

REPUBLIC OF KENYA



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THE AUDITOR-GENERAL

ON

**NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND -
LUNGALUNGA CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE, 2020**



Revised Template 30th June 2020



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND -
LUNGALUNGA CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

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**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
LUNGALUNGA CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2020**

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NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LUNGALUNGA CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2020

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The National Government Constituencies Development Fund (NG-CDF) (hereafter referred to as the Fund) formerly Constituencies Development Fund (CDF), is a fund established in 2003 through an Act of Parliament, the Constituencies Development Fund Act, 2003. The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013. The latter was subsequently succeeded by the current NG-CDF Act, 2015. At cabinet level, NG-CDF is represented by the Cabinet Secretary for Devolution, who is responsible for the general policy and strategic direction of the Fund.

Mandate

The mandate of the Fund as derived from sec (3) of NG-CDF Act, 2015 is to:

- a) Recognize the constituency as a platform for identification, performance and implementation of national government functions;
- b) Facilitate the performance and implementation of national government functions in all parts of the Republic pursuant to Article 6(3) of the Constitution;
- c) Provide for the participation of the people in the determination and implementation of identified national government development projects at the constituency level pursuant to Article 10(2)(a) of the Constitution;
- d) Promote the national values of human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination and protection of the marginalized pursuant to Article 10 (2) (b) of the Constitution;
- e) Provide for the sustainable development of all parts of the Republic pursuant to Article 10 (2) (d) of the Constitution;
- f) Provide a legislative and policy framework pursuant to Article 21 (2) of the Constitution for the progressive realization of the economic and social rights guaranteed under Article 43 of the Constitution;
- g) Provide mechanisms for the National Assembly to deliberate on and resolve issues of concern to the people as provided for under Article 95 (2) of the Constitution;
- h) provide for a public finance system that promotes an equitable society and in particular expenditure that promotes equitable development of the country by making special provisions for marginalized groups and areas pursuant to Article 201 (b) (iii) of the Constitution;
- i) Authorize withdrawal of money from the Consolidated Fund as provided ' under Article 206 (2) (c) of the Constitution;
- j) Provide mechanisms for the National Assembly to facilitate the involvement of the people in the identification and implementation of projects for funding by the national government at the constituency level; and
- k) Provide for mechanisms for supplementing infrastructure development at the constituency level in matters falling within the functions of the national government at that level in accordance with the Constitution

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



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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.

(b) Key Management

The NGCDF LUNGALUNGA Constituency 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 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	A.I.E holder	Hassan Kassim
2.	Sub-County Accountant	Sabena Wambui
3.	Chairman NGCDFC	Abubakar Juma Manyenze
4.	Member NGCDFC	Lucy Ruwa Mwero (Alternative signatory)

(d) Fiduciary Oversight Arrangements

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

(e) NGCDF LUNGALUNGA Constituency Headquarters

P.O. Box 63-80402 Lungalunga
NG-CDF Building-Kanana
Ukunda/Lungalunga Highway
Nairobi, KENYA



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

LUNGALUNGA CONSTITUENCY

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For the year ended June 30, 2020

(f) NGCDF LUNGALUNGA Constituency Contacts

Telephone: (254) 720-520268

E-mail: cdflungalunga.go.ke

Website: www.cdflungalunga.go.ke

(g) NGCDF LUNGALUNGA Constituency Bankers

Co-operative Bank

A/C No. 01141195733400

Beach Road-Diani Classic Building

P.O. Box 568-80400

Ukunda

Kwale, Kenya

(h) Independent Auditors

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084-00100

GOP

Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney-General

State Law Office

Harambee Avenue

P.O. Box 40112-00200

City Square

Nairobi, Kenya



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
LUNGALUNGA CONSTITUENCY
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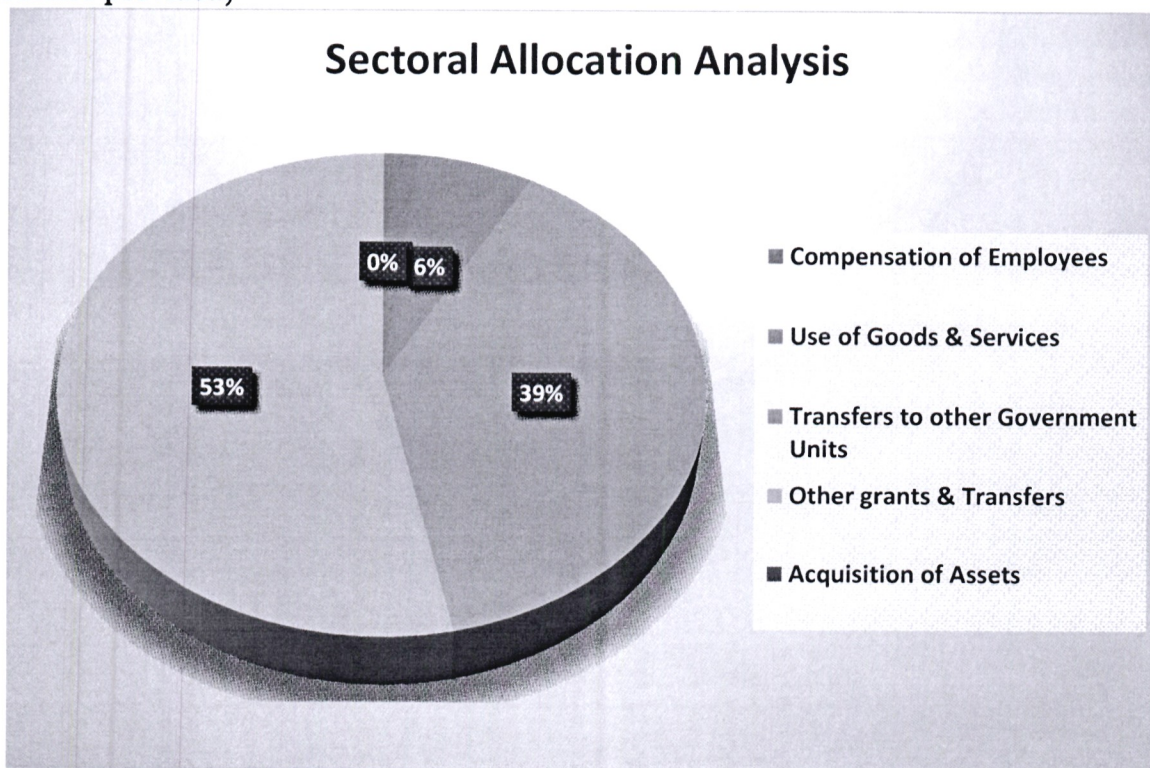
II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

