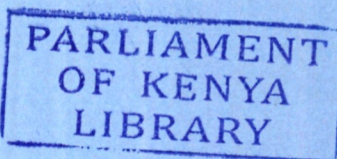


REPUBLIC OF KENYA



*Paper laid by
Leader of Majority
Party
Thursday 2/8/2018
A/S*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**



**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND--
LUNGA LUNGA CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

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

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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – LUNGA LUNGA
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LUNGA LUNGA
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The National Government-Constituencies Development Fund (NG-CDF) was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013.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 National Government -Constituencies Development Fund. The objective of the fund to ensure that specific portion of the national annual budget is devoted to the constituencies for purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

(b) Key Management

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

- i. National Government -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 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno.
2.	A.I.E holder	Andrew Lumunge.
3.	Accountant	Sabena Wambui.
4.		

(d) Fiduciary Oversight Arrangements

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

(a) LUNGA LUNGA NGCDF HEADQUOTERS.

P.O. BOX 63
LUNGA LUNGA NGCDF OFFICE BLOCK
UKUNDA-LUNGA LUNGA ROAD
KENYA

Reports and Financial Statements

For the year ended June 30, 2017

(b) LUNGA LUNGA NATIONAL GOVERNMENT -CDF Contacts

Telephone: (254)0729548867
E-mail: cdflungalunga@ngcdf.go.ke
Website: www.lungalungacdf.go.ke

(c) LUNGA LUNGA NATIONAL GOVERNMENT -CDF Bankers

1. Co-operative Bank of Kenya,
Ukunda branch,
Account Number: 01141195733400

(d) Independent Auditors

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

(e) Principal Legal Adviser

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

10.12.20

10.12.20

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LUNGA LUNGA
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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

Lunga lunga is an electoral constituency in Kenya (008) located southern part of the coast region and it is one of the constituencies in Kwale County. It has an area of sq km (Approx) 2,803.80 and it consists of four county assembly wards namely; Pongwe/ Kikoneni, Dzombo, Mwereni and Lunga lunga /Vanga ward.

It's one of the vast constituencies in southern coast and its allocation in 2016/2017 was kshs. 81,896,552.00.

Most of its priority is vested on educational sector which fetches a larger portion of its budgetary allocation, but surprisingly its utilization was comparably minimal due to the lateness in disbursement of funds to the constituencies.

Another challenge is the lack of adequate procurement skills by the project Management committees where funds are released to the (PMC) account in tranches so that at the end of the financial year most of the projects are on-going and partly paid to the PMC accounts.

In Lunga lunga constituency we have managed to support various schools in terms of construction of classrooms and payment of the bursary to the needy students at the constituency. We have also managed to lighten up several villages by providing solar panel flood lights to combat insecurity in the constituency. Also various bore holes and maternity wing have been constructed to various places in the constituency.

Though the funds are allocated as per the poverty index, it's never enough to suffice all the community needs thus urging the Government to increase the allocation from 2.5% to 5%.

Funds are disbursed late which leaves large balances for the implementation of the projects at the closure of the year. The National Government should release funds on time to curb these gaps.

Sign.....

CHAIRMAN NG-CDFC

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LUNGA LUNGA
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

**III. STATEMENT OF NATIONAL GOVERNMENT –CONSTITUENCY DEVELOPMENT
FUND 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 agency shall prepare financial statements in respect of that agency. 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 Lunga-lunga National Government- Constituency Development Fund is responsible for the preparation and presentation of the Lunga-lunga National Government - Constituency Development Fund financial statements, which give a true and fair view of the state of affairs of the Lunga-lunga National Government - Constituency Development Fund 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 National Government - Constituency Development Fund; (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 National Government - Constituency Development 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 Lunga-lunga National Government - Constituency Development Fund accepts responsibility for the National Government - Constituency Development 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 National Government - Constituency Development Fund's financial statements give a true and fair view of the state of National Government - Constituency Development Fund's transactions during the financial year ended June 30, 2017, and of the National Government - Constituency Development Fund's financial position as at that date. The Accounting Officer charge of the Lunga-lunga National Government - Constituency Development Fund further confirms the completeness of the accounting records maintained for the National Government - Constituency Development Fund, which have been relied upon in the preparation of the National Government - Constituency Development Fund's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Lunga-lunga National Government - Constituency Development Fund confirms that the National Government - Constituency Development Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the National Government - Constituency Development 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 National Government - Constituency Development 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 National Government - Constituency Development Fund's financial statements were approved and signed by the Accounting Officer on _____ 2017.



