Board only received 25 Billion allocated in F/Y 2016/2017. The outstanding arrears of Kes 4,976,750,000 are still pending to date.

Despite the challenges in funding in Financial Year 2016/2017, the Board was able to disburse funds received to the constituencies with respect to their 2016/2017 allocation as follows:

- i. One hundred sixteen (116) constituencies received full allocation amounting Kes 9,499,999,997

- ii. Fifty eight (58) constituencies received between 90% and 99% of their 2016/2017 allocation amounting of Kes 4,586,201,775
- iii. Sixty three (63) constituencies received between 51% and 89% of their 2016/2017 allocation amounting to Kes 3,281,384,825
- iv. Forty five(45) constituencies received 50% of their 2016/2017 allocation amounting to Kes 1,842,672,446
- v. Three (3)constituencies received statutory allocation amounting to Kes 62,284,483
- vi. Five (5) constituencies received 2016/2017 emergency amounting to Kes 20,474,138
- vii. Kes 1,250,000,000 was disbursed to the Board Secretariat for financial year 2016/2017 for administrative purposes
- viii. The Board also disbursed Kes 4,446,982,332 out of the fund received IN 2016/2017 and 3,847,706,690 brought forward from 2015/2016 was disbursed to the constituencies with respect to the previous year's allocation.

CORPORATE GOVERNANCE STATEMENT

Objective

Corporate governance defines the process and structure used to direct and manage business affairs of the company with the aim of enhancing prosperity and corporate accountability.

The Board acknowledges that it is responsible for ensuring the transparency, accountability and integrity of the financial systems and internal system in the organization and hereby confirms that sufficient safeguards have been put in place and are reviewed on a regular basis.

The Board's principal responsibilities include:

- (a) Ensure timely and efficient disbursement of funds to every constituency;
- (b) Ensure efficient management of the Fund;
- (c) Consider project proposals submitted from various constituencies in accordance with the Act. Approve for funding those projects proposals that are consistent with this Act and send funds to the respective constituency fund account of the approved projects;
- (d) Co-ordinate the implementation of projects at the inter-constituency level;
- (e) Receive and address complaints that may arise from the implementation of the Act;
- (f) Encourage best practices in the implementation of projects;
- (g) administer the funds and assets of the Board in such manner and for such purpose as shall promote the best interest of the Board in accordance with the Act to ensure efficient management of the Fund; and
- (h) Perform such other duties as the Board may deem necessary from time to time for the proper management of the Fund.

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The NG-CDF Board recognizes its responsibility of being environmentally responsible by complying with all environmental laws at all phases of its activities. The Board is responsible for ensuring that the policy on environmental sustainability is implemented and that the natural and man-made resources are protected through the implementation of proactive environmental programs.

In line with this, the NG-CDF Board focuses on:

- Maintaining good environmental system that is suitable to the nature, scale and environmental impacts of its operations and related activities.
- Making environmental concerns as an integral part of its planning and decision making process by committing sufficient resources in order to implement effective environmental and sustainability programs.
- Providing the necessary training for its employees to ensure that they have enough knowledge and capacity to conduct operations in a manner that is consistent with sound environmental practices while at the same time encouraging employees to be involved in environmental action.
- Avoiding, minimizing and mitigating any adverse environmental impacts caused by its operations.
- Adopting the highest standards in all areas of operations, meeting and exceeding all relevant requirements.
- Assessing its operational activities and identifying areas where it can minimize waste and negative environmental impacts through careful and efficient use of all materials and energy by promoting the use of environmentally friendly technologies.
- Promoting environmental awareness among its employees by encouraging them to work in an environmentally responsible manner.
- Continually assessing the environmental impact of all its operations.

To achieve the 2016-2017 objectives, the Board undertook several activities aimed at enhancing environmental education, awareness and Sensitization on environmental sustainability relevant to the institutional mandate. The Board carried out environmental activities in the following counties: Nyeri County-Othaya, Nyeri town and Mathira constituencies, Murang'a County- Kangema, Mathioya, Kiharu constituencies, Kirinyaga County- Mwea and Ndia constituencies, Embu County- Manyatta constituency, Nairobi County- Ruaraka Constituency.

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 44 of the National Government Constituencies Development Fund Act, 2015 require the Directors to prepare financial statements in respect of NG-CDF, which give a true and fair view of the state of affairs of the NG-CDF at the end of the financial year/period and the operating results of the NG-CDF for that year/period. The Directors are also required to ensure that the NG-CDF keeps proper accounting records which disclose with reasonable accuracy the financial position of the NG-CDF. The Directors are also responsible for safeguarding the assets of the NG-CDF.