During the financial year ended 30th June 2020, Lungalunga NG-CDF was allocated a total of kshs.187, 408,599.60. In the course of the financial year, Lungalunga NG-CDFC received approximately 99% of its financial year 2019/2020 allocation. However, during the financial year 2019/2020, kshs.49,240,875.50 was also received being fund for the previous financial years' allocations. Therefore, the funds received during the financial year totalled kshs.187, 408,599.60 was allocated to different sectors of the projects as follows:

Sectorial analysis

In the course of the financial year kshs.4,301,903 was compensation of employees, kshs.6,377,994 was use of goods and services, kshs.43,424,460 was transferred to Other Government Units which comprised of transfers to Primary School kshs.44,923,678, transfers to secondary schools kshs.7,470,000, kshs.58,725,154 was Other grants and Other payments which comprised of bursary to secondary schools kshs.14,046,000, bursary to Tertiary institutions kshs.10,900,078, security kshs.22,770,000 sports kshs.1,349,580, and emergency kshs.9,659,496.

The percentage allocation to the sectors in financial year's comparison is presented graphically as hereunder provided;



Major achievements

Continued funding towards the education sector in the Constituency has contributed to increased enrolment in primary, secondary and tertiary institutions. This has boosted retention and transition rates in schools. Major funded school projects are such as classrooms, administration blocks, laboratories, libraries, dormitories, toilets, lockers and chairs, desks and equipping of laboratories while security projects are chief offices and police administration blocks. During the year, the Committee disbursed a total of Kshs.24, 946,078 as bursary to needy students in secondary, tertiary institutions and this benefitted a total of 3,254 students.



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Below indicated is the current status of education and security projects in the Constituency.



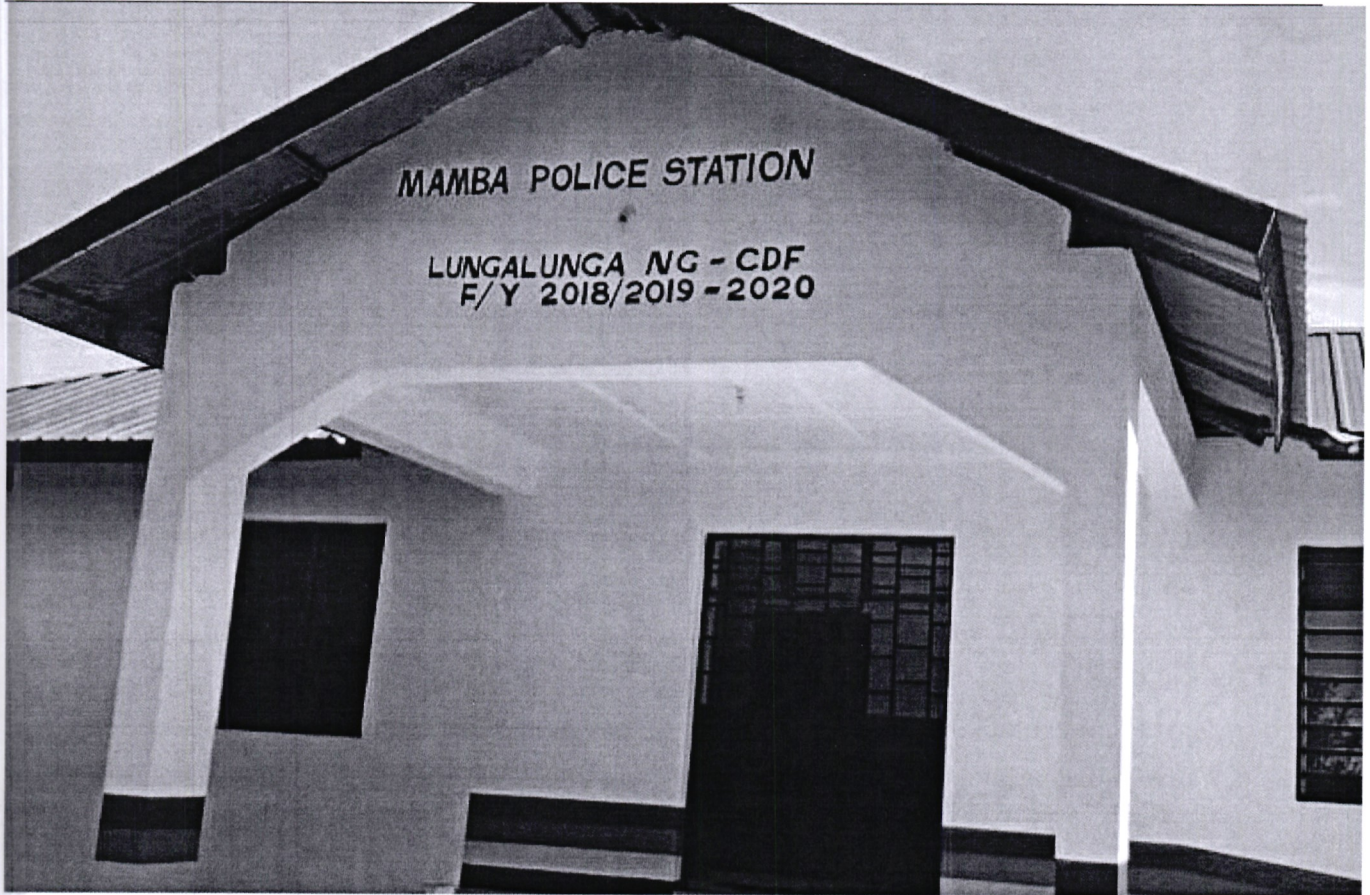
Mwashetani High School tuition block



Mwenza mwenye Secondary School administration block



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
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Mamba Police station

Challenges

During the financial year 2019/2020, Lungalunga NG-CDFC experienced various challenges in management of the fund which included lack of proper records keeping by Project Management Committees. NG-CDFC has during the financial year 2019/2020 organised training of NG-CDFC, staff and Project Management Committees to capacity build as remedial measures hence improve performance.

