

REPUBLIC OF KENYA



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REPORT



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THE AUDITOR-GENERAL

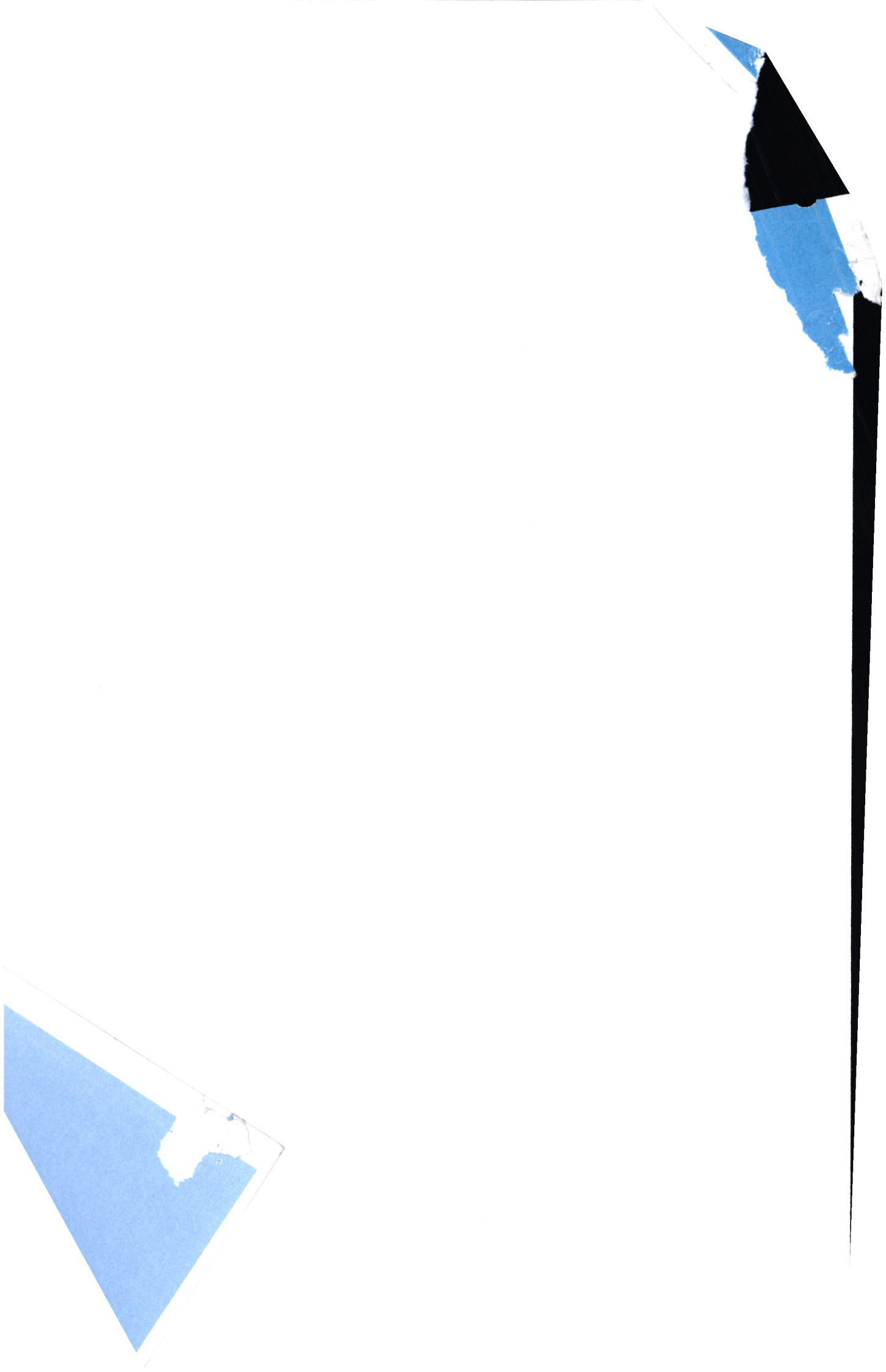
Tuesday 6th November 2018

ON

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

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FOR THE YEAR ENDED 30 JUNE 2017





**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- FAFI
CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

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

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



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –
FAFI CONSTITUENCY**
Reports and Financial Statements
For the year ended June 30, 2017

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CONSTITUENCY DEVELOPMENT FUND- FAFI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (NGCDF) was set up under the CDF Act, 2003 now repealed by the NGCDF Act, 2015. 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 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 Fafi Constituency's day-to-day management is under the following key organs:

- i. 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	Omar hassan
3.	Accountant	Bosco Kyalo Kilonzo
4.		