Chairman NG-CDFC



Fund Account Manager

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - LUNGA LUNGA 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 - Lunga Lunga as set out on pages 5 to 26 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. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development-Fund Lunga Lunga Constituency as at 30 June 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

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

Basis for Qualified Opinion

1.0 Compensation of Employees

The statement of receipts and payments for the year ended 30 June 2017 reflects Kshs.2,944,416 in respect to payments for compensation of employees. However, records available for audit indicated that Kshs.98,158.80, deducted as Pay As You Earn (PAYE) was not remitted to the relevant tax collection authority, contrary to

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

Section 10 (1) of the Income Tax Act Cap 470 which requires that before the tenth day of every month, an employer shall pay all amounts of tax deducted. Consequently, the management is in breach of the law and possible fines and penalties have not been provided for in these financial statements.

2.0 Use of Goods and services

2.1 Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2017 reflects payments for use of goods and services amounting to Kshs.9,603,193. However, included in this amount is Kshs.2,052,260 which the management failed to provide payment vouchers and other documentary evidence to support the expenditure. Consequently, it has not been possible to confirm the propriety of the Kshs.2,052,260 incurred on use of goods and services.

2.2 Committee Allowances

Note 5 to the financial statement reflects expenditure of use of goods and services of Kshs.9,603,193 out of which Kshs.3,921,000 is in respect to committee allowances. However, the National Government Constituencies Development Fund - Lunga Lunga constituency failed to constitute an oversight committee as required by Section 53 of the National Government Constituencies Development Fund Act, 2015 which requires that the constituency member of the National Assembly to appoint not more than four other members to a constituency oversight committee in consultation with stake holders. Under the circumstances, it has not been possible to confirm the propriety of Kshs.3,921,000 paid as committee allowances.

3.0 Transfer to Other Government Entities

The statement of receipts and payments for the year ended 30 June 2017 reflect a transfer to other government entities balance of Kshs.84,158,070. This amount includes transfer to primary schools, secondary schools and tertiary institutions as detailed in Note 6 to the financial statements. However, physical verification during the month of May 2018 revealed that payments totaling to Kshs.27,699,000 had been paid for works that had not been done. As shown below;

	Project Name	Amount Paid	Remarks
1	Mwashetani High School: 4 Classrooms	999,000	Rain water harvesting, tiles skirting, ceiling board and burglar proofing not done.
2	Mwashetani High School: 3 Classrooms, Administration offices & laboratory	14,650,000	All finishing works not done. Contractor not on site but had been paid the full contract sum. Title being held by a contractor

3	Perani Primary School: Renovation of 3 Classrooms	1,400,000	Walling not done, plastering not done externally, rainwater harvesting not completed
4	Mpakani Primary School: Construction of 4 classrooms	2,650,000 and 2,000,000	External plastering not done, rainwater harvesting and disposal not done, tile skirting not done, 4 Ceiling fans not fitted, sealing of entire eaves not done, Sign board not done.
5	Lungalunga Primary School: Renovation of 4 Classrooms	3,000,000	Rain water harvesting not fixed and no sign board
6	Wasini Primary School: Renovation of 4 Classroom	3,000,000	Only 11 and not 17 windows fitted , No front gutters, no downpipes, no signboard
	Total	27,699,000	

Under the circumstances, the propriety of the Kshs.27,699,000 incurred on transfer to other Government entities could not be confirmed.

4.0 Acquisition of Assets

The statement of receipts and payments for the year ended at 30 June 2017 reflect acquisition of assets balance of Kshs.3,046,445. This amount includes purchase of ICT equipment, software and other ICT assets amounting to Kshs.1,896,445 acquired during the year as detailed in Note 8 to the financial statements. However, no documentary evidence was provided for audit review to confirm that the acquisition of the assets was budgeted for, procured, received and recorded in the asset register.

Consequently, the propriety of ICT equipment amounting to Kshs.1,896,445 acquired for year ended 30 June 2017 could not be confirmed.