I sincerely thank the NG-CDF Board, NG-CDFC, NG-CDFC staff, Project Management Committees, the relevant Government departments and other stakeholders for the support and co-operation that has made us achieve our goals.

Thank you indeed.

Sign

**ABUBAKAR JUMA MANYENZE
CHAIRMAN NG-CDF COMMITTEE**



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
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III. STATEMENT OF ENTITY 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 Constituency Development Fund-Lungalunga Constituency shall prepare financial statements in respect of that fund. 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.

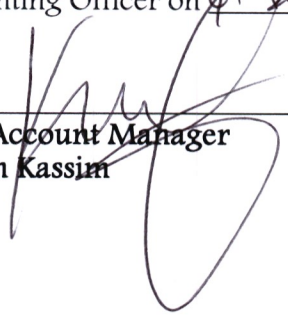
The Accounting Officer in charge of the NGCDF-Lungalunga Constituency is responsible for the preparation and presentation of the fund's financial statements, which give a true and fair view of the state of affairs of the fund for and as at the end of the financial year (period) ended on June 30, 2020. 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

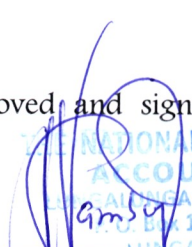

The Accounting Officer in charge of the NGCDF-Lungalunga Constituency accepts responsibility for the fund's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the NGCDF Lungalunga financial statements give a true and fair view of the state of fund's transactions during the financial year ended June 30, 2020, and of the fund's financial position as at that date. The Accounting Officer charge of the NGCDF-Lungalunga Constituency further confirms the completeness of the accounting records maintained for the fund, which have been relied upon in the preparation of the fund's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the NGCDF-Lungalunga Constituency confirms that the fund has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the fund'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 fund'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-Lungalunga Constituency financial statements were approved and signed by the Accounting Officer on 4th December 2020.


Fund Account Manager
Hassan Kassim

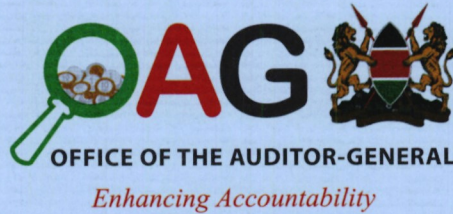

Sub-County Accountant
Sabena Wambui
ICPAK Member Number: 

NATIONAL SUB COUNTY
ACCOUNTANT
LUNGALUNGA SUB-COUNTY
P.O. BOX 121 - 80402
LUNGALUNGA



REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LUNGALUNGA CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Lungalunga Constituency set out on pages 8 to 37, which comprise of the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and a summary statement of appropriation - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the 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 the National Government Constituencies Development Fund – Lungalunga Constituency as at 30 June, 2020, 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 Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

Basis for Qualified Opinion

1.0 Unsupported Bank Balance

The statement of assets and liabilities as at 30 June, 2020 reflects a bank balance of Kshs.65,840,338. However, the figure varies with the reconciled cash book balance of Kshs.66,038,459.95, resulting to unexplained and unreconciled variance of Kshs.198,121.95. In addition, the bank reconciliation statement as at 30 June, 2020 reflects unpresented cheques amounting to Kshs.5,960,440 with no documentary evidence of when they were cleared in the bank.

Consequently, the accuracy and completeness of the bank balance of Kshs.65,840,338 could not be confirmed.

Report of the Auditor-General on National Government Constituencies Development Fund – Lungalunga Constituency for the year ended 30 June, 2020

2.0 Unsupported Bursary Disbursements

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects bursaries amounting to Kshs.24,946,078 which were issued to beneficiaries in secondary schools (Kshs.14,046,000) and tertiary institutions (Kshs.10,900,078) during the year ended 30 June, 2020. However, there was no evidence that the bursary committee vetted the applicants as per the set criteria. In addition, application forms were not supported with evidence of enrolment in the learning institutions.

In the circumstances, the accuracy and completeness of the bursary disbursements amounting to Kshs.24,946,078 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund – Lungalunga Constituency Management in accordance with ISSAI 130 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. There were no key audit matters to report in the year under review.

Other Matter

1.0 Budgetary Control and Performance

The summary statement of appropriation – recurrent and development reflects final receipts budget and actual on comparable basis of Kshs.198,669,982 and Kshs.187,408,600, respectively, resulting to an under-funding of Kshs.11,261,382 or 6% of the budget. Similarly, the Fund expended Kshs.127,773,166 against an approved budget of Kshs.198,669,982 resulting to an under-expenditure of Kshs.70,896,816 or 36% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2.0 Projects Implementation Status

According to the project implementation status report as at 30 June, 2020, seventeen (17) projects with a total allocation of Kshs.35,320,000 were incomplete. There is need therefore, to hasten the implementation of the ongoing projects to ensure that the residents of Lungalunga Constituency obtain value for money.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Ineligible Emergency Expenditure

The statement of receipts and payments for the year ended 30 June, 2020 and as disclosed at Note 7 to the financial statements reflects an expenditure of Kshs.58,725,154 in respect of other grants and Kshs.9,659,496 in respect of emergency projects.

Included in other grants and transfers of and which further includes payments totalling Kshs.2,576,496 to a firm for supply of desks and sports equipment and a further sum of Kshs.5,000,000 for construction of toilets in nine (9) primary schools and a police station. However, the nature of the projects did not meet the criteria set in Section 8(3) of the National Government Constituencies Development Fund Act, 2015 which defines emergency as, "shall be construed to mean an urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents". It was not clear why the projects could not be included in the subsequent year's project proposal.

In the circumstances, the Management was in breach of the law.

2.0 Errors in Presentation of Financial Statements

The financial statements for the year ended 30 June, 2020 and which were presented for audit had the following anomalies;

- i) The statement of performance against constituency's predetermined objectives and corporate social responsibility statement were missing
- ii) The Sub-County Accountant's Institute of Certified Public Accountants of Kenya (ICPAK) registration number was not indicated.

Consequently, the financial statements did not comply with the presentation requirements under International Public Sector Accounting Standard No.1 – Presentation of Financial Statements and the financial reporting guidelines issued by the Public Sector Accounting Standards Board.

3.0 Irregularities in Procurement

Audit examination of various procurement processes undertaken during the year under review revealed irregularities in projects costing a total of Kshs.19,057,393 as detailed below:

3.1 Construction of Mwangulu Police Station

Review of the tender documents revealed that the Fund tendered for construction of Mwangulu Police Station at a contract sum of Kshs.8,706,700. However, there was no evidence that the tender was advertised in the newspaper or government tender portal or whether the contractor placed a performance bond. Further, the certificates of payment did not provide a breakdown of actual work done by the contractor as per the bill of quantities and the contract was extended beyond the contract period of three (3) months without a written evidence of extension contrary to Section 88(2) of the Public Procurement and Asset Disposal Act, 2015 which states that the Accounting Officer of a procuring entity shall give in writing notice of an extension under subsection (1) to each person who submitted a tender.

In the circumstances, the Management was in breach of the law.

3.2 Primary School Projects

Review of tender documents for projects undertaken in primary schools revealed the following irregularities in procurement;

- i. Mwamtsefu Primary School tendered for construction of two (2) classrooms and one (1) two (2) door pit latrine at a contract sum of Kshs.3,348,000. However, the audit noted that there were no appointment letters to the opening and evaluation committees contrary to Section 78(1) which states that an accounting officer of a procuring entity shall appoint a tender opening committee specifically for the procurement in accordance with the following requirements and such other requirements as may be prescribed — (a) the committee shall have at least three members; and (b) at least one of the members shall not be directly involved in the processing or evaluation of the tenders.

In addition, the same members participated in both the opening and evaluation of the tenders. The audit noted that the notification of award was addressed to a different firm other than the winning bidder contrary to Section 87 (1) which states that before the expiry of the period during which tenders must remain valid, the accounting officer of the procuring entity shall notify in writing the person submitting the successful tender that his tender has been accepted. It was also observed that the certificates of payments did not provide a breakdown of the actual work done.

- ii. Similarly, Perani Primary School tendered for renovation of five (5) classrooms at contract a sum of Kshs.3,500,000. However, review of tender documents showed that tender opening minutes were signed by only one member and the notification of award letter was addressed to a different firm other than the winning bidder. In addition, the certificates of payment did not indicate actual work done by the contractor as per the bill of quantities.
- iii. Mkono wa Ndugu Primary School tendered for construction of two (2) classrooms block, two (2) door pit latrine and supply of twenty (20) desks at the cost of Kshs.3,502,693. However, the certificates of payment did not indicate actual work done by the contractor as per the bill of quantities.

In the circumstances, the Management was in breach of the law and the value for money in the implementation of the projects could not be confirmed.

3.0 Poor Supervision of Projects

Projects inspection undertaken in the month of February, 2021 on eight (8) projects with total cost of Kshs.16,110,000 revealed anomalies as provided in **Appendix I**.

Poor implementation of projects greatly affects service delivery to the citizens of Lungalunga Constituency casting doubts on the effectiveness of projects monitoring and evaluation carried by the Constituency Development Fund Committee.

4.0 Unutilized Assets

During the audit, it was observed that equipment costing Kshs.1,126,634 which was procured in 2017/2018 financial year and which includes Information, Communication and Technology (ICT) cable trunking and a mast for installation of Wi-Fi receiver were lying idle for years since delivery. No explanation was provided for not installing the equipment to provide the expected services.

In the circumstances, value for money has not been achieved.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to abolish the Fund or to cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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.

- 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 applicable 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 February, 2022

APPENDIX I: Poor Project Supervision

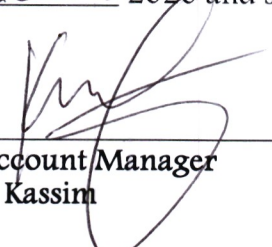
No.	Project Name	Details of Project	Cost of Project Kshs	Audit Observations
1	Mwazaro Primary School	Construction of 1 No.2 door pit latrine	500,000	The latrine was small in size compared to the amount allocated
2	Mwauga Primary School	Construction of 1 No.2 door pit latrine	500,000	The latrine was small in size compared to the amount allocated
3	Masimbani Primary School	Renovation of 5 No. Classrooms	3,500,000	Windows were not fixed on class rooms.
4	Kilimangodo Primary School	Renovation of 5 No. classrooms and head teacher's office	3,000,000	Window had no glasses
5	Dzombo Chief's Office	Construction of 1 No.2 door pit latrine and fencing of 2 acre land with chain link	2,200,000	<ul style="list-style-type: none"> • The size of land was not 2 acres as per project description. • Untreated timber used for roofing of latrine had been infested with pests.
6	Shimoni Chief's Office	Construction of 1 No.2 door pit latrine and fencing of 0.75 acres	1,200,000	<ul style="list-style-type: none"> • Land fenced off includes private properties within the compound and there were disputes about ownership of the land.
7	Mwangulu Police Station	Construction of a new administration block	4,500,000	Project complete and ready for use although the cells grills appeared weak.
8	Mwashetani High School	Completion of a tuition block-fitting of luvures, grills and painting	710,000	The head teacher was not sure which luviers were fitted or how the money was utilized to complete the project
	Total		16,110,000	

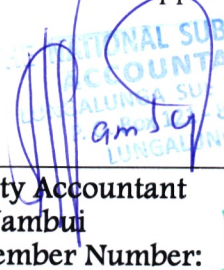

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
LUNGALUNGA CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2020**

IV. STATEMENT OF RECEIPTS AND PAYMENTS AS AT 30TH JUNE 2020

	Note	2019 - 2020 Kshs	2018 - 2019 Kshs
RECEIPTS			
Transfers from NGCDF board	1	187,408,600	110,248,483
Proceeds from Sale of Assets	2	00	00
Other Receipts	3	00	00
TOTAL RECEIPTS		187,408,600	110,248,483
PAYMENTS			
Compensation of employees	4	4,301,903	2,083,752
Use of goods and services	5	6,377,995	7,117,606
Transfers to Other Government Units	6	52,393,678	43,424,460
Other grants and transfers	7	58,725,154	60,004,999
Acquisition of Assets	8	3,314,422	2,850,000
Other Payments	9	2,660,014	00
TOTAL PAYMENTS		127,773,166	115,480,817
SURPLUS/(DEFICIT)		<u>59,635,434</u>	<u>(5,196,334)</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Lungalunga Constituency financial statements were approved on 29 December 2020 and signed by:


Fund Account Manager
Hassan Kassim


Sub-County Accountant
Sabena Wambui
ICPAK Member Number: 

NATIONAL SUB COUNTY
ACCOUNTANT
LUNGALUNGA SUB COUNTY
8042
LUNGALUNGA

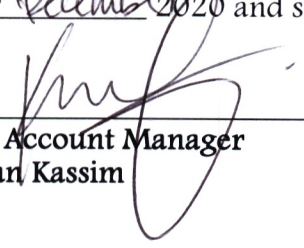


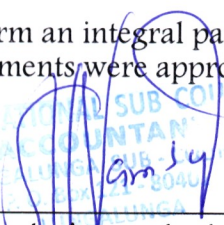

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
LUNGALUNGA CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2020**

V. STATEMENT OF ASSETS AND LIABILITIES FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	65,840,338	6,204,905
Cash Balances (cash at hand)	10B	00	00
Total Cash and Cash Equivalents		65,840,338	6,204,905
Current Receivables			
Outstanding Imprests	11	00	00
TOTAL FINANCIAL ASSETS		65,840,338	6,204,905
FINANCIAL LIABILITIES			
Accounts Payable			
Retention	12A	00	00
Gratuity	12B	00	00
TOTAL FINANCIAL LIABILITES		00	00
NET FINANCIAL ASSETS		65,840,338	6,204,905
REPRESENTED BY			
Fund balance b/fwd	13	6,204,905	11,401,238
Surplus/Deficit for the year		59,635,433	(5,196,333)
Prior year adjustments	14	00	00
NET FINANCIAL POSITION		65,840,338	6,204,905

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Lungalunga Constituency financial statements were approved on 4th December 2020 and signed by:


Fund Account Manager
Hassan Kassim

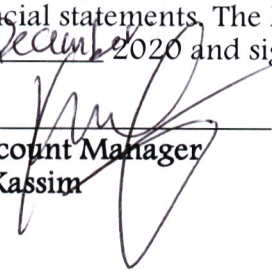

Sub-County Accountant
Sabena Wambui
ICPAK Member Number: 

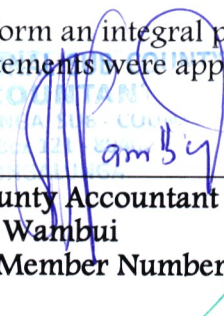

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
LUNGALUNGA CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2020**

VI. STATEMENT OF CASHFLOW AS AT 30TH JUNE 2020

CASH FLOWS FROM OPERATING ACTIVITIES		2019 - 2020	2018 - 2019
Receipts			
Transfers from NGCDF Board	1	187,408,600	110,284,483
Other Receipts	3	00	00
Total receipts		187,408,600	110,284,483
Payments			
Compensation of Employees	4	4,301,903	2,083,752
Use of goods and services	5	6,377,994	7,117,606
Transfers to Other Government Units	6	52,393,678	43,424,460
Other grants and transfers	7	58,725,154	60,004,999
Other Payments	9	2,660,014	00
Total payments		124,458,744	112,630,817
Total Receipts Less Total Payments			(2,346,333)
Adjusted for:			
Outstanding imprest	11	00	00
Retention Payable	12A	00	00
Gratuity Payable	12B	00	00
Prior year adjustments	14	00	00
Net Adjustments		00	00
Net cash flow from operating activities		62,949,856	2,346,333
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	00	00
Acquisition of Assets	9	(3,314,422)	(2,850,000)
Net cash flows from Investing Activities		(3,314,422)	(2,850,000)
NET INCREASE IN CASH AND CASH EQUIVALENT		59,635,434	5,196,333
Cash and cash equivalent at BEGINNING of the year	13	6,204,905	11,401,238
Cash and cash equivalent at END of the year		<u>65,840,338</u>	<u>6,204,905</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Lungalunga Constituency financial statements were approved on 14 December 2020 and signed by:


Fund Account Manager
Hassan Kassim


Sub-County Accountant
Sabena Wambui
ICPAK Member Number: 


VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Transfers from NGCDF Board	137,367,724	61,245,780	198,613,504	187,408,600	3,422,350	97.5%
Proceeds from Sale of Assets	00	00	00	00	00	0.0%
Other Receipts	00	00	00	00	00	0.0%
PAYMENTS						
Compensation of Employees	2,942,063	1,486,031	3,428,094	4,301,903	(873,809)	125.5%
Use of goods and services	9,121,031	3,577,223	13,698,254	6,377,994	7,320,260	46.6%
Transfers to Other Government Units	70,416,000	29,704,204	100,120,204	52,393,678	47,726,526	52.3%
Other grants and transfers	54,588,630	26,478,322	83,527,780	58,725,154	24,802,626	70.3%
Acquisition of Assets	300,000	56,478	850,000	3,314,422	(2,464,422)	389.9%
Other Payments	00	00	512,199	2,660,014	(2,147,815)	519.3%
TOTALS	137,367,724	61,302,258	202,136,531	127,773,166	74,363,365	63.2%

(a) The revenue item only include receipts from NG-CDF Board

(b) The underutilization and over utilization of funds was due to the following:

- i. Compensation of Employees 64% was as a result of excess budgeting.
- ii. Transfers to other Government units and Other Grants and transfers 60% and 70% was attributed to slow spending by PMC and also delay in disbursement from the Board.

The NGCDF-Lungalunga Constituency financial statements were approved on 4th Dec 2020 and signed by: 


 Fund Account Manager
 Hassan Kassim


 Sub-County Accountant
 Sabena Wambui

ICPAK Member Number:

VIII. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on	Budget
	2019/2020	Kshs	2019/2020	comparable basis	utilization
	Kshs	Kshs	Kshs	30/06/2020	difference
1.0 Administration and Recurrent					
1.1 Compensation of employees	4,668,720	1,486,031	6,154,751	4,301,903	1,852,848
1.2 Committee allowances	00	00	00	00	00
1.3 Use of goods and services	7,693,804	4,577,223	12,271,027	6,377,994	5,893,033
Sub-total	12,362,524	6,063,254	18,425,778	10,679,897	7,745,881
2.0 Monitoring and evaluation					
2.1 Capacity building	00	00	00	00	00
2.2 Committee allowances	00	00	00	00	00
2.3 Use of goods and services	00	00	00	00	00
3.0 Emergency					
3.1 Primary Schools	00	00	00	00	00
3.2 Secondary schools	00	00	00	00	00
3.3 Tertiary institutions	00	00	00	00	00
3.4 Security projects	19,700,000	00	19,700,000	22,770,000	3,070,000
	7,198,241	00	7,198,241	7,198,241	00
Sub-total	26,898,241	2,461,255	29,359,496	32,429,496	3,070,000
4.0 Bursary and Social Security					
4.1 Primary Schools	00	00	00	00	00
4.2 Secondary Schools	20,000,000	00	20,000,000	18,000,000	2,000,000
4.3 Tertiary Institutions	10,619,658	00	10,619,658	6,946,079	3,673,579
4.4 Universities	00	00	00	00	00
4.5 Social Security	00	00	00	00	00

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LUNGALUNGA CONSTITUENCY

**Reports and financial statements
For the year ended June 30, 2020**

Programme/Sub-programme	Original Budget 2019/2020	Adjustments	Final Budget 2019/2020	Actual on comparable basis 30/06/2020	Budget utilization difference
Sub-total	30,619,658	00	30,619,658	24,946,079	5,673,579
5.0 Sports					
5.1 Constituency Sports Activity	1,347,354	00	1,347,354	00	1,347,534
5.3 Constituency Sports Activity	00	1,349,580	1,349,580	1,349,580	00
Sub-total	1,347,354	1,349,580	2,696,934	1,349,580	1,347,534
6.0 Environment					
6.1 Constituency Environmental Activity	00	00	00	00	00
Sub-total	00	00	00	00	00
7.0 Primary Schools Projects (List all the Projects)					
7.1. Maledi Pry Sch	3,000,000	00	3,000,000	00	3,000,000
7.2. Malewa Pry Sch	3,500,000	00	3,500,000	00	3,500,000
7.3. Chindi Pry Sch	3,000,000	00	3,500,000	00	3,500,000
7.4. Dzuhora mawe Pry Sch	3,000,000	00	3,000,000	3,000,000	00
7.5. Lungalunga Pry Sch	3,500,000	00	3,500,000	3,500,000	00
7.6. Menza mwenye Pry Sch	3,500,000	00	3,500,000	00	3,500,000
7.7. Mwananyamala Pry Sch	3,500,000	00	3,500,000	3,500,000	00
7.8. Masimbani Pry Sch	3,500,000	00	3,500,000	3,500,000	00
7.9. Kichakamwaju Pry Sch	3,000,000	00	3,000,000	3,000,000	00
7.10. Masimbani Pry Sch	500,000	00	500,000	500,000	00
7.11. Nikaphu Pry Sch	3,000,000	00	3,000,000	00	3,000,000
7.12. Kilimangodo Primary School	3,000,000	00	3,000,000	3,000,000	00
7.13. Jego Primary School	3,500,000	00	3,500,000	00	3,500,000
7.14. Perani Primary School	3,500,000	00	3,500,000	00	3,500,000
7.15. Mangwei Primary School	679,376	00	679,376	00	679,376
7.16. Mutsunga Primary School	2,200,000	00	2,200,000	00	2,200,000

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LUNGALUNGA CONSTITUENCY

**Reports and Financial Statements
For the year ended June 30, 2020**

Programme/Sub-programme	Original Budget 2019/2020	Adjustments	Final Budget 2019/2020	Actual on comparable basis 30/06/2020	Budget utilization difference
7.17. Primary School desks	4,000,000	00	4,000,000	00	4,000,000
7.18. Maji moto Pry Sch	00	1,000,000	1,000,000	1,000,000	00
7.19. Mamba Pry Sch	00	2,000,000	2,000,000	2,000,000	00
7.20. Mkono wa Ndugu Pry Sch	00	1,000,000	1,000,000	1,000,000	00
7.21. Ngathini Primary School	00	340,000	340,000	340,000	00
7.22. Mwamtesefu Pry Sch	00	2,000,000	2,000,000	2,000,000	00
7.23. Rila Pry Sch	00	2,000,000	2,000,000	2,000,000	00
7.24. Shimoni Pry Sch	00	2,000,000	2,000,000	2,000,000	00
7.25. Shimoni Pry Sch	00	1,340,000	1,340,000	1,340,000	00
7.26. Mamba Pry Sch	00	1,340,000	1,340,000	1,340,000	00
7.27. Rila Pry Sch	00	1,340,000	1,340,000	1,340,000	00
7.28. Namelock Pry Sch	00	450,000	450,000	450,000	00
7.29. Mwamtesefu Pry Sch	00	1,340,000	1,340,000	1,340,000	00
7.30. Vibandani kwa bita pry sch	00	3,800,000	3,800,000	3,800,000	00
Sub-total	49,879,376	20,450,000	70,329,376	39,950,000	30,379,376
8.0 Secondary Schools Projects (List all the Projects)					
8.1. Mwashetani High Sch	3,000,000	00	3,000,000	00	3,000,000
8.2. Kiruku Sec Sch	3,200,000	00	3,200,000	3,200,000	00
8.3. Juma Boy Sec Sch	3,640,000	00	3,640,000	00	3,640,000
8.4. Franz, Joseph Sec Sch	3,500,000	00	3,500,000	00	3,500,000
8.5. Tsaka Secondary School	2,920,000	00	2,920,000	2,920,000	00
8.6. Kikoneni Sec Sch	00	1,350,000	1,350,000	1,350,000	00
Sub-total	16,260,000	1,350,000	17,610,000	7,470,000	10,140,000
9.0 Tertiary institutions Projects (List all the Projects)					
9.1	00	00	00	00	00



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LUNGALUNGA CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2020

Programme/Sub-programme	Original Budget 2019/2020	Adjustments	Final Budget 2019/2020	Actual on comparable basis 30/06/2020	Budget utilization difference
10.0 Security Projects					
10.1. Mwangulu Police Station	4,300,000	00	4,300,000	4,300,000	00
10.2. Mwangulu chief's office	5,000,000	00	5,000,000	700,000	4,300,000
10.3. Wasini Chief's Office	1,500,000	00	1,500,000	00	1,500,000
10.4. Shimoni Chief's office	1,200,000	00	1,200,000	1,200,000	00
10.5. Dzombo Chief's office	2,200,000	00	2,200,000	2,200,000	00
10.6. Mamba Police Station	5,400,000	00	5,400,000	5,400,000	00
10.7. Shimoni Police Staff house	100,000	00	100,000	100,000	00
10.8. Kikoneni Police Post	00	3,490,000	3,490,000	3,490,000	00
10.9. Godo Chief's office	00	1,000,000	1,000,000	1,000,000	00
10.10. Mwangulu Police Station	00	4,480,000	4,480,000	4,480,000	00
Sub-total	19,700,000	8,970,000	28,670,000	22,870,000	5,800,000



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LUNGALUNGA CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2020

11.0 Acquisition of assets						
11.1NGCDF Office	00	3,310,522	3,310,522	3,310,522	00	00
Sub-total	00	3,310,522	3,310,522	3,310,522	00	00
12.0 Others						
12.1Strategic Plan	00	2,663,915	2,663,915	2,663,915	00	00
12.2Innovation Hub	00	00	00	00	00	00
Sub-total	00	2,663,915	2,663,915	2,663,915	00	00
Total	137,367,724	44,618,526	183,986,250	127,773,166	56,213,083	

IX. 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 Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the NGCDF-LUNGALUNGA Constituency. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012

3. Reporting Currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

Transfers from the Exchequer

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
LUNGALUNGA CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2020, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

b) Recognition of payments

The Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

5. In-kind contributions

In-kind contributions are donations that are made to the Entity 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 Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. 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.



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
LUNGALUNGA CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES

7. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

8. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

9. 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 Entity 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.

10. Unutilized Fund

Unutilized funds consist of bank balances in the constituency account and funds not yet disbursed by the Board to the constituency at the end of the financial year. These balances are available for use in the subsequent financial year to fund projects approved in the respective prior financial years consistent with sec 6(2) and sec 7(2) of NGCDF Act, 2015.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2019 for the period 1st July 2019 to 30th June 2020 as required by Law.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

12. Comparative Figures

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

13. 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 30th June 2020.

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SIGNIFICANT ACCOUNTING POLICIES

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 14 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

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X. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2019/2020	2018-2019
		Ksh	Kshs
NGCDF Board			
AIE NO. B041051	1	49,240,875.50	
AIE NO.B041112	2	4,000,000	
AIE NO.B044499	3	20,000,000	
AIE NO.B047959	4	8,000,000	
AIE NO.B104383	5	22,000,000	
AIE NO.B049360	6	14,000,000	
AIE NO.B096788	7	800,000	
AIE NO.B096764	8	69,367,724.10	
AIE NO. B005202	1		38,005,173
AIE NO. B005281	2		16,779,310
AIE NO. B030092	3		10,000,000
AIE NO. B030320	4		1,000,000
AIE NO.B030319	5		500,000
AIE NO.B030484	6		15,000,000
AIE NO.A724462	7		11,000,000
AIE NO.B006431	8		6,000,000
AIE NO. B042791	9		12,000,000
TOTAL		187,408,600	110,284,483



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2. PROCEEDS FROM SALE OF ASSETS

	2019-2020	2018-2019
	Kshs.	Kshs.
Receipts from sale of Buildings	00	00
Receipts from the Sale of Vehicles and Transport Equipment	00	00
Receipts from sale of office and general equipment	00	00
Receipts from the Sale Plant Machinery and Equipment	00	00
Total	00	00



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

	2019-2020	2018-2019
	Kshs	Kshs
Interest Received	00	00
Rents	00	00
Receipts from Sale of tender documents	00	00
Other Receipts Not Classified Elsewhere	00	00
Total	00	00

4. COMPENSATION OF EMPLOYEES

	2019-2020	2018-2019
	Kshs	Kshs
Basic wages of contractual employees	2,660,930	1,998,072
Basic wages of casual labour	00	00
Personal allowances paid as part of salary		
House allowance	00	00
Transport allowance	00	00
Leave allowance	00	00
Gratuity – paid	00 1,545,033	00
- accrued	00 00	00
Other personnel payments	00	00
Employers Contribution to NSSF	95,940	85,680
Total	4,301,903	2,083,752



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

	2019-2020	2018-2019
	Kshs	Kshs
Committee Expenses	3,384,200	3,578,336
Utilities, Electricity supplies and services	278,160	310,237
Communication, supplies and services	140,000	77,000
Domestic travel and subsistence	94,000	208,000
Printing, advertising and information supplies & services	185,900	00
Rentals of produced assets	00	00
Training expenses	00	839,500
Hospitality supplies and services	150,000	92,000
Insurance costs	00	00
Specialized materials and services	00	50,000
Office and general supplies and services	130,000	686,401
Other operating expenses	60,000	55,653
Routine maintenance – vehicles and other transport equipment	517,822	1,076,479
Routine maintenance – other assets	40,000	143,000
Fuel , oil & lubricants	1,290,515	00
Bank service commission and charges	107,398	00
Total	6,377,995	7,117,606



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2019-2020 Kshs	2018-2019 Kshs
Transfers to National Government entities	00	00
Transfers to primary schools (see attached list)	44,923,678	22,824,835
Transfers to secondary schools (see attached list)	7,470,000	20,599,625
Transfers to tertiary institutions (see attached list)	00	00
Transfers to health institutions (see attached list)	00	00
TOTAL	52,393,678	43,424,460

7. OTHER GRANTS AND OTHER PAYMENTS

	2019-2020 Kshs	2018-2019 Kshs
Bursary – secondary schools (see attached list)	14,046,000	28,255,000
Bursary – tertiary institutions (see attached list)	10,900,078	10,010,222
Bursary – special schools (see attached list)	00	00
Mock & CAT (see attached list)	00	00
Security projects (see attached list)	22,770,000	15,076,207
Sports projects (see attached list)	1,349,580	3,157,000
Environment projects (see attached list)	00	00
Emergency projects (see attached list)	9,659,496	3,506,570
Total	58,725,154	60,004,999

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2019-2020	2018-2019
	Kshs	Kshs
Purchase of Buildings	00	00
Construction of Buildings	3,314,422	2,850,000
Refurbishment of Buildings	00	00
Purchase of Vehicles and Other Transport Equipment	00	00
Overhaul of Vehicles and Other Transport Equipment	00	00
Purchase of Household Furniture and Institutional Equipment	00	00
Purchase of Office Furniture and General Equipment	00	00
Purchase of ICT Equipment, Software and Other ICT Assets	00	00
Purchase of Specialised Plant, Equipment and Machinery	00	00
Rehabilitation and Renovation of Plant, Machinery and Equip.	00	00
Acquisition of Land	00	00
Acquisition of Intangible Assets	00	00
Total	3,314,422	2,850,000

9. OTHER PAYMENTS

	2019-2020	2018-2019
	Kshs	Kshs
Purchase of land for Sub-County HQs	00	00
Walling of Sub-County HQs	00	00
Strategic plan	00	00
ICT Hub	2,660,014	00
TIVET	00	00
	2,660,014	00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2019-2020	2018-2019
	Kshs	Kshs
<i>Co-operative Bank Account No. 01141195733400</i>	65,840,338	6,204,905
Total	65,840,338	6,204,905
10B: CASH IN HAND		
Location 1	00	00
Location 2	00	00
Location 3	00	00
Other Locations (<i>specify</i>)	00	00
Total	00	00
<i>[Provide cash count certificates for each]</i>		



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>Name of Officer or Institution</i>	dd/mm/yy	00	00	00
<i>Name of Officer or Institution</i>	dd/mm/yy	00	00	00
<i>Name of Officer or Institution</i>	dd/mm/yy	00	00	00
<i>Name of Officer or Institution</i>	dd/mm/yy	00	00	00
<i>Name of Officer or Institution</i>	dd/mm/yy	00	00	00
<i>Name of Officer or Institution</i>	dd/mm/yy	00	00	00
Total				00

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

12A. RETENTION

	2019 - 2020	2018-2019
	Kshs	Kshs
9		
Supplier 1	00	00
Supplier 2	00	00
Supplier 3	00	00
Total	00	00

[Provide short appropriate explanations as necessary]

12B. STAFF GRATUITY OUTSTANDING

	2019 - 2020	2018-2019
	Kshs	Kshs
Name 1	00	00
Name 2	00	00
Name 3	00	00
Add as appropriate		
Total	00	00

[Provide short appropriate explanations as necessary]



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13. BALANCES BROUGHT FORWARD

	2019-2020	2018-2019
	Kshs	Kshs
Bank accounts	6,204,905	11,401,238
Cash in hand	00	00
Imprest	00	00
Total	6,204,905	11,401,238

[Provide short appropriate explanations as necessary]

14. PRIOR YEAR ADJUSTMENTS

	2019-2020	2018-2019
	Kshs	Kshs
Bank accounts	00	00
Cash in hand	00	00
Imprest	00	00
Total	00	00



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2019-2020	2018-2019
	Kshs	Kshs
Construction of buildings	00	00
Construction of civil works	00	00
Supply of goods	00	00
Supply of services	00	00
	00	00

15.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
NGCDFC Staff	00	00
Others (<i>specify</i>)	00	00
	00	00

15.3: UNUTILIZED FUND (See Annex 3)

	Kshs	Kshs
Compensation of employees	00	00
Use of goods and services	00	00
Amounts due to other Government entities (see attached list)	00	00
Amounts due to other grants and other transfers (see attached list)	00	00
Acquisition of assets	00	00
Others (<i>specify</i>)	00	00
	00	00



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15.4: PMC account balances (See Annex 5)

	2019-2020	2018-2019
	Kshs	Kshs
PMC account Balances (see attached list)	00	00
	00	00



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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019	Comments
Construction of buildings	a	b	c	d=a-c	
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.					
11.					
12.					
Sub-Total					
Grand Total					

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LUNGALUNGA CONSTITUENCY

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ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2019	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					



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LUNGALUNGA CONSTITUTE
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ANNEX 3 – UNUTILIZED FUND

Name	Brief Transaction Description	Outstanding Balance 2019/20	Outstanding Balance 2018/19	Comments
Compensation of employees				
Use of goods & services				
Amounts due to other Government entities				
Sub-Total				
Amounts due to other grants and other transfers				
Sub-Total				
Sub-Total				
Acquisition of assets				
Others (<i>specify</i>)				
Sub-Total				
Grand Total				



NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) – LUNGALUNGA CONSTITUTE

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2018/19	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2019/20
Land	00	0	0	00
Buildings and structures	5,762,239	3,314,422	0	9,076,661
Transport equipment	13,057,402	0	0	13,057,402
Office equipment, furniture and fittings	1,209,171	534,100	0	1,743,271
ICT Equipment, Software and Other ICT Assets	1,126,634	0	0	1,126,634
Other Machinery and Equipment	20,880,000	0	0	20,880,000
Heritage and cultural assets	0	0	0	0
Intangible assets	0	0	0	0
Total	42,035,446	3,848,522	0	45,883,968



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
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ANNEX 5 –PMC BANK BALANCES AS AT 30TH JUNE 2020

PMC	Bank	Account number	Bank Balance 2019/2020	Bank Balance 2018/2019
Godofredo's Office And Police Post Ng-Cdf Pmc	Co-operative	01141838249400	622,388.10	
Nemlock Primary school NG-CDF Pmc	Co-operative	01141566900000	227,375.55	
Mpakani Primary School Ng-Cdf Pmc	Co-operative	01141566357200	1,821.30	
Vibandani Kwa Bitu Primary school NG-CDF Pmc	Co-operative	0114183813200	558,187.75	24.00
Masimbani Primary School Ng-Cdf Pmc	Co-operative	01141566898200	492,039.65	
Mamba Police Post Ng-Cdf Pmc	Co-operative	01141838133800	766,803.92	
Kiruku Secondary School Ng-Cdf Pmc	Co-operative	01141838202100	1,360,314.88	
Rila Primary School NG-CDF Pmc	Co-operative	01141838785500	153,122.35	562.50
Shimoni Primary School NG-CDF Pmc	Co-operative	01141566091100	52,614.25	
Maji Moto Primary School Ng-Cdf Pmc	Co-operative	01141838186200	102,513.40	
Mkono Wa Ndugu Primary School Ng-Cdf Pmc	Co-operative	01141838249300	550.50	
Mwamtsefu Primary School Ng-Cdf Pmc	Co-operative	01141043817200	473.75	
Mwashetani High School Ng-Cdf Pmc	Co-operative	01141566102900	1,175,272.50	
Mwangulu police post NG-CDF PMC	Co-operative	01141838780700	1,763,148.85	
Mamba Primary School NG-CDF PMC	Co-operative	01141838790800	662.20	
Total			7,277,288.95	586.50



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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)
1. Use of Goods and service 7,117,606	1.Payment voucher not supported with expenditure training programme, invitation letters	Audit query answered		Resolved	
2.Projects Implementation status	2.Slow implementation of project due to slow disbursement	Audit query answered		Resolved	