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of Fafi Constituency. The reports and recommendation of ARMC when adopted by the NGCDF Board are forwarded to the National Government Constituency Development Fund Committee (NGCDFC) for action. Any matters that require policy guidance are forwarded by the Board to the Cabinet Secretary and National Assembly Select Committee.

(e) Fafi NGCDF Headquarters

NGCDF Office Building.
Adjacent to Bura Sub-County Hospital on the right and
Bura –Msa Road on the left

Postal address;
Box 1914-70100
Garissa-Kenya

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- FAFI
CONSTITUENCY**

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

(F) Fafi NG-CDF Contacts

Telephone: (254)722-911803

E-mail: Faficdf@cdf.go.ke

(f) Fafi NG-CDF Bankers

Equity Bank

Garissa Branch

A/C no: 0580262524480

P.O.Box 70700-70100

(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- FAFI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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

The entity utilized its allocated budget for undertaking the slotted projects for the financial year. More than 90% of the fund has been utilized despite receiving the final disbursement towards the end of the financial year.

Over the year the entity improved water and sanitation through drilling and equipping of borehole in some schools. The entity also promoted infrastructural development in the education sector through construction of teacher's houses, classes, dormitories, administration block and improved access to road network through light grading and bush clearing of rural roads.

Additionally the fund has improved education standard by contributing to access and compilation, this is through payment tuition fees for needy and vulnerable student across the constituency

Emerging issues related to NG-CDF includes; Increasing population, Upcoming/increasing settlement, Increasing school enrolment and Global climatic change

There has also been Implementation challenges such as; Security threat, Lack of clear boundary among constituencies and Political interference

For the Fund to thrive I recommend that there should be a minimum or no interference from the political figures and no projects should be undertaken in boundary conflict zone without the involvement of the concerned organs of the government

Sign.....
CHAIRMAN NGCDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- FAFI
CONSTITUENCY**

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

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.

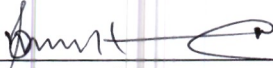
The Accounting Officer in charge of the Fafi NGCDF is responsible for the preparation and presentation of the NGCDF's financial statements, which give a true and fair view of the state of affairs of the NGCDF for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility 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 Fafi 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, 2017, and of the NGCDF's financial position as at that date. The Accounting Officer charge of the Fafi 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 Fafi 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 on 9/2/ 2018.


Fund Account Manager


Chairman

REPUBLIC OF KENYA

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Fax: +254-20-311482
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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – FAFI 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 - Fafi Constituency set out on pages 5 to 19, which comprise the statement of financial 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 - Fafi 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 the National Government Constituencies Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, except for the effect of the matter described in the Other Matter section of my report, 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 Qualified Opinion

1. Award of Contracts For Education Projects

During the year ended 30 June, 2017, the National Government Constituencies Development Fund - Fafi Constituency awarded contracts amounting to Kshs.11,100,000 to various contractors for the construction of classrooms administration block in various schools within the Constituency. However, the following audit observations were noted:-

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

- i) Bills of Quantities for some projects lacked vital information such as dully filled Confidential Business Questionnaires and form of Tender contrary to section 70(4) of the Public procurement and Asset Disposal Act 2015.
- ii) Tender advertisements or Notices were neither put in print or electronically and therefore, how the companies that bided for the contract was sourced could not be ascertained.
- iii) Opening minutes and tender opening registers were neither attached to the payment vouchers nor availed for audit contrary to Section 78 sub-section 8 and 9 of the Public procurement and Asset Disposal Act 2015 which require accounting officers of the procuring entity to maintain tender opening register and also tender opening minutes duly signed by the Tender Opening Committee members.
- iv) According to the approved project list from the CDF Board and the Project implementation status report, Abaqdera primary school was allocated an amount of Kshs.2,400,000 for construction of administration block. However, the project was reallocated to construction of two (2) classrooms as indicated in the project file, Bills of Quantities, Minutes and Certificate of practical completion. The reallocation was however, not supported with the approval from the Board.
- v) Contract documents such as notification to successful and unsuccessful bidders and certificate of practical completion for some projects were not attached to the payment vouchers or availed for audit review. It was also noted that the payments were supported with copies of tender evaluation and opening minutes. The original documents were not availed for audit review.