5.0 Bank Balance

The statement of assets as at 30 June 2017 reflect a bank balance of Kshs.5,317,366, while the bank reconciliation availed for audit reflected a cashbook balance of Kshs.5,271,117 resulting to unexplained variance of Kshs.46,249. Examination of bank reconciliation statement availed for audit review reflected un-presented cheques amounting to Kshs.2,854,855 out of which, Kshs.297,231 were stale cheques. However, the management did not provide explanation for not writing back the stale cheques in the cashbook. Further, the bank reconciliation statement reflected receipts in cashbook not in bank statement amounting to Kshs.19,027. The management did not explain the reason for not banking this amount as 30 June 2017. Consequently, the accuracy and completeness of the bank balance of Kshs.5,317,366 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Lunga Lunga Constituency Development Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

During the period under review National Government Constituencies Development Fund - Lunga Lunga constituency had a final budget of Kshs.180,657,140 and spent Kshs.134,391,500 or 74% resulting to under absorption of Kshs.46,265,640 or 26% as summarized below;

Expenditure Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Under Absorption (%)
Compensation of Employees	4,026,000.00	2,944,416.00	1,081,584.00	26.9%
Use of goods and services	15,139,093.00	9,603,193.00	5,535,900.00	36.6%
Transfers to Other Government	99,633,608.00	84,158,070.00	15,475,538.00	15.5%
Other grants and transfers	58,026,080.00	33,957,017.00	24,069,063.00	41.5%
Acquisition of Assets	3,150,000.00	3,046,445.00	103,555.00	3.3%
Other Payments	682,359.00	682,359.00		
Totals	180,657,140.00	134,391,500.00	46,265,640.00	25.6%

The under absorption of Kshs.46,265,640 or 26% is an indication that goods and services to residents of Lunga Lunga constituency were not delivered.

2.0 Project Implementation Status

The projects status report availed for audit review indicated that a total of Kshs.108,244,321.26 was approved for fifty-one (51) projects by the National Government Constituencies Development Fund Board for projects implementation out of which Kshs.66,700,087 was disbursed as shown below: -

- i. Thirty-seven (37) projects with an allocation of Kshs.61,071,387 were initiated and completed during the year under review
- ii. One (1) project allocated Kshs.7,000,000 had not been started.
- iii. Eight (8) projects with a total allocation of 36,062,934.26 were on going.
- iv. Four (4) projects costing Kshs.4,110,000 were reallocated.

3.0 Projects Verification

During the audit, eight (8) projects with a total cost of Kshs.27,849,000 were inspected in the month of March 2017 and various issues were noted as indicated below:

	Project Name	Amount Paid	Remarks
1	Mwashetani High School: 4 No. Classrooms	999,000	Rain water harvesting, tiles skirting, ceiling board and burglar proofing not done.
2	Mwashetani High School: 3No Classrooms, Administration offices & laboratory	14,650,000	All finishing works not done. Contractor not on site but had been paid the full contract sum. Title being held by a contractor
3	Perani Primary School: Renovation of 3 Classrooms	1,400,000	Walling not done, plastering not done externally, rainwater harvesting not completed
4	Mpakani Primary School: Construction of 2 classrooms	2,000,000	External plastering not done, rainwater harvesting and disposal not done, tile skirting not done, 4 Ceiling

			fans not fitted, sealing of entire eaves not done, Sign board not done.
5	Mpakani Primary School: Purchase of land	2,000,000	Land purchased
6	Lunga Lunga Primary School: Renovation of 4 Classrooms	3,000,000	Rain water harvesting not done, no sign board
7	Wasini Primary School: Renovation of 4 Classroom	3,000,000	Only 11 and not 17 windows fitted , No front gutters, no downpipes, no signboard
8	Lunga Lunga D.O's office: Construction of four door pit latrine	800,000	Complete and in use
	Total	27, 849,000	

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 National Government Constituencies Development Fund-Lunga Lunga Constituency's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the National Government Constituencies Development Fund-Lunga Lunga Constituency financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

