

REPUBLIC OF KENYA



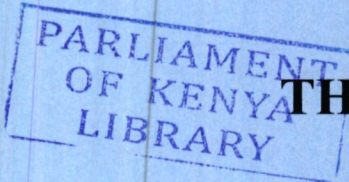
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By the LOM on
Thurs 30/8/2013
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OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

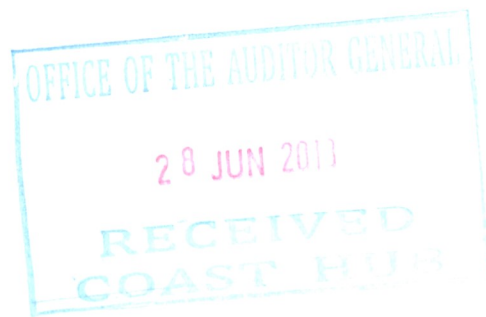


THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
MAGARINI CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2017**



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
MAGARINI CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

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

AMMENDED

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –
MAGARINI CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

Table of Content	Page
I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT	1-2
II. FORWARD BY THE CABINET SECRETARY	3
III. STATEMENT OF NGCDF MANAGEMENT RESPONSIBILITIES	4
IV. STATEMENT OF RECEIPTS AND PAYMENTS	5
V. STATEMENT OF ASSETS	6
VI. STATEMENT OF CASHFLOW	7
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED 8	
VIII. SIGNIFICANT ACCOUNTING POLICIES	9-10
IX. NOTES TO THE FINANCIAL STATEMENTS	11-24

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MAGARINI
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The Constituencies Development Fund (CDF) was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013. The National Government 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 Magarini Constituency's day-to-day management is under the following key organs:

- i. National Constituencies Development Fund Board (NG-CDFB)
- ii. National Government Constituency Development Fund Committee (NG-CDFC)

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Stephen Charo
3.	Accountant	Jason Ndung'u

(d) Fiduciary Oversight Arrangements

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

(e) MAGARINI CDF Headquarters

NGCDF Office Building,
P.O Box 1907-80200
MALINDI

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MAGARINI
CONSTITUENCY**

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

(f) MAGARINI NG-CDF Contacts

Telephone: (254) 0721722246
E-mail: magarini@ngcdf.go.ke
Website: www.ngcdf.go.ke

(g) MAGARINI NG-CDF Bankers

Kenya Commercial Bank Ltd
Malindi Branch
P.O BOX 9-80200
MALINDI
Account Number 1108017754

(h) Independent Auditors

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

(i) 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- MAGARINI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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

Magarini NGCDF is the largest constituency in Kilifi County with more than half of the County being in Magarini. It covers the whole of Magarini District and two locations of Malindi District, bordering Tana River County in the North, Tsavo East in the west and Malindi District in the South.

SUMMARY ACHIEVEMENTS 2016-2017

This far the Lord has brought us and we have managed through NG-CDF in the last one year as new members of Magarini NG-CDFC to achieve the following:

- Established New 2 secondary schools and improved another 4 by constructing 10 classrooms, 3 laboratories, 1 twin hostels, 1 administration block and 4-2 door toilets
- Established 7 New Community primary schools and improved another 10 by constructing 32 classrooms, rehabilitating 6 classrooms and 1000 desks and 3-two door toilets
- Improved Sabaki-Vibao Viri water project by constructing kiosk number 13 and commissioned and handed over the line to Malindi Water and Sewerage Company
- Road spot improvement constituency-wide and opening up of access roads to schools
- Established 1 and official opened a Teachers Training college
- Established 1 New maternity wing on health sector as an on-going project
- Furnished and refurbished CDF Office by constructing a New and furnished modern boardroom, office partitioning, a tiled office veranda with office equipment and Wi-Fi and received one office land cruiser vehicle
- Improved security by constructing and commissioning 1 New Police station, 2 chiefs offices 2 units of 4 and of 5 rooms staff housing
- In sporting we held 3 tournaments for boys, girls and the first ever Special Schools Tournament by NG-CDF family in the Country
- Improved environment by planting 4,000 trees and 7 two-door toilets
- We have sponsored fully over 1020 secondary school students, 23 clinical officers, 50 nursing and 21 in other medical disciplines and 120 teachers with over 3000 other beneficiaries from secondary schools to tertiary institutions

CHALLENGES FACED

One of the major challenges that we have faced is funding; whereas in the previous financial year the constituency received Kshs, 195,013,847 while in the year under review we received slightly over half of that amount at Kshs. 82,396,552. This puts our operations under a lot of strain as we cannot shrink the vast land mass that is Magarini Constituency and we would wish for an Intervention Fund for big constituencies like ours.

We do not boast of mega buildings at Magarini, we talk of equity, in bursary we do not talk of excellence; we talk of accessibility. This is where we are at the basic needs level; where this fund means everything for all of us, everywhere in Magarini Constituency.

Sign. *f. Mwendu*
CHAIRMAN NGCDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MAGARINI
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 NG-CDF shall prepare financial statements in respect of that NG-CDF. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

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

The Accounting Officer in charge of the MagariniNG-CDF accepts responsibility for the NG-CDF'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 NG-CDF's financial statements give a true and fair view of the state of NG-CDF's transactions during the financial year ended June 30, 2017, and of the NG-CDF's financial position as at that date. The Accounting Officer charge of the MagariniNG-CDF further confirms the completeness of the accounting records maintained for the NG-CDF, which have been relied upon in the preparation of the NG-CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the MagariniNG-CDF confirms that the NG-CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the NG-CDF'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 NG-CDF'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 NG-CDF's financial statements were approved and signed by the Accounting Officer on 04.08.2017



Fund Account Manager



Chairman

REPUBLIC OF KENYA

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Website: www.kenao.go.ke



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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MAGARINI 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 Magarini Constituency set out on pages 5 to 24, which comprise the statement of assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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-Magarini 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 and comply with the National Government Constituencies Development Fund Act, 2015.

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

Basis for Qualified Opinion

1. Cash and Cash Equivalents

The statement of assets as at 30 June 2017 reflects bank balance of Kshs.3,187,061. However, the bank reconciliation statement availed for audit as at 30 June 2017 included payments not recorded in the cash book of Kshs.153,635 which constitute bank charges and other direct debits which have been accumulating since April, 2015. The management has not explained why these transactions have not been expensed in these financial statements.

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

In the circumstances, the validity, accuracy and completeness of bank balance of Kshs.3,187,061 could not be confirmed.

2. Cash Balance

The statement of assets reflects nil cash balance as at 30 June 2017. However, board of survey certificate was not availed for audit review.

Consequently, the accuracy and validity of nil cash balance could not be ascertained.

3. Transfers to Other Government Units

3.1. Transfers to Primary Schools

The statement of receipts and payments reflects transfer to other government units figure of Kshs.70,600,000 as detailed in note 6 to the financial statements. Included in this figure is transfers to primary schools' amount of Kshs.45,600,000 which includes a transfer of Kshs.8,600,000 to three (3) projects which were not budgeted for as summarized below:

Item No.	Approved Project	Project Activity	PV Number	Payee	Amount
1.	Mapimo Central Primary School	Construction of 4 New Classrooms with 60 Desks	316-400080	Mapimo Central Primary CDF Project	4,600,000.00
2.	Kasikini Primary School	Construction of new 2 classrooms	317-400082	Kasikini Primary CDF Project	2,000,000.00
3.	Adimaye Primary School	Construction of new 2 classrooms	323-400051	Adimaye Primary School CDF Project	2,000,000.00
	Total				8,600,000.00

Further, review of project files revealed that another transfer of Kshs.9,852,716 to four (4) primary schools that was not supported as detailed below:

Item No.	School	Year	Contract Amount
1	Kaguguta Primary School	6 th July 2016	2,865,992.40
2	Kagombani Primary School	No Contract	1,200,000.00
3	Pumwani Primary School	No Contract	2,886,724.00
4	Kadzandani Primary School	No contract	2,900,000.00
	Total		9,852,716.40

Consequently, the validity, accuracy and completeness of transfer to other government units of Kshs.18,452,716 for the year ended 30 June 2017 could not be ascertained.

3.2. Transfers to Tertiary Institutions

The statement of receipts and payments reflects transfer to other government units figure of Kshs.70,600,000. Included in this figure is transfers to tertiary institutions' amount of Kshs.5,000,000. As previously reported, examination of records revealed that the whole amount was transferred to Waresa Technical Training Institute for construction of a technical training institute which was a joint project with the National Government. The management did not avail for audit pre-qualification and tender documents to show how the process of identifying, evaluating and awarding of the contract was done.

In addition, no project file was availed for audit verification to confirm whether the project design and construction met the specifications. The inspection of the project revealed that the project had stalled since March, 2015 after the demise of the contractor. During the filed inspection of the Training Institute during the year under review, the same situation prevailed despite the funds being disbursed.

Consequently, the regularity of the expenditure of Kshs.5,000,000 as funding for the tertiary institutions for the year ended 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 Constituencies Development Fund-Magarini Constituency in accordance with ISSAI 30 on Code of Ethics. I have fulfilled 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0. Budgetary Controls and Performance

The National Government Constituencies Development Fund-Magarini Constituency had a final budget of Kshs.167,504,794 and the actual expenditure was Kshs.164,317,733 resulting to an overall under absorption of Kshs3,187,061 or 2% as detailed below: -

Vote Item	Final Budget (Kshs)	Actual Receipt/ Expenditure (Kshs)	Under Absorption (Kshs)	% Under Absorption
Compensation of Employees	3,640,573	2,691,526	949,047	26%

Use of goods and services	13,396,940	13,272,271	124,669	1%
Transfers to Other Government Units	71,562,070	70,600,000	962,070	1%
Other grants and transfers	75,542,501	74,391,226	1,151,274	2%
Acquisition of Assets	3,362,710	3,362,710		
Total	167,504,794	164,317,733	3,187,061	2%

From the above analysis, there was an under absorption of Kshs.3,187,061 or 2% of the final budget. The underutilization of the budget implies development projects earmarked for implementation were not undertaken which affects delivery of goods and services to citizens of Magarini Constituency.

2.0 Project Implementation Status

According to the project implementation status report, twenty-eight (28) projects with an approved budget of Kshs.92,100,000 were budgeted by Magarini CDF for the year ended 30 June 2017. The total actual expenditure incurred for these projects was Kshs.59,250,000. One (1) project – Weresa Technical Institute, costing Kshs.5,000,000 had stalled since 2014/2015 financial year, while another project costing Kshs.1,000,000 had been re-allocated without approval from the CDF Board and three (3) projects worth Kshs.6,000,000 were still on-going during the year under review. This is summarized below:

	Name of the Project	Project Description	Allocation as per approved proposal	Expenditure in 2015/2016 (Kshs)	Amount Outstanding as at 30th June	Current Status
1	Bofu Primary School	Construction of New 2 no. of classrooms with desks	3,000,000		3,000,000	Awaiting for funds
2	Vuga Primary School	Construction of New 2 no. of classrooms with desks	3,000,000		3,000,000	Awaiting for funds
3	Kaguguta Primary School	Construction of New 2 no. of classrooms with desks	3,000,000		3,000,000	awaiting for funds
4	Kinyaule primary school	Construction of New 2 no. of classrooms with desks	3,000,000		3,000,000	Awaiting for funds
5	Majengo primary school	Construction of 2-door toilets with 200 desks	1,000,000	1,000,000	-	Not Started
6	Kagombani Primary School	Provision of eight hundred desks	2,000,000		2,000,000	Not Started
7	Mawazo Primary School	Construction of New 2 no. of classrooms with desks	3,000,000		3,000,000	Awaiting for funds
8	Kibokoni Primary School	Renovation of 4 classrooms	1,000,000		1,000,000	Awaiting for funds
9	Sabaki Primary School	Renovation of 4 classrooms	1,000,000		1,000,000	Awaiting for funds

10	Kaembeni Secondary Sch	Construction of four classrooms with desks	5,250,000	4,000,000	1,250,000	Awaiting for funds
11	Waresa secondary school	Construction of two New classrooms with desks	3,000,000	3,000,000	-	On going
12	Watala Secondary sch.	Construction of 4 New classrooms with desks	5,250,000		5,250,000	Awaiting for funds
13	Kibokoni Secondary sch	Construction and finish of a girls hostel	8,000,000	5,000,000	3,000,000	Awaiting for funds
14	Waresa Technical Training Institute	Constituency contribution towards National Government project - Construction of one workshop	10,000,000	5,000,000	5,000,000	Awaiting for funds
15	Adu Police Station	Construction of 10 rooms staff quarters	3,000,000		3,000,000	Not Started
16	Hawa Wanje Police Post	Construction of New police post	2,000,000		2,000,000	Not Started
17	Bura Chiefs office	Construction of New chief's office	1,000,000		1,000,000	Not Started
18	Gandini Assistant Chiefs Office	Construction of New chief's office	1,000,000		1,000,000	Not Started
	Total		58,500,000	18,000,000	40,500,000	

The non- completion of these projects may have impacted negatively on the delivery of goods and services to the residents of Magarini Constituency.

3.0 Project Inspection

During the year under review, five (5) projects with a total allocation of Kshs.18,247,268 and whose actual expenditure was Kshs.14,700,000 were visited for verification on 9 May, 2018 and the following state of affairs of the specific projects were observed:

	Project Name	Description of Works	Amount Allocated Kshs	Remarks
1	Galana Girls secondary sch. CDF	Construction of 2 no classrooms	3,000,000	The works were found to be ongoing. However, the contractor had been paid Kshs.2,800,000/- Which is 94% of the contract sum as at the date of visit yet the works appeared to be only 85% complete.
2	Majenjeni secondary school	Completion of a twin lab	2,351,358	The project was commissioned in August 2014 yet not certified as complete.
3	Majenjeni Secondary School	Completion of a twin lab	2,548,642	The project was commissioned in August 2014 yet not certified as complete.
4	Mapimo Boys Secondary school	Construction of 2 no classrooms	3,000,000	Project is complete and in use. However, land donated by MP has not been registered in the name of the school.
5	Mapimo Girls Secondary	Completion of girls hostel	3,800,000	Project is stalled. Records available indicate that there have been various changes in Contractors thus interfering with the contract period. The floor of the structure was peeling as at the date of visit
	Total		14,700,000	

The delay in starting and non-completion of projects may have impacted negatively on the delivery of goods and services to the residents of Magarini Constituency.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or 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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue offering 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 offering 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 of the entities or business activities 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

10 July 2018

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MAGARINI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Transfers from NG-CDF board-AIEs' Received	1	82,396,552	195,013,847
Proceeds from Sale of Assets	2	-	
Other Receipts	3	4,632,172	
TOTAL RECEIPTS		87,028,724	195,013,847
PAYMENTS			
Compensation of employees	4	2,691,526	2,340,721
Use of goods and services	5	13,272,271	14,689,118
Transfers to Other Government Units	6	70,600,000	50,586,573
Other grants and transfers	7	74,391,226	45,903,609
Acquisition of Assets	8	3,362,710	7,245,411
Other Payments	9	-	
TOTAL PAYMENTS		164,317,733	120,765,432
SURPLUS/DEFICIT		(77,289,009)	74,248,414

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Magarini financial statements were approved on 04.08.2017 and signed by:

f.



Chairman - NGCDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MAGARINI
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

V. STATEMENT OF ASSETS

	Note	2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	3,187,061	80,476,070
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		3,187,061	80,476,070
REPRESENTED BY			
Retention	12		
Fund balance b/fwd 1st July...	13	80,476,070	6,227,656
Surplus/Defict for the year		(77,289,009)	74,248,414
Prior year adjustments	14	-	-
NET LIABILITIES		3,187,061	80,476,070

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MagariniNG-CDF financial statements were approved on 04.08.2017 and signed by:

f. [Signature]
Chairman -NG-CDFC

[Signature]
Fund Account Manager


**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- MAGARINI
CONSTITUENCY**


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

VI. STATEMENT OF CASHFLOW

		2016-2017	2015-2016
Receipts for operating income			
Transfers from CDF Board	1	82,396,552	195,013,847
Other Receipts	3	4,632,172	-
		87,028,724	195,013,847
Payments for operating expenses			
Compensation of Employees	4	2,691,526	2,340,721
Use of goods and services	5	13,272,271	14,689,118
Transfers to Other Government Units	6	70,600,000	50,586,573
Other grants and transfers	7	74,391,226	45,903,609
Acquisition of Assetd	8	3,362,710	7,245,411
Other Payments	9	-	-
		164,317,733	120,765,432
Adjusted for:			
Adjustments during the year	14	-	-
Net cash flow from operating activities		(77,289,009)	74,248,414
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	9	-	-
Net cash flows from Investing Activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(77,289,009)	74,248,414
Cash and cash equivalent at BEGINNING of the year	13	80,476,070	6,227,656
Cash and cash equivalent at END of the year		3,187,061	80,476,070

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The MagariniNG-CDF financial statements were approved on 04.08.2017 and signed by:


Chairman NG-CDFC


For. Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND- MAGARINI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c%
RECEIPTS						
Transfers from NG-CDF Board	81,896,552	85,608,242	167,504,793	164,498,621	3,006,172	98%
Proceeds from Sale of Assets		-	-	-	-	
Other Receipts		-	-	4,632,172	(4,632,172)	
TOTAL	81,896,552	85,608,242	167,504,793	169,130,793	(1,626,000)	101%
PAYMENTS						
Compensation of Employees	1,699,196	1,941,377	3,640,573	2,691,526	949,047	74%
Use of goods and services	5,670,851	7,726,089	13,396,940	13,272,271	124,669	99%
Transfers to Other Government Units	35,600,000	35,962,070	71,562,070	70,600,000	962,070	99%
Other grants and transfers	38,926,505	36,615,996	75,542,501	74,391,226	1,151,274	98%
Acquisition of Assets		3,362,710	3,362,710	3,362,710	-	100%
Other Payments					-	
TOTAL	81,896,552	85,608,242	167,504,794	164,317,733	3,187,061	98%

The Magarini NG-CDF financial statements were approved on 04.08.2017 and signed by:

Chairman NG-CDF 

For: Fund Account Manager 

NOTE: Adjustments= (80,476,070+500,000+6,172+3,000,000+1,626,000),

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 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.

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MAGARINI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2017 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. TRANSFER FROM OTHER GOVERNMENT ENTITIES

Description		2016-2017	2015 - 2016
		Kshs	Kshs
Normal Allocation	A829904	4,094,828	37,254,189
	A839639	36,853,449	10,000,000
	A855201	500,000	10,000,000
	A855223	40,948,275	20,000,000
			10,000,000
			29,000,000
	A825824		78,759,658
Conditional grants			
	AIE NO...		-
Receipt from other Constituency	AIE NO...		-
TOTAL		82,396,552	195,013,847
2 PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS			
Description		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 the Sale of office and general equipment			-
			-
	Total		

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

Description	2016-2017	2015 - 2016
	Kshs	Kshs
Interest Received-		-
A.I.A	1,626,000	-
Interest Received	-	-
Other Receipts Not Classified Elsewhere (specify)	3,006,172	-
Total	4,632,172	-

4. COMPENSATION OF EMPLOYEES

Description	2016-2017	2015 - 2016
	Kshs	Kshs
Basic wages of contractual employees	1,707,368	2,140,101
Basic wages of casual labour	300,000	-
Personal allowances paid as part of salary	-	-
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Other personnel payments	-	-
Employer contribution to NSSF	169,434	200,620
gratuity	514,724	
Total	2,691,526	2,340,721

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

Description	2016-2017	2015 - 2016
	Kshs	Kshs
Utilities, supplies and services	839,325	959,720
Office rent		-
Communication, supplies and services	477,000	576,000
Domestic travel and subsistence	580,000	720,000
Printing, advertising and information supplies & services	450,000	480,000
Rentals of produced assets		484,000
Training expenses	725,000	584,000
Hospitality supplies and services	806,000	980,000
Other committee expenses		
Committee allowance	5,863,997	4,717,000
Insurance costs		
Specialised materials and services		
Office and general supplies and services	557,000	648,000
Fuel ,oil & lubricants	1,055,000	1,520,000
Other operating expenses		605,200
Routine maintenance – vehicles and other transport equipment	883,292	1,200,000
Routine maintenance – other assets	809,000	900,000
Electricity	74,484	48,043
Advertisements		140,870
Postal Services		6,960
Litigation		119,325
specify (Other payments	152,173	-
Total	13,272,271	14,689,118

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015 - 2016
	Kshs	Kshs
Transfers to primary schools	45,600,000	11,336,573
Transfers to secondary schools	20,000,000	31,300,000
Transfers to Tertiary institutions	5,000,000	7,500,000
Transfers to Health institutions	-	450,000
TOTAL	70,600,000	50,586,573

7. OTHER GRANTS AND OTHER PAYMENTS

Description	2016-2017	2015 - 2016
	Kshs	Kshs
Bursary -Secondary	26,058,000	12,550,000
Bursary -Tertiary	14,390,028	11,819,437
Bursary-Special schools	-	-
Mocks & CAT	-	-
water	3,000,000	15,000,000
Agriculture (food security)	-	-
Electricity projects	-	-
Security	11,900,000	700,000
Roads	-	-
Sports	4,633,942	280,335
Other capital grants and transfer	-	-
Environment	4,633,942	-
Emergency Projects (specify)	9,775,314	5,553,837
Total	74,391,226	45,903,609

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

<u>Non Financial Assets</u>		2016-2017	2015 - 2016
		Kshs	Kshs
Purchase of Buildings		-	-
Construction of Buildings		-	-
Refurbishment of Buildings		2,549,990	544,758
Purchase of Vehicles		-	6,700,653
Purchase of Bicycles & Motorcycles		-	-
Overhaul of Vehicles		-	-
Purchase of office furniture and fittings		597,720	
Purchase of computers ,printers and other IT equipments		215,000	
Purchase of photocopier		-	-
Purchase of other office equipments		-	-
Purchase of soft ware		-	-
Acquisition of Land		-	-
Total		3,362,710	7,245,411

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency		2016-2017	2015 - 2016
	Account Number	Kshs (30/6/2017)	Kshs (30/6/2016)
KCB Malindi Branch	,1108017754	3,187,061	80,476,070
		-	-
		-	-
Total		3,187,061	80,476,070

10B: cash in hand)			
		2016-2017	2015 - 2016
			Kshs (30/6/2016)
Location 1			-
Location 2			-
Location 3			-
Other receipts (specify)			-
Total			-

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

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

12: Retention

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

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13: BALANCES BROUGHT FORWARD

		2016-2017	2015-2016
		Kshs (1/7/2017)	Kshs (1/7/2016)
Bank accounts		80,476,070	6,227,656
Cash in hand		-	-
Imprest			
Total		80,476,070	6,227,656

14: PRIOR YEAR ADJUSTMENTS

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

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

TRIAL BALANCE AS AT 30TH JUNE 2017			
		DR	CR
Cash and Cash equivalents			
	Bank Balances	3,187,061	
	Cash Balances	-	
	Outstanding Imprest	-	
Payments			
	Compensation of Employees	2,691,526	
	Use of goods and services	13,272,271	
	Committee Expenses		
	Transfers to Other Government Units	70,600,000	
	Other grants and transfers	74,391,226	
	Social Security Benefits		
	Acquisition of Assets	3,362,710	
	Other Payments	-	
Receipts			
	Transfers from the Board		82,396,552
	Proceeds from sale of assets		-
	Others receipts		4,632,172
	Prior Year Adjustment		-
	Fund Balance b/f		80,476,070
	TOTAL	167,504,793	167,504,793

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2016/17	Historical Cost (Kshs) 2015/16
Land	N/A	N/A
Buildings and structures	14,948,395	12,398,405
Transport equipment	42,098,836	42,098,836
Office equipment, furniture and fittings	697,020	99,300
ICT Equipment, Software and Other ICT Assets	551,492	336,492
Other Machinery and Equipment	N/A	N/A
Heritage and cultural assets	N/A	N/A
Intangible assets	N/A	N/A
Total	58,295,743.	54,933,033

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MAGARINI CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

ANNEX 4- PMC BANK BALANCES AS AT 30TH JUNE 2017

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Adimaye Primary School	KCB	1203808321	132,785	
Adu Police Station cdf project	KCB	1202453414	483,079	
Assistant Chief's office Gandinicdf project	KCB	1201017890	186,112	
Bura Chief's office cdf project	KCB	1199550027	588,228	
Galana Girls Sec School	KCB	1168884632	13,870	26,050
Garashi AP Post	KCB	1205712046	987,423	
Godoma technical training institute	KCB	1175175617	5,000,000	15,386,621
Kadzandani Primary School	KCB	1151751391	50,210	
Kaembeni Secondary School	KCB	1178488462	326,350	3,999,910
Kagombani Primary School	KCB	1201175119	1,342,355	
Kaguguta Primary School	KCB	1197927585	305,481	
Kasikini Primary School	KCB	1203178840	177,246	
Kata Primary School	KCB	1202605052	125,340	
Kibokoni Primary School	KCB	1197605274	90,218	
Kibokoni Secondary School	KCB	1179025466	1,600,757	
Kinyaole Primary School	KCB	1197879919	356,408	
Kundeni Primary School	KCB	1202907296	811,708	
Magarini constituency office	KCB	1132948967	927,278	
Magarini environmental committee	KCB	1153307847	758,035	
Magarini United Sports	KCB	1158396147	56,762	
Magarini stars football club	KCB	1197629211	205	
Mapimo Central Primary School	KCB	1203186620	140,873	
Marereni Police station cdf project	KCB	1169090176	2,356,173	
Mawazo Primary School	KCB	1183997884	222,292	
Pumwani primary school	KCB	1202571204	127,034	
Sabaki Primary School	KCB	1197597433	123,287	
Sabaki Secondary School	KCB	1153919834	3,219,365	

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – MAGARINI CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Vugha Primary School	KCB	1183574916	288,981	
Waresa Secondary School	KCB	1153419130	577,658	
Watala Secondary School	KCB	1198424907	173,056	
Total			21,935,190	19,412,581

NOTE: Godoma TTI is a Central Government Project with the institute being the implementing agent. Our balance is only Kshs. 5,000,000.00 as our final share contribution. The project has since stalled

Reports and Financial Statements

For the year ended June 30, 2017 (Kshs)

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)
1.0	Non- recognition of local revenue AIA Kshs. 805,000	The revenue was disclosed and accounted for appropriately by raising receipt voucher and surrender the same to treasury through official receipts, banking slip and collection control sheets	Jason Ndung'u District Accountant	Resolved	
1.1	Bank reconciliation statement contained unrepresented cheques amounting Kshs.667,002, of which Kshs.75,000 comprised stale cheques which had not been reversed	These cheques were mostly for bursary which had not been collected by beneficiaries and eventually presented to the bank by various institutions which went through the bank after year end.	Jason Ndung'u District Accountant	Resolved	
1.2	Statutory deductions from employees had not been presented to the bank and some cheques were from 2014	We adhered and deducted all statutory deductions and the penalties were as a result of issues beyond our control and inaction of the local offices at Malindi KRA as we wrote to them on several occasions. Transition issues from one CDF committee to another and digital migration to i-tax	Stephen Charo Fund Account Manager	Resolved	
2.0	Failure to adhere to procurement laws	We used an approved Prequalification List and advertised in the constituency. The regulations to the New Public Procurement and Disposal Act 2015 are yet to be published	Stephen Charo Fund Account Manager	Resolved	

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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)
3.0	Most of NG-CDF projects were erected on private land	Land issues are very common in Magarini, because all that is Government Land is squatted on by the Communities and with the new constitution you can only remove them through compensation. There are three documents commonly adopted by CDFC before construction 1. Title Deed 2. Land Agreement and 3. Land Donations	Stephen Charo Fund Account Manager	Resolved	