Under the circumstances, it was not possible to ascertain the propriety of the expenditure of Kshs.11,100,000 as at 30 June 2017.

2. Unaccounted for Bursary Expenses

The Fund disbursed bursaries amounting to Kshs.4,966,000 to various institutions for the benefit of needy students. However, examination records available revealed that the payments were not supported with acknowledgements receipts or letters from learning Institutions which were purported to have been paid the monies. Further, no cheque dispatch register to record the cheques dispatched from Fund was maintained.

In addition, bursaries were awarded on the strength of admission letter and list of form one selection from Learning institutions and Sub county Director of Education. It was therefore difficult to ascertain whether the students actually joined those institutions. The list of the students did not indicate admission numbers of the students, fees structure and outstanding fees from the schools. It was observed that some of the lists of bursary beneficiaries supporting the payment vouchers were altered and changed without counter signing them. Some of the expenditures for bursaries were also not supported with CDFC Minutes as required by the National Government Constituency Development regulations.

In view of the foregoing, it was not possible to confirm the authenticity and accountability of the expenditure of Kshs.4,966,000 as at 30 June 2017.

3. Transfer of Security Projects

During the year under review the National Government Constituency Development Fund - Fafi Constituency paid Mubarid Youth Group an amount of Ksh.2,800,000 for the Construction of 2no. twin staff houses and twin pit latrine at Fafi police post. The payment was however not supported with contract documents such as inspection and acceptance committee report and certificate of practical completion. Further, the payments were supported with copies of tender evaluation and opening minutes. The original documents were not availed for audit review. It was therefore not possible to ascertain the authenticity of the documents supporting the payments.

As a result, the propriety and validity of the expenditure of Kshs.2,800,000 as at 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituency Development Fund - Fafi 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 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. There were no Key Audit Matters to report in the year under review.

Other Matter

1.0 Budget Performance

1.1 Budgetary control and Performance

A review of the statement of budget appropriation revealed that during the year under review, the National Government Constituency Development Fund - Fafi Constituency had an approved budget of Kshs.121,595,894. Out of the Kshs.121,595,894 budgeted for the financial year under review, an amount of Kshs.39,099,342 was unspent balance from the financial year 2015/2016. Budget utilization on receipts and expenditure are as follows:

Item	Budget (Kshs)	Actual (Kshs)	Difference Under (Kshs)	Actual of Budget %
Receipts	121,595,894	118,064,032	3,531,862	97%
Expenditure	121,595,894	114,979,679	6,616,215	95%

The above analysis reflects actual receipts of Kshs.118,064,032 against budgeted amount of Kshs.121,595,894 resulting in a short fall of Kshs.3,531,862 or 3% of undisbursed funds from the CDF board. Further, the National Government Constituency Development Fund - Fafi Constituency incurred an amount of Kshs.114,979,679 or 95% of the approved budget of Kshs.121,595,894.

1.2 Under Expenditure on Overall Budget

The National Government Constituency Development Fund - Fafi Constituency recorded an overall 5% under expenditure during the year under review as follows:

Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Under Expenditure (Kshs)	Difference %
Compensation of employees	1,680,196	1,297,352	382,844	23%
Use of goods and services	6,957,708	6,924,808	32,900	0.47%
Transfer to other Government units	68,193,419	65,613,188	2,580,231	4%
Other grants and transfers	43,964,571	40,844,331	3,120,240	7%
Acquisition of assets	300,000	300,000	0	0%
Other payments	500,000	0	500,000	100%
TOTAL	121,595,894	114,979,679	6,616,215	5%

The above table indicates under expenditure of Kshs.6,616,215. However, no proper explanation was given for not utilizing the funds to benefit the constituencies.

1.3 Project Implementation and Management

During the financial year under review. National Government Constituency Development Fund - Fafi Constituency allocated Kshs.50,556,897 to 28 projects in various sectors including education, security and environment.

Analysis as per project implementation status revealed that 22 projects were completed, 4 had not even started and 2 projects were on going as follows:

Sector	Project Status	Project Cost (Kshs)	No. of Projects
Education	Complete	32,287,104	19
	Ongoing	4,000,000	2
	Not started	3,531,862	4
Security	Complete	9,100,000	2
	Ongoing	0	0
	Not started	0	0
Environment	Complete	1,637,931	1
	Ongoing	0	0
	Not started	0	0
TOTAL		50,556,897	

No explanation was given for non-completion of the projects to benefit the constituents.

