


REPUBLIC OF KENYA



Enhancing Accountability



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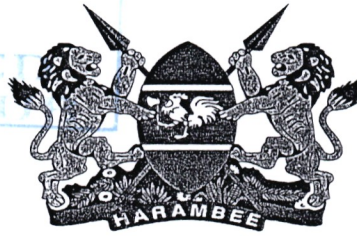
THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2019**

OFFICE OF THE AUDITOR GENERAL
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**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND -
MALINDI CONSTITUENCY**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MALINDI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2019

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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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

Mandate

The mandate of the Fund as derived from section 3 of the National Government Constituencies Development Fund Act, 2015 is to:

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

Vision

- Equitable Socio-economic development countrywide

Mission

- To provide leadership and policy direction for effective and efficient management of the Fund

Core Values

1. **Patriotism** – we uphold the national pride of all Kenyans through our work
2. **Participation of the people**- We involve citizens in making decisions about programmes we fund
3. **Timeliness** – we adhere to prompt delivery of service
4. **Good governance** – we uphold high standards of transparency, accountability, equity, inclusiveness and integrity in the service of the people
5. **Sustainable development** – we promote development activities that meet the needs of the present without compromising the ability of future generations to meet their own needs.

(b) Key Management

The NGCDF MALINDI Constituency 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 2019 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E Holder	Omar Abdallah
3.	Sub-County Accountant	Edwin Indase
4.	Chairperson NG-CDFC	Elina Mapenzi
5.	Secretary NG-CDFC	Boaz Kakhiri

(d) Fiduciary Oversight Arrangements

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

(e) NG-CDF - MALINDI Constituency Headquarters

Opp. DCC's Office besides MAWASCO and KPLC
Malindi, KENYA

(f) NG-CDF- MALINDI Constituency Contacts

P.O. Box 244-80200
Telephone: (254) 796449368
E-mail: cdmalindi@ngcdf.go.ke
Website: www.ngcdf.go.ke

(g) NG-CDF - MALINDI Constituency Bankers

Equity Bank of Kenya
Malindi Branch

(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

II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

National Government Constituency Development Fund – Malindi Constituency has allocated funds to various sectors for financial years 2016/2017 and 2017/2018 mostly in education and security as summarized here below:

Sector/Financial Year	2016/2017	2017/2018	Change	Remarks
	Kshs	Kshs	Kshs	
Education-Primary	18,786,207	9,381,034	(9,405,173)	Decrease (50%)
Education-Secondary	17,663,793	26,900,000	9,236,207	Increase (52%)
Bursary-Secondary	12,474,137	7,500,000	(4,974,137)	Decrease (40%)
Bursary – Tertiary	8,000,000	9000,000	1,000,000	Increase (12.5%)
Bursary – Special	nil	702,586	702,586	Increase (100%)
Security	4,500,000	5,000,000	500,000	Increase (10%)

EMERGING ISSUES

Implementation Challenges

a. Bursary

- (i) Delay in disbursement of funds from the board
- (ii) Insufficient funding
- (iii) Politics, also affect the issuance of bursary

Solutions and way forward

- (i) Issuing criteria method due to demands on society
- (iii) Disbