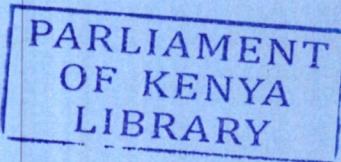


REPUBLIC OF KENYA



*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
LAMU EAST CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2017**



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OFFICE OF THE AUDITOR GENERAL
19 JUN 2018
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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100 NAIROBI
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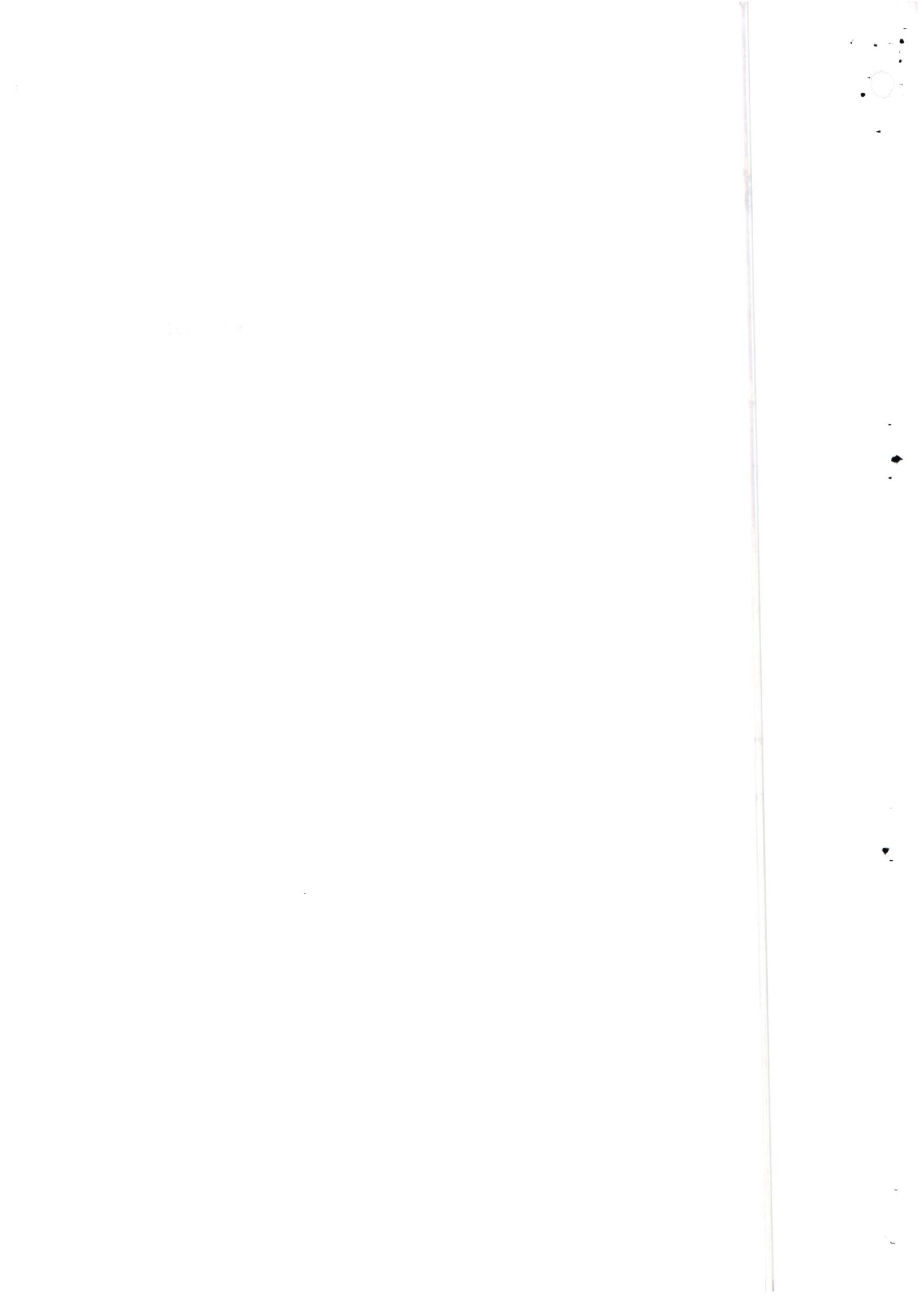
AMENDED

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-
LAMU EAST 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 – LAMU EAST
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

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**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND-LAMU EAST
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The Constituencies Development Fund (CDF) was set up under the CDF Act, 2003 now repealed by the NG-CDF Act, 2015. 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.

(b) Key Management

The Lamu East 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	Stephen Charo - Acting
3.	Accountant	Geoffrey Kimani

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NG-CDF Board provide overall fiduciary oversight on the activities of Lamu East 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) LAMU EAST NG-CDF

P.O. Box 262-80500,
Lamu Island
Next to Lamu Fort,
Lamu, Kenya

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAMU EAST
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

(f) LAMU EAST NG-CDF Contacts

E-mail: cdfamueast@cdf.go.ke

(g) LAMU EAST NG-CDF Bankers

1. Equity Bank
Lamu Branch
Account Number 159 0261 644 233
P.O. Box 60-80500
Lamu, Kenya

(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- LAMU EAST
CONSTITUENCY**

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

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

NG-CDF Lamu Constituency is one of the two constituencies of Lamu County. It borders Somalia and the Indian Ocean in the East. The Constituency covers an area of about 2,319.50 square kilometres with three quarters of the land mass in Basuba ward of the infamous Boni Forest with barely a quarter of the population of 18,841. The rest of the population is spread out in the Indian Ocean Islands of Pate and Ndau making this an Island Constituency. The economic activity of the area is mainly fishing and the biggest challenge is water. The constituency suffered a major drought during the year under review, where water had to be ferried by boats from Lamu Island which hampered project implementation in a big way. Insecurity and the angry ocean are another challenge

ACHIEVEMENTS

In the Financial Year 2016/2017 NG-CDF Lamu infrastructure development was largely on Education and Security. Completed projects include Kiunga Primary School, Faza secondary school library and Mbwajumwali School Administration block. New schools started include Pate Secondary School.

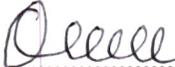
Bursary is a major activity and with a peasant population, it is more of a right than a privilege.

CHALLENGES

The major challenges the constituency is facing include

- Severe Drought
- Insecurity
- Rough sea
- Poor road network
- High level of poverty
- Logistical issues all movement is mostly by sea

These challenges affect the implementation of projects in the constituency.

Sign.....

Date.....

**Ali Kassim
CHAIRMAN NG-CDFC**

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAMU EAST
CONSTITUENCY**

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

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

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

29/6/2017.....



**Ali Kassim
Chairman -CDFC**



**Stephen Charo
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 - LAMU EAST 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 – Lamu East 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. 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 – Lamu East 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 National Government Constituency Development Fund Act, 2015.

In addition, as required by Article 229(6) of the Constitution, except for 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. Bank Balances

The statement of financial assets reflects bank balance of Kshs.180,199 as at 30 June 2017. However, excluded in the balance are thirty nine (39) stale cheques amounting to Kshs.284,578 and which had not been reversed in the cash book. In addition, the bank reconciliation statement as at 30 June 2017 included bank charges of Kshs.6,681 as

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

reconciling items. It was not clear why bank cheques were treated as reconciling items instead of accounting the same as expenses in the financial statements. Further, a casting error of Kshs.20,000 dating back to October, 2016 had not been corrected in the cash book as at 30 June 2017.

Consequently, the accuracy and completeness of the bank balance of Kshs.180,199 could not be confirmed.

2. Other Grants and Transfers

Note 7 to the financial statements reflects other grants and transfers of Kshs.38,906,800 for the year ended 30 June 2017. Included in this are bursaries to secondary schools totaling Kshs.18,070,300 and bursaries to tertiary Institutions amounting to Kshs.5,095,500 all totaling Kshs.23,165,800. However, audit verifications revealed that the bursary disbursements were not supported with bursary committee minutes in line with Constituency Development Fund Board Circular/Vol1/111 of 13 September 2010 which requires Constituency Development Fund Committees (CDFC) to establish a bursary sub-committee to vet, categorize and identify need for award of bursary. It was therefore not clear if the beneficiaries were vetted and what criteria was used for awarding the bursaries.

In the circumstances, the validity and regularity of bursaries to secondary schools and tertiary institutions totaling Kshs.23,165,800 for the year ended 30 June 2017 could not be confirmed.

3. Unremitted Taxes

The statement of receipts and payments reflect transfers to other government units of Kshs.53,355,000 and other grants and transfers of Kshs.38,906,800. Included in these transfers are a total of Kshs.69,096,00 being disbursements to undertake various construction projects. However, there was no evidence of Withholding taxes being deducted from contractors and remitted to Kenya Revenue Authority contrary to Section 42A (4-C) of the Tax Procedures Act, 2015 which provides that a person who is required to withhold tax commits an offence if the person fails to withhold the whole amount of the tax which should have been withheld or fails to remit the amount of the withheld tax to the Commissioner by the twentieth day of the month following that in which the deduction was made. As a result, the management did not comply with the income tax requirements and this could lead to possible fines and penalties accruing due to non-compliance.

Consequently, the management is in breach of the law. Effects of non-compliance with the income tax laws has not been factored in these financial statements for the year ended 30 June 2017.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

No.	Key audit matter	How the audit addressed the matter
1	<p>According to the financial statements the NG-CDF- Lamu East Constituency disbursement a total of Kshs.69,096,000 as transfers to other government entities and other grants and transfers for implementation of various development projects.</p> <p>Due to security concerns in Lamu East which is a security operation area, we could not physically verify the existence of the projects.</p>	<p>We relied on project files including minutes project management committees, contract agreement forms, engineer’s payment certificates and the CDFC’s monitoring and evaluation reports and inspection and acceptance reports to confirm the progress of projects.</p> <p>We also obtained telephone contacts for members of the project management committees and randomly called them to enquire of the status of the projects.</p>

Other Matter

1.0 Budgetary Controls and Performance

The CDF overall budget for the year under review was Kshs.100,088,904 against total actual expenditure of Kshs.99,908,705 resulting to under absorption of Kshs.180,199 or 1% as summarized below:

Budget line	Final Budget	Expenditure	Unspent Balance	% of Utilization
Compensation of Employees	2,251,493	2,112,603	138,890	94%
Use of goods and services	5,575,611	5,534,302	41,309	99%
Transfers to Other Government Units	53,355,000	53,355,000	0	100%
Other grants and transfers	38,906,800	38,906,800	0	100%
Total	100,088,904	99,908,705	180,199	99%

From the above analysis, funds for projects were fully disbursed to various project management committees. However, according to the project implementation status report, some projects were not completed as at 30 June 2017. This may affect delivery of goods and services to the residents of Lamu East Constituency contrary to values and principles of public service as provided for under Article 232 (1- c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services.

2.0 Project Implementation

According to the project implementation status report as at 30 June 2017, the following twenty-six (26) projects with a total budget of Kshs.64,281,677 were not completed during the period under review:

No.	Financial Year	Project	Activity	Allocation (Kshs.)
1	2013/14	Patte Secondary School	Construction of classroom and administration block	2,300,000
2	2014/15	Patte Secondary School	Construction of classroom and administration block	2,000,000
3	2015/16	Patte Secondary School	Construction of four classrooms	3,500,000
4	2015/16	Kizingitini Primary School	Construction of an Administration block	2,500,000

5	2015/16	Kizingitini Primary School	Construction of Perimeter Fence and Gate	1,000,000
6	2014/15	Milimani Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	300,000
7	2015/16	Milimani Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	100,000
8	2015/16	Mararani Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	100,000
9	2014/15	Mtangawanda Primary School	Completion of two classroom, finish roofing, painting, fixing doors and windows	300,000
10	2015/16	Mtangawanda Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	100,000
11	2015/16	Mtangawanda Primary School	Construction of two classrooms	2,400,000
12	2015/16	Faza Secondary School	Construction of a school library	3,000,000
13	2015/16	Lamu East Technical Training Institute	Construction of 1 workshop, 3 lecture rooms and office space	5,000,000
14	2015/16	Ndau Dispensary	Roofing, ceiling, tiles, doors, window, drainage system, tabs, water tanks, lental construction, ablution block, floor works	2,500,000
15	2014/15	Mbwajumwali Dispensary	Construction of Mbwajumwali dispensary	3,500,000
16	2015/16	Mbwajumwali Dispensary	Roofing, ceiling, tiles, doors, window, drainage system, tabs, water tanks, lental construction, ablution block, floor works	3,000,000
17	2015/16	Tchundwa AP Post	Construction of security houses	3,000,000
18	2016-2017	Siyu Primary School	Construction of new administration block to completion	4,500,000
19	2016-2017	Mbwajumali Primary School	Construction of new administration block and library to completion	10,500,000
20	2016-2017	Faza Secondary School	Construction to completion of new library	5,000,000
21	2016-2017	Tchundwa AP Post	Completion of staff house with plastering, painting, fixing doors and windows	1,500,000
22	2016-2017	Mtangawanda AP Post	Construction of new AP Post to completion	1,500,000
23	2016-2017	Mbwajumwali AP Post	Construction of new AP Post to completion	1,500,000
24	2016-2017	Mkokonoi AP Post	Construction of new AP Post to	1,500,000