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 as a going concern/ 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

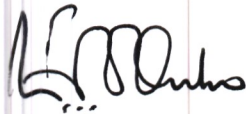
of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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 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 October, 2018

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- FAFI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

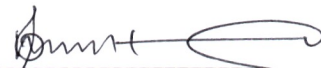
IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016/2017	2015-2016
			Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	78,964,689.60	113,973,058.00
Proceeds from Sale of Assets	2		
Other Receipts	3		
TOTAL RECEIPTS			113,973,058.00
PAYMENTS			
Compensation of Employees	4	1,297,352.00	1,253,219.00
Use of goods and services	5	6,924,808.00	7,715,068.00
Transfers to Other Government Units	6	65,613,188.33	59,948,242.00
Other grants and transfers	7	40,844,331.00	37,885,137.00
Acquisition of Assets	8	300,000	
Other Payments	9		
TOTAL PAYMENTS		114,979,679.33	106,801,666.00
SURPLUS/DEFICIT		(36,014,989.73)	7,171,392.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fafi NG-CDF financial statements were approved on 9/21 2018 and signed by:



Chairman – NG-CDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- FAFI
CONSTITUENCY**


Reports and Financial Statements

For the year ended June 30, 2017


V. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016/2017	2015-2016
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	3,084,352.27	39,099,342
Cash Balances (sale of tenders,hire of grader)	10B		
			39,099,342
Outstanding Imprests	11		0
TOTAL FINANCIAL ASSETS		3,084,352.27	39,099,342
REPRESENTED BY			
Retention	12		
Fund balance b/fwd 1st July 2016	13	39,099,342	31,927,950.00
Surplus/Deficit for the year (from stm of receipt & expenditure)		(36,014,989.73)	7,171,392.00
Prior year adjustments	14		
NET LIABILITIES		3,084,352.27	39,099,342.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fafi NG-CDF financial statements were approved on 9/21 2018 and signed by:



Chairman – NG-CDFC



Fund Account Manager

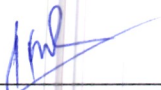
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- FAFI
CONSTITUENCY**

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

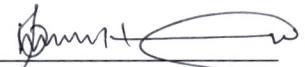
VI. STATEMENT OF CASHFLOW

Receipts for operating Activities		2016/2017	2015-2016
Transfers from the CDF Board	1	78,964,689.60	113,973,058.00
Other Revenues	3		
Payments for operating expenses			
Compensation of Employees	4	1,297,352.00	1,253,219
Use of goods and services	5	6,924,808.00	7,715,068
Transfers to Other Government Units	6	65,613,188.33	59,948,242
Other grants and transfers	7	40,844,331.00	37,885,137
Other Expenses	9		
		114,679,679.33	106,801,666
Adjusted for:			
Adjustments during the year	14		0
Net cashflow from operating activities		-35,714,989.73	7,171,392.00
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	0	0
Acquisition of Assets	8	300,000.00	0
Net cash flows from Investing Activities		-300,000.00	-
CASHFLOW FROM FINANCING ACTIVITIES			
Net cash flow from financing activities			
NET INCREASE/ IN CASH AND CASH EQUIVALENT		-36,014,989.73	7,171,392
Cash and cash equivalent at BEGINNING of the year	13	39,099,342.00	31,927,950
Cash and cash equivalent at END of the year		3,084,352.27	39,099,342

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fafi NG-CDF financial statements were approved on 9/21 2018 and signed by:



Chairman NG-CDFC



Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT -FAFI

Reports and Financial Statements

For the year ended June 30, 2017

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from DF board-AIEs' Received	82,496,551.72	39,099,342.00	121,595,893.72	118,064,031.60	3,531,862.12	97.08
Proceeds from Sale of Assets						
Other Receipts						
TOTAL	82,496,551.72	39,099,342.00	121,595,893.72	118,064,031.60	3,531,862.12	97.08
PAYMENTS						
Compensation of employees	1,328,000.00	352,196.00	1,680,196.00	1,297,352.00	382,844.00	77.214325
Use of goods and services	3,992,833.00	2,964,875.00	6,957,708.00	6,924,808.00	32,900.00	99.5271431
Transfers to Other Government Units	41,568,821.72	26,624,597.00	68,193,418.72	65,613,188.33	2,580,230.39	96.1827195
Other grants and transfers	35,306,897.00	8,657,674.00	43,964,571.00	40,844,331.00	3,120,240.00	92.9028307
Acquisition of assets	300,000.00		300,000.00	300,000.00	-	100
Other Payments		500,000.00	500,000.00		500,000.00	0
TOTALS	82,496,551.72	39,099,342.00	121,595,893.72	114,979,679.33	6,616,214.39	94.53