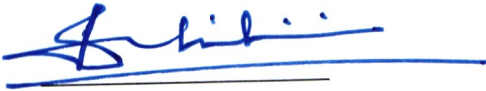
The Directors are responsible for the preparation and presentation of the *NG-CDF's* financial statements, which give a true and fair view of the state of affairs of the *NG-CDF* for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate 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 Directors accept responsibility for the *NG-CDF's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) cash, and in the manner required by the PFM Act and the State Corporations Act. The Directors are 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 Directors further confirm 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.

Nothing has come to the attention of the Directors to indicate that the *NG-CDF* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The NG-CDF financial statements were signed on behalf of the Board by:



Joseph Mukui
Board Member



Yusuf Mbutia
Ag. Chief Executive Officer

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 – CENTRAL BANK OF KENYA ACCOUNT FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the National Government Constituencies Development Fund – Central Bank of Kenya Account set out on pages 1 to 8, which comprise of the statement of assets as at 30 June 2017, and the statement of financial performance, 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, the financial statements present fairly, in all material respects, the financial position of the National Government Constituencies Development Fund – Central Bank of Kenya Account 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 Standard (Cash Basis) and comply with the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing 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 Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituencies Development Fund – Central Bank of Kenya Account 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 opinion.

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund – Central Bank of Kenya Account for the year ended 30 June 2017

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current year. There were no key audit matters to report in the year under review.

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 Standard (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 going concern basis of accounting unless the Government either intends to cease operations of the Fund, 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 of Kenya. 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 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 sustain 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 sustaining 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

07 March 2018

**IX. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2016-2017 Kes	2015-2016 Kes
RECEIPTS			
Transfers from Other Government Entities	1	25,000,000,000	37,213,000,000
TOTAL RECEIPTS		25,000,000,000	37,213,000,000
PAYMENTS			
Other grants and transfers	2	28,837,556,200	33,578,731,394
TOTAL PAYMENTS		28,837,556,200	33,578,731,394
SURPLUS/DEFICIT		-3,837,556,200	3,634,268,606

VIII. STATEMENT OF ASSETS AS AT 30TH JUNE 2017

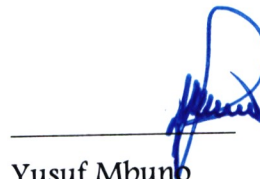
The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

	Note	2016/2017	2015/2016
		Kes	Kes
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	3	10,150,491	3,847,706,690
TOTAL FINANCIAL ASSETS		10,150,491	3,847,706,690
REPRESENTED BY			
Fund balance b/fwd	4	3,847,706,690	213,438,084
Surplus/Deficit for the year		-3,837,556,200	3,634,268,606
		10,150,490	3,847,706,690



Joseph Mukui
Board Member

Date 29/9/2017



Yusuf Mbuno
Ag. Chief Executive Officer

Date 29/09/2017

X. STATEMENT OF CASHFLOW AS AT 30TH JUNE 2017

		2016-2017	2015-2016
Receipts for operating income			
Transfers from Other Government Entities	1	25,000,000,000	37,213,000,000
Payments for operating expenses			
Other grants and transfers	2	28,837,556,200	33,578,731,394
Net cash flow from operating activities		-3,837,556,200	3,634,268,606
Net increase in cash and cash equivalent		-3,837,556,200	3,634,268,606
Cash and cash equivalent at BEGINNING of the year	4	3,847,706,690	213,438,084
Cash and cash equivalent at END of the year	3	10,150,490	3,847,706,690

XII. 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 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 *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, 2017.

NOTES TO FINANCIAL STATEMENTS

TRANSFERS FROM OTHER GOVERNMENT ENTITIES		
Description	2016-2017	2015-2016
	Kes	Kes
Ministry of Devolution and Planning	25,000,000,000	37,213,000,000
TOTAL	25,000,000,000	37,213,000,000

2 TRANSFER TO CONSTITUENCIES AND BOARD SECRETARIAT		
	2016-2017	2015-2016
	Kes	Kes
Transfers to constituencies	27,587,556,200	31,818,081,393.90
Transfer to NGCDF Board Secretariat (5% allocation)	1,250,000,000	1,760,650,000
Total	28,837,556,200	33,578,731,394

3: Bank Accounts		
Name of Bank, Account No. & currency	2016-2017	2015-2016
	Kes	Kes
Central Bank of Kenya, Recurrent Account no.1000304316	10,150,490.65	3,847,706,690
	-	-
	-	-
Total	10,150,490.65	3,847,706,690.00

4. BALANCES BROUGHT FORWARD		
	2016-2017	2015-2016
	Kes	Kes
Bank accounts	3,847,706,690	213,438,084
Total	3,847,706,690	213,438,084

5. OTHER IMPORTANT DISCLOSURES

Owings to the constituencies	Kes	4,986,900,490.65
Receivable from Treasury	Kes	4,976,750,000.00

Owings to constituencies = Receivable from Treasury + Cash and Cash Equivalent at the end of the year