			completion	
25	2016-2017	Tchundwa AP Post	Construction of two blocks of toilets for male and female	681,677
26	2013-2014	Kiwayu Water Project	Solar powered water-pump system	3,000,000
	Total			52,081,677

It was not clearly explained why the projects were not completed although the National Government Constituencies Development Fund – Lamu East Constituency received full amount due from National Government Constituencies Development Funds Board as per the approved budget.

Non-implementation of development projects affects delivery of goods and services to the public and the intended purpose of the projects may not to be realized.

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

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

Those charged with governance are responsible for overseeing the National Government Constituencies Development Fund – Lamu East Constituency's financial reporting process.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the National Government Constituencies Development Fund – Lamu East 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 Development Fund – Lamu East Constituency's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the National Government Constituencies Development Fund – Lamu East Constituency's to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund's 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- LAMU EAST
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016 - 2017 Kshs	2015- 2016 Kshs
RECEIPTS			
Transfers from NG-CDF board-AIEs' Received	1	81,896,602	94,633,846
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		81,896,602	94,633,846
PAYMENTS			
Compensation of employees	4	2,112,603	1,072,224
Use of goods and services	5	5,534,302	8,805,593
Transfers to Other Government Units	6	53,355,000	39,745,000
Other grants and transfers	7	38,906,800	50,390,000
Acquisition of Assets	8	-	-
Other Payments	9	-	-
TOTAL PAYMENTS		99,908,705	100,012,817
SURPLUS/DEFICIT		(18,012,103)	(5,378,971)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lamu East NG-CDF financial statements were approved on 29/8/2017 and signed by:



Ali Kassim



Stephen Charo

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAMU EAST
CONSTITUENCY**

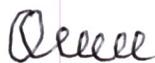
Reports and Financial Statements

For the year ended June 30, 2017

V. STATEMENT OF ASSETS

	Note	2016 - 2017 Kshs	2015- 2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalentents			
Bank Balances (as per the cash book)	10A	180,199	18,192,302
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		<u>180,199</u>	<u>18,192,302</u>
REPRESENTED BY			
Retention	12		
Fund balance b/fwd 1st July...	13	18,192,302	23,571,273
Surplus/Defict for the year		(18,012,103)	(5,378,971)
Prior year adjustments	14	-	-
NET LIABILITIES		<u>180,199</u>	<u>18,192,302</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lamu East NG-CDF financial statements were approved on 29/8/2017... and signed by:



Ali Kassim
Chairman - CDFC



Stephen Charo
Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND- LAMU EAST
CONSTITUENCY**

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

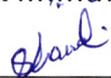
VI. STATEMENT OF CASHFLOW

Receipts for operating income		2016 - 2017	2015 - 2016
Transfers from NG-CDF Board	1	81,896,602	94,633,846
Other Receipts	3	-	-
		81,896,602	94,633,846
Payments for operating expenses			
Compensation of Employees	4	2,112,603	1,072,224
Use of goods and services	5	5,534,302	8,805,593
Transfers to Other Government Units	6	53,355,000	39,745,000
Other grants and transfers	7	38,906,800	50,390,000
Other Payments	9	-	-
		99,908,705	100,012,817
Adjusted for:			
Adjustments during the year	14	-	-
Net cash flow from operating activities		(18,012,103)	(5,378,971)
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		(18,012,103)	(5,378,971)
Cash and cash equivalent at BEGINNING of the year	13	18,192,302	23,571,273
Cash and cash equivalent at END of the year		180,199	18,192,302

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lamu East NG-CDF financial statements were approved on 29/8/2017 and signed by:



Ali Kassim
Chairman CDFC



Stephen Charo
Fund Account Manager

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – LAMU EAST CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2017

V. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Transfers from CDF Board	81,896,602	18,192,302	100,088,904	100,088,904	-	100%
Proceeds from Sale of Assets			-	-	-	
Other Receipts			-	-	-	
TOTAL	81,896,602	18,192,302	100,088,904	100,088,904	-	100%
PAYMENTS						
Compensation of Employees	1,065,641	1,185,852	2,251,493	2,112,603	138,891	94%
Use of goods and services	4,435,961	1,139,650	5,575,611	5,534,302	41,309	99%
Transfers to Other Government Units	39,488,200	13,866,800	53,355,000	53,355,000	-	100%
Other grants and transfers	36,906,800	2,000,000	38,906,800	38,906,800	-	100%
Acquisition of Assets			-	-	-	
Other Payments			-	-	-	
TOTAL	81,896,602	18,192,302.00	100,088,904	99,908,705	180,199	100%

The Lamu East NG-CDF financial statements were approved on 29/8/2017 and signed by:


Ali Kassim

Chairman CDF



Stephen Charo
Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND – LAMU EAST
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**Reports and Financial Statements
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VI. 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 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 Fund.

2. Recognition of revenue and expenses

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

3. In-kind contributions

In-kind contributions are donations that are made to the 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 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.

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IGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the 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 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 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 CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2016- 2017	2015 - 2016
		Kshs	Kshs
Normal Allocation	AIE NO...		-
		4,094,828	-
		36,853,499	5,000,000
		27,128,666	10,000,000
		13,819,609	10,000,000
			20,000,000
			24,000,000
Conditional grants			25,633,846
Receipt from other Constituency		-	
TOTAL		81,896,602	94,633,846

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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		

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

Description		2016- 2017	2015 - 2016
		Kshs	Kshs
Interest Received		-	-
Rents		-	-
Interest Received		-	-
Other Receipts Not Classified Elsewhere (Cheque reversal)		-	-
Total		-	-

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. COMPENSATION OF EMPLOYEES

Description		2016 - 2017	2015- 2016
		Kshs	Kshs
Basic wages of contractual employees		1,419,244	1,072,224
Basic wages of casual labour		60,000	-
Personal allowances paid as part of salary		-	-
House allowance		-	-
Transport allowance		-	-
Leave allowance		-	-
Other personnel payments		-	-
Employer contribution to NSSF		25,287	-
Gratuity		608,071	-
Total		2,112,603	1,072,224

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Utilities, supplies and services	174,500	539,365
Office rent	210,000	420,000
Communication, supplies and services	26,960	667,000
Domestic travel and subsistence	577,000	1,125,000
Printing, advertising and information supplies & services	297,500	681,150
Rentals of produced assets	-	-
Training expenses	-	-
Hospitality supplies and services	300,000	445,000
Other committee expenses	-	-
Committee allowance	2,671,400	3,071,000
Insurance costs	-	-
Specialised materials and services	-	-
Office and general supplies and services	508,200	815,000
Fuel ,oil & lubricants	750,000	1,000,000
Other operating expenses	18,742	42,078
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance – other assets	-	-
	-	-
Total	5,534,302	8,805,593

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
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Reports and Financial Statements

For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to primary schools	28,195,000	16,375,000
Transfers to secondary schools	15,160,000	17,870,000
Transfers to Tertiary institutions	10,000,000	-
Transfers to Health institutions	-	5,500,000
TOTAL	53,355,000	39,745,000

7. OTHER GRANTS AND OTHER PAYMENTS

Description	2016 - 2017	2015 - 2016
	Kshs	Kshs
Bursary -Secondary	18,070,300	10,436,000
Bursary -Tertiary	5,095,500	7,855,000
Bursary-Special schools	-	-
Mocks & CAT	3,000,000	1,850,000
Water	-	-
Agriculture (food security)	-	-
Electricity projects	-	-
Security	6,000,000	17,925,000
Roads	-	-
Sports	1,241,000	1,800,000
Other capital grants and transfer	3,000,000	4,800,000
Emergency Projects	2,500,000	5,724,000
Total	38,906,800	50,390,000

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF ASSETS

	<u>Non-Financial Assets</u>		2016 - 2017	2015 - 2016
			Kshs	Kshs
3110102	Purchase of Buildings		-	-
3110202	Construction of Buildings(CDF - Office)		-	-
3110302	Refurbishment of Buildings		-	-
3110701	Purchase of Vehicles & other transport equipments		-	-
3110704	Purchase of Bicycles & Motorcycles		-	-
3110801	Overhaul of Vehicles		-	-
3111001	Purchase of Office furniture and fittings		-	-
3111002	Purchase of computers ,printers and other IT equipments		-	-
3111005	Purchase of photocopier		-	-
3111009	Purchase of other office equipments		-	-
3111112	Purchase of soft ware		-	-
3130101	Acquisition of Land		-	-
				-
	Total		-	-

9 Other Payments		2016-2017	2015-2016
specify		-	-
TOTAL		-	-

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10A: Bank Balances (cash book bank balance)			
		2016 - 2017	2015 - 2016
Name of Bank, Account No. & currency	Account Number	Kshs (30/6/2017)	Kshs (30/6/2016)
<i>Equity Bank Lamu</i>	1590261644233	180,199	18,192,302
		-	-
		-	-
Total		180,199	18,192,302

10B: CASH IN HAND)			
		2016 - 2017	2015 - 2016
		Kshs (30/6/2017)	Kshs (30/6/2016)
Location 1		-	-
Location 2		-	-
Location 3		-	-
Other receipts (specify)		-	-
Total		-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS				
<i>Name of Officer</i>		<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance (30/6/2017)</i>
	Date imprest taken	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
			-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-

12: RETENTION			
Supplier/Contractor	PV no	2016 - 2017	2015 - 2016

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 BALANCES BROUGHT FORWARD			
		2016 - 2017	2015- 2016
		Kshs (1//7/2016)	Kshs (1/7/2015)
Bank accounts		18,192,302	23,571,273
Cash in hand		-	
Imprest			
Total		18,192,302	23,571,273

14. PRIOR YEAR ADJUSTMENTS			
		2016 - 2017	2015 - 2016
		Kshs	Kshs
Bank accounts			
Cash in hand		-	-
Imprest		-	-
		-	-
Total		-	-

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
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Reports and Financial Statements

For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

TRIAL BALANCE AS AT 30TH JUNE 2017			
		DR	CR
Cash and Cash equivalents			
	Bank Balances	180,199	
	Cash Balances	-	
	Outstanding Imprest	-	
Payments			
	Compensation of Employees	2,112,603	
	Use of goods and services	5,534,303	
	Transfers to Other Government Units	53,355,000	
	Other grants and transfers	38,906,800	
	Acquisition of Assets	-	
	Other Payments		
Receipts			
	Transfers from the Board		81,896,602
	Proceeds from sale of assets		-
	Others receipts		-
	Prior Year Adjustment		-
	Fund Balance b/f		18,192,302
	TOTAL	100,088,904	100,088,904

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

PMC	Bank	Account number	Bank Balance 2016/17	Bank Balance 2015/16
Siyu primary school pmc	Equity	1590272702449	4,144,560	
Mbwajumwali Primary School pmc	Equity	1590270950313	995	
Mbwajumwali AP Post Project	Equity	1590272686538	1,560	
Tchundwa AP Staff Quarters project	Equity	1590268026352	3,085	1,163,690
Mkokoni AP Post PMC	Equity	1590272652542	180	
Mtangawanda Primary School Cdf Project	Equity	1590263365127	727	1,214,102
Mtangawanda AP Post PMC	Equity	1590272686921	1,560	
Faza Secondary School Library PMC	Equity	1590271707305	1,155	
Kiunga Primary School PMC	Equity	1590270839885	1,370	
Kizingitini Primary School Administration NGCDF Project	Equity	1590268059292	(148.6)	213,625
Tchundwa social hall NGCDF Project	Equity	1590270633476	1,060	

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND –LAMU EAST
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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Presentation of the financial statements The financial statements are titled constituency development fund- Lamu east instead of National Government constituency development fund- Lamu East Constituency	The Financial Statements for Lamu East Constituency were amended accordingly to conform with international public sector accounting standards	Stephen Charo-FAM	Resolved	
2	Bank Balances- bank charges had been omitted on the reconciliation hence overstating bank balances hence accuracy and completeness of bank balance could not be confirmed	The bank charges shall be journalized every quarter and cleared from the bank reconciliation as action taken in line with your observation and as deliberated by CDFC in meetings in quarterly meetings	Stephen Charo-FAM	Resolved	1 st July 2017

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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 (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
3.0	Other grants and transfers- The bursary was disbursed without any formal vetting by bursary committee	Bursary is an emotional vote that affects all the members and community at large. The bursary committee is in place but members meet as CDF committee for bursary utilization	Stephen Charo-FAM	Resolved	1 st July 2017