The Fafi NG-CDF financial statements were approved on 9/2/ 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 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

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authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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

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IX. NOTES TO THE FINANCIAL STATEMENTS

1 .TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
A.I.E NO 825957	600,000	
A.I.E NO.829544	4,094,827.60	
A.I.E NO.839589	36,853,449	10,000,000.00
AIE NO..855600	29,616,413	10,000,000.00
AIE NO..839707	7,800,000	10,000,000.00
AIE NO.820721		27,000,000.00
AIE NO.825557		28,000,000.00
AIE NO.825670		28,973,0588.00
TOTAL	78,964,689.60	113,973,058.00

2. PROCEEDS FROM SALE OF ASSETS

	2016 - 2017	2015 – 2016
	Kshs	Kshs
Receipts from the Sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment		
Receipts from the Sale Plant Machinery and Equipment		
Receipts from Sale of Certified Seeds and Breeding Stock		
Receipts from the Sale of Strategic Reserves Stocks		
Receipts from the Sale of Inventories, Stocks and Commodities		
Disposal and Sales of Non-Produced Assets		
Receipts from the Sale of Strategic Reserves Stocks		
Total		

3. OTHER RECEIPTS

	2016-2017	2015 - 2016
	<u>Kshs</u>	<u>Kshs</u>
Interest Received		
Rents		
Sales of Tender Documents		
Other Receipts Not Classified Elsewhere		
Total		

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4. COMPENSATION OF EMPLOYEES

	2016/2017	2015-2016
	Kshs	Kshs
Basic wages of contractual employees	1,268,552.00	1,224,419.00
Basic wages of casual labour		
Personal allowances paid as part of salary		
House allowance		
Transport allowance		-
Leave allowance		-
Employer contribution to NSSF	28,800.00	28,800.00
Other personnel payments		-
Total	1,297,352.00	1,253,219.00

5. USE OF GOODS AND SERVICES

	2016/2017	2015 - 2016
		Kshs
Utilities, supplies and services	43500	
Office rent		
Communication, supplies and services	23200	36,500
Domestic travel and subsistence	589,000	499,440
Printing, advertising and information supplies & services		
Rentals of produced assets		
Training expenses	300,000	
Hospitality supplies and services	68700	77,100
Other committee expenses	1235936.45	1,929,650
Committee allowance	1556896.55	2,936,000
Insurance costs		
Specialised materials and services		
Office and general supplies and services	123000	585,993
Fuel ,oil & lubricants	830,000	690,000
Other operating expenses	1,697,931	560,681
Routine maintenance – vehicles and other transport equipment	432,044	399,704
Routine maintenance – other assets	24600	
Total	6,924,808	7,715,068

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016/2017	2015-2016
		Kshs
Transfers to primary schools	34,205,250.00	33,330,759.00
Transfers to secondary schools	31,407,938.33	26,374,000.00
Transfers to Tertiary institutions		
Transfers to Health institutions		243,483.00
TOTAL	65,613,188.33	59,948,242.00

7. OTHER GRANTS AND OTHER PAYMENTS

	2016/2017	2015 - 2016
		Kshs
Bursary -Secondary	15,148,000.00	6,366,350.00
Bursary -Tertiary	9,527,000.00	4,582,000.00
Bursary-Special schools		
Mocks & CAT		
water		7,095,000.00
food security		
Electricity projects		
Security	10,572,000.00	2,290,000
Roads		10,500,000.00
Sports		
Environment	1,637,931.00	2,291,461.00
Emergency Projects.	3,959,400.00	4,760,326.00
Total	40,844,331.00	37,885,137.00

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8. ACQUISITION OF ASSETS

Non Financial Assets	2016/2017	2015 - 2016
	Ksh	Ksh
Purchase of Buildings		
Construction of Buildings		
Refurbishment of Buildings		
Purchase of Vehicles		
Purchase of Bicycles & Motorcycles		
Overhaul of Vehicles		
Purchase of Office furniture and fittings		
Purchase of computers ,printers and other IT equipments		
Purchase of photocopier		
Purchase of other office equipments	300,000	
Purchase of soft ware		
Acquisition of Land		
Total	300,000	

9. OTHER PAYMENTS

Other Payments	2016-2017	2015-2016
Capital transfer to private financial institution		
Other expenses		
Total		

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2016/2017	2015-2016
		Kshs
Equity Bank-Garissa branch	3,084,352.27	39,099,342.00
Total	3,084,352.27	39,099,342.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

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

0

12: RETENTION

Supplier/Contractor	PV no	2016 - 2017	2015 - 2016
		Kshs	Kshs
TOTAL			

13. BALANCES BROUGHT FORWARD

	2016/2017	2015-2016
		Kshs
Bank accounts	39,099,342	31,927,950.00
Cash in hand		
Cash equivalents (short-term deposits)		
Imprest		
Total	39,099,342	31,927,950.00

14. PRIOR YEAR ADJUSTMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bank accounts		-
Cash in hand		-
Cash equivalents (short-term deposits)		-
Imprest		-
Receivables		
Payables		
Total		-

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15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE

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

15.2: PENDING STAFF PAYABLES

	2016-2017	2015-2016
	Ksh	Ksh
NG-CDFC STAFFS	287,335.32	342,196
TOTAL	287,335.32	342,196

15.3: OTHER PENDING PAYABLES

	2016/2017	2015-2016
	Ksh	Ksh
Amounts due to other Government entities	1,680,003	26,624,597
Amounts due to other grants and other transfers	1,063,845.95	8,657,674
Use of goods and services	71.45	809,218
Committee Expenses	96.55	2,148,657
Social Security Benefits	24400	10,000
Acquisition of Assets		
Other Payments	28,600	500,000
Total	2,797,016.95	38,750,146.00

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15.4. FIXED ASSET REGISTER

Asset class	Historical Cost	Historical Cost
	(Kshs)	(Kshs)
	2016/2017	2015/2016
Land		
Buildings and structures	4,716,000	4,716,000
Transport equipment	5,897,843	5,897,843
Office equipment, furniture and fittings	468,140.00	468,140.00
ICT Equipment, Software and Other ICT Assets	268,500	268,500
Other Machinery and Equipment	308,850	8,850
Heritage and cultural assets		
Intangible assets		
Total	11,659,333	11,359,333

15.5: PMC account balances

	Kshs	Kshs
	2016/17	2015/2016
PMC account Balances (see attached list)		xxx
	10,931	xxx

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Annex 1. Pending Account Payables

		Ksh	Ksh
Amounts due to other grants and other transfers			
Transfer to primary school			
Fafi girls primary toilet		100,000	
Supply of desks to uftis dadbilal primary		3.45	
Abaqdera primary pmc		175,000	
		275,003.45	275,003.45
Transfer to secondary school			
Bura secondary toilets		150,000	
Nanighi secondary teachers houses		650,000	
Fafi girls secondary water supply		7,000	
Shill secondary teachers houses		430,000	
Shill secondary Dining hall		45,000	
nanighi secondary Dormitory		123,000	
			1,404,999.55
		Total	
Amounts due to other Government entities			
Bursary -secondary		198,853.45	
Bursary -Tertiary		659,992.50	
Security;			
Fafi police post		205,000	
		Sub-total	1,063,845.95
Compensation of Employees			
staff salaries		277,335.32	
Employer contribution to Nssf		10,000	287,335.32
			71.45
Use of goods and services			96.55
Committee Expenses			24400
Social Security Benefits			
Acquisition of Assets			
Other Payments			28,600
Total			3,084,352.27

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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)
	Budget performance analysis(underutilization of fund)	The underutilized amount relates to disbursement received towards the end of the financial year	OMAR HASSAN-FAM	Resolved	
2	Non-maintenance of PMCs banks accounts	The office to follow up with Pmcs on the issues raised	OMAR HASSAN-FAM	Most issues resolved	
3	Appointment of constituency oversight committee	FAM to liaise with NG-CDF board	OMAR HASSAN-FAM	unresolved	Before 30/6/2017
4	Irregular award of contract	The NG-CDF chair to liaise with PMC chairs to resolve cases where some tender documents was not availed for audit purposes	MOHAMED ADEN-CHAIRMAN	Resolved	
5	Unaccounted for Bursary fund	The NG-CDF office to confirm if there are institution that did not submit their acknowledgement receipt	OMAR HASSAN-FAM	Most issues resolved	

Name..... Omar Hassan
Designation..... FAM

Name..... Mohamed Aden
Designation..... Chairman

Signature and Stamp

NG-CONSTITUENCY DEVELOPMENT FUND
FAFI
Date..... 9/2/2018
Sir [Signature]
1914-70100, GARISSA