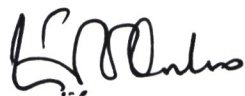
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the National Government Constituencies Development Fund-Lunga Lunga Constituency'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 National Government Constituencies Fund- Lunga Lunga Constituency's ability to continue as a going concern or 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 National Government Constituencies Fund-Lunga Lunga Constituency to cease 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 National Government Constituencies Fund- Lunga Lunga Constituency 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

03 July 2018

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LUNGA LUNGA
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	115,214,646	105,836,252
Proceeds from Sale of Assets	2	0	0
Other Receipts	3	0	0
TOTAL RECEIPTS		115,214,646	105,836,252
PAYMENTS			
Compensation of employees	4	2,944,416	1,817,699
Use of goods and services	5	9,603,193	10,284,348
Transfers to Other Government Units	6	84,158,070	81,861,939
Other grants and transfers	7	33,957,017	59,289,502
Acquisition of Assets	8	3,046,445	399,000
Other Payments	9	682,359	1,210,000
TOTAL PAYMENTS		134,391,500	154,862,488
SURPLUS/DEFICIT		(19,176,854)	(49,026,236)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lunga- lunga National Government- Constituency Development Fund financial statements were approved on _____ 2017 and signed by:



Chairman NG-CDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LUNGA LUNGA
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 Equivalent.			
Bank balances (As per the cash book)	10A	5,317,366	24,494,220
Cash Balances (Cash at hand)	10B	0	0
		5,317,366	24,494,220
Outstanding imprests	11	0	0
TOTAL FINANCIAL ASSETS		5,317,366	24,494,220
REPRESENTED BY:			
Retention.	12	0	0
Fund balance b/fwd 1 st July, 16	13	24,494,220	73,520,456
Surplus/ Deficit for the year.		(19,176,854)	(49,026,236)
	14	0	0
NET LIABILITIES		5,317,366	24,494,220

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lunga- lunga National Government- Constituency Development Fund financial statements were approved on _____ 2017 and signed by:



Chairman -NG CDFC



Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LUNGA LUNGA
CONSTITUENCY**

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


VI. STATEMENT OF CASH FLOW

		2016- 2017	2015 - 2016
Receipts for operating income			
Transfers from NG-CDF Board	1	115,214,646	105,836,252
Other Receipts	3	0	0
		115,214,646	105,836,252
Payments for operating expenses			
Compensation of Employees	4	2,944,416	1,817,699
Use of goods and services	5	9,603,193	10,284,348
Transfers to Other Government Units	6	84,158,070	81,861,939
Other grants and transfers	7	33,957,017	59,289,502
Other Payments	9	682,359	1,210,000
		131,345,055	154,463,488
Adjusted for:			
Adjustments during the year (Cash in hand 2013/14)	14	0	0
Net cash flow from operating activities		(16,130,409)	(48,627,236)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	0	0
Acquisition of Assets	8	(3,046,445)	(399,000)
Net cash flows from Investing Activities		(3,046,445)	(399,000)
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at the BEGINING of the year.	13	24,494,220	73,520,456
Cash and cash equivalent at the END of the year.		5,317,366	24,494,220

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lunga- lunga National Government- Constituency Development Fund were approved on _____ 2017 and signed by:



Chairman NG CDFC



Fund Account Manager

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 a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utili- f=d/ f=d/
RECEIPTS						
Transfers from NG-CDF Board	81,896,552	98,760,588	180,657,140	139,708,866	40,948,274	
Proceeds from Sale of Assets	0					
Other Receipts	0					
TOTALS	81,896,552	98,760,588	180,657,140	139,708,866	40,948,274	
PAYMENTS						
Compensation of Employees	2,931,800	1,094,200	4,026,000	2,994,416	1,031,584	
Use of goods and services	4,438,889	10,700,204	15,139,093	9,603,193	5,535,900	
Transfers to Other Government Units	48,318,967	51,314,641	99,633,608	84,158,070	15,475,538	
Other grants and transfers	26,206,896	31,819,184	58,026,080	33,957,017	24,069,063	
Acquisition of Assets	0	3,150,000	3,150,000	3,046,445	103,555	
Other Payments	0	682,359	682,359	682,359	0	
TOTALS	81,896,552	98,760,588	180,657,140	134,391,500	46,265,640	

The Lunga- lunga National Government- Constituency Development Fund financial statements were approved on _____ 2017 and signed by:


Chairman NG-CDFC


Fund Account Manager

VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the National Government- Constituency Development Fund 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 National Government- Constituency Development Fund.

2. Recognition of revenue and expenses

The National Government- Constituency Development Fund recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the National Government- Constituency Development Fund. In addition, the National Government- Constituency Development Fund recognises all expenses when the event occurs and the related cash has actually been paid out by the National Government- Constituency Development Fund.

3. In-kind contributions

In-kind contributions are donations that are made to the National Government- Constituency Development Fund 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 National Government- Constituency Development Fund 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.

Reports and Financial Statements

For the year ended June 30, 2017

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 National Government- Constituency Development Fund 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 National Government- Constituency Development Fund'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 National Government- Constituency Development Fund'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 CONSTITUENCIES DEVELOPMENT FUND – LUNGA
LUNGA CONSTITUENCY
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IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2016 - 2017	2015 - 2016
		Kshs	Kshs
CDF Board			
AIE NO	A825935	72,569,368	10,000,000
AIE NO	A855617	36,853,449	20,000,000
AIE NO	A829650	4,094,828	10,000,000
Receipts from Msambweni constituency.		1,000,000	10,000,000
Refund from Shirazi Boys sec sch. PMC		697,000	10,000,000
			22,836,252
			23,000,000
			10,000,000
TOTAL		115,214,646	105,836,252.00

2. PROCEEDS FROM SALE OF ASSETS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Receipts from sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment	0	0
Receipts from sale of office and general equipment	0	0
Receipts from the Sale Plant Machinery and Equipment	0	0
Total	0	0

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LUNGA
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Interest Received	0	0
Rents	0	0
Receipts from Sale of tender documents	0	0
Other Receipts Not Classified Elsewhere	0	0
Total	0	0

4. COMPENSATION OF EMPLOYEES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Basic wages of contractual employees	1,561,864	1,817,699
Basic wages of casual labour	0	0
Personal allowances paid as part of salary		
House allowance	0	0
Transport allowance	0	0
Leave allowance	0	0
Gratuity	1,382,552	0
Other personnel payments	0	0
Total	2,944,416	1,817,699

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LUNGA
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Other Committee Expenses	821,000	1,044,870
Utilities, supplies and services	0	71,783
Communication, supplies and services	165,000	120,000
Domestic travel and subsistence	481,600	229,500
Printing, advertising and information supplies & services	56,376	0
Rentals of produced assets	0	0
Training expenses	1,396,000	0
Hospitality supplies and services	0	0
Insurance costs	0	212,485
Committee allowances.	3,921,000	6,179,000
Office and general supplies and services	1,112,600	1,208,854
Other operating expenses	0	33,205
Routine maintenance – vehicles and other transport equipment	459,850	290,140
Routine maintenance – other assets	0	0
Fuel, Oils and Lubricants	1,189,767	894,512
Total	9,603,193	10,284,348

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017 Kshs	2015 - 2016 Kshs
Transfers to National Government entities		
Transfers to primary schools (see attached list)	42,578,700	42,271,680
Transfers to secondary schools (see attached list)	38,601,300	24,148,330
Transfers to tertiary institutions (see attached list)	1,978,070	10,000,000
Transfers to health institutions (see attached list)	1,000,000	4,441,929
TOTAL	84,158,070	81,861,939

7. OTHER GRANTS AND OTHER PAYMENTS

Description	2016 - 2017 Kshs	2015 - 2016 Kshs
Bursary – secondary schools (see attached list)	13,356,395	17,066,715
Bursary – tertiary institutions (see attached list)	7,198,715	9,973,752
Bursary – special schools (see attached list)	0	1,290,000
Mock & CAT (see attached list)	0	0
Water projects (see attached list)	1,000,000	5,000,000
Agriculture projects (see attached list)	0	0
Electricity projects (see attached list)	0	17,600,000
Security projects (see attached list)	0	0
Roads projects (see attached list)	0	0
Sports projects (see attached list)	1,521,387	2,748,910
Environment projects (see attached list)	1,521,387	2,750,000
Emergency projects (see attached list)	9,359,133	2,860,125
Total	33,957,017	59,289,502

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LUNGA
LUNGA CONSTITUENCY**

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

Non Financial Assets

	2016- 2017	2015 - 2016
	Kshs	Kshs
Purchase of Buildings	0	0
Construction of Buildings	0	0
Refurbishment of Buildings	0	0
Purchase of Vehicles and Other Transport Equipment	0	0
Overhaul of Vehicles and Other Transport Equipment	0	0
Purchase of Household Furniture and Institutional Equipment	1,150,000	0
Purchase of Office Furniture and General Equipment	0	0
Purchase of ICT Equipment, Software and Other ICT Assets	1,896,445	0
Purchase of Specialised Plant, Equipment and Machinery	0	399,000
Rehabilitation and Renovation of Plant, Machinery and Equip.	0	0
Acquisition of Land	0	0
Acquisition of Intangible Assets	0	0
Total	3,046,445	399,000

9. OTHER PAYMENTS

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Denna and Associates (strategic plan)	635,000	1,210,000
VAT (Mondroovee, Bomoa, Kombani autoworks,sharia)	47,359	
	682,359	1,210,000

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2016 - 2017	2015 - 2016
	Kshs	Kshs
<i>Cooperative bank of Kenya, Account no. 01141195733400, currency (Kshs).</i>	5,317,366	24,494,220
Total	5,317,366	24,494,220

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LUNGA
LUNGA CONSTITUENCY**

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10B: CASH IN HAND

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Location 1	0	0
Location 2	0	0
Location 3	0	0
Other Locations (<i>specify</i>)	0	0
Total	0	0

[Provide cash count certificates for each]

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	xxx	xxx	xxx
<i>Name of Officer or Institution</i>	dd/mm/yy	xxx	xxx	xxx
<i>Name of Officer or Institution</i>	dd/mm/yy	xxx	xxx	xxx
<i>Name of Officer or Institution</i>	dd/mm/yy	xxx	xxx	xxx
<i>Name of Officer or Institution</i>	dd/mm/yy	xxx	xxx	xxx
<i>Name of Officer or Institution</i>	dd/mm/yy	xxx	xxx	xxx
Total				xxx

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

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LUNGA
LUNGA CONSTITUENCY

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. RETENTION

	2016 - 2017 Kshs	2015 - 2016 Kshs
Supplier 1	0	0
Supplier 2	0	0
Supplier 3	0	0
Total	0	0

[Provide short appropriate explanations as necessary]

13. BALANCES BROUGHT FORWARD

	2016 - 2017 Kshs	2015 - 2016 Kshs
Bank accounts	24,494,220	73,520,456
Cash in hand	0	
Imprest	0	
Total	24,494,220	73,520,456

[Provide short appropriate explanations as necessary]

14. PRIOR YEAR ADJUSTMENTS

	2016- 2017 Kshs	2015 - 2016 Kshs
Bank accounts	0	0
Cash in hand	0	0
Imprest	0	0
Total	0	0

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LUNGA
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15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016- 2017	2015 - 2016
	Kshs	Kshs
Construction of buildings	0	0
Construction of civil works	0	0
Supply of goods	0	0
Supply of services	0	0
	0	0

15.2: PENDING STAFF PAYABLES (See Annex 2)

	2016-2017	2015-2016
	Kshs	Kshs
Senior management	0	0
Middle management	0	0
Unionisable employees	0	0
Others (<i>specify</i>)	0	0
	0	0

15.3: OTHER PENDING PAYABLES (See Annex 3)

	2016-2017	2015-2016
	Kshs	Kshs
Amounts due to other Government entities (see attached list)	0	0
Amounts due to other grants and other transfers (see attached list)	0	0
Others (<i>specify</i>)	0	0
	0	0

15.4: PMC account balances (See Annex 5)

	2016-2017	2015-2016
	Kshs	Kshs
PMC account Balances (see attached list)	2,174,451	0
	2,174,451	0

15.5: Amount due from the board.

	2016-2017	2015-2016
	Kshs	Kshs
Amount due from the board	40,993,275	0
	40,993,275	0

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – LUNGA LUNGA CONSTITUENCY.
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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 2017	Outstanding Balance 2016	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – LUNGA LUNGA 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 2017	Outstanding Balance 2016	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 CONSTITUENCY DEVELOPMENT FUND – LUNGA LUNGA CONSTITUENCY.
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ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Amounts due to other Government entities							
1.							
2.							
3.							
	Sub-Total						
Amounts due to other grants and other transfers							
4.							
5.							
6.							
	Sub-Total						
	Sub-Total						
Others (specify)							
7.							
8.							
9.							
	Sub-Total						
	Grand Total						

NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – LUNGA LUNGA CONSTITUENCY.
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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2016/17	Historical Cost (Kshs) 2015/16
Land	3,200,000	3,200,000
Buildings and structures	0	0
Transport equipment	1,320,000	1,320,000
Office equipment, furniture and fittings	1,936,204	786,204
ICT Equipment, Software and Other ICT Assets	2,611,805	715,360
Other Machinery and Equipment	399,000	399,000
Heritage and cultural assets	0	0
Intangible assets	0	0
Total	9,467,009	6,420,564

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NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – LUNGA LUNGA CONSTITUENCY.
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For the year ended June 30, 2017.
ANNEX 5-PROJECT MANAGEMENT COMMITTEE BANK BALANCES AS AT 30TH JUNE 2017

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
PONGWE PRIMARY SCHOOL	CO-P BANK	01141566623800	3,735	
MIKAMINI PRI SCHOOL	CO-P BANK	01141566100800	13,922	
MTUMWA PRI SCHOOL	CO-P BANK	01141566750200	75	
MKUDURU PRI SCHOOL	CO-P BANK	01141566749900	2,675	
NGULUKU PRI SCHOOL	CO-P BANK	01141566750400	875	
PERANI N PRIMARY SCHOOL	CO-P BANK	01141566749800	2,325	
ST. MARKS PANGANI PRI	CO-P BANK	01141566750300	1,025	
MWANGULU PRI SCHOOL	CO-P BANK	01141566750600	1,815	
MWARUTSWA PRI SCHOOL	CO-P BANK	01141566750500	73,900	
MWABOVO PRI SCH	CO-P BANK	01141566897900	625	
LUNGA LUNGA PRI SCHOOL	CO-P BANK	01141566899100	51	
NAMELOCK PRI SCHOOL	CO-P BANK	01141566900000	1,208,225	
MPAKANI PRIMARY SCH	CO-P BANK	01141566357200	4,563	
MASIMBANI PRI SCH	CO-P BANK	01141566898200	525	
WASINI ISLAND PRI SCH	CO-P BANK	01141566091200	113	
MAKAMBANI PRI SCH	CO-P BANK	01141566980200	50	
MWANANYAMALA SEC SCH	CO-P BANK	01141566605800	1,363	

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NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – LUNGA LUNGA CONSTITUENCY.
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PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
KILMANGODO SEC SCHOOL	CO-P BANK	01141566750100	1,025	
GUGU SEC SCHOOL	CO-P BANK	01141566750700	295	
MWASHETANI HIGH SCHOOL	CO-P BANK	01141566102900	66,713	
LUNGA LUNGA D.OS OFF- TOILETS	CO-P BANK	01141566759900	2,575	
MANGWEI SHOPPING CENTRE	CO-P BANK	01141566809900	395	
MWANGULU DISPENSARY	CO-P BANK	01141566750600	1,815	
KIKONENI DISPENSARY	CO-P BANK	01141566347300	770,792	
MGOME WATER PROJECT	CO-P BANK	01141565824300	5,123	
LUNGA LUNGA SPORTS- PMC	CO-P BANK	01141565834600	3,777	
LUNGA LUNGA ENVIRONMENT- PMC	CO-P BANK	01134565680900	5,554	
Total			2,174,451	



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ANNEX 6-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)
ADL/53/14/15(10) Dated 19 th may, 2016.	Cash and cash equivalent.	The stale cheques have been reversed to the cash book and re-allocated.	Andrew Lumunge- F.A.M	Resolved.	N/A
	Inaccuracies in the financial statement	The difference of KSHS. 23,000 were cash in hand not recorded in 2013/2014 financial year. Has now been corrected.	Andrew Lumunge- F.A.M	Resolved.	N/A
	Statement of cash flow.	In IPSAS no 2 which requires the entity to disclose the component of cash and cash equivalent is now followed.	Andrew Lumunge- F.A.M	Resolved.	N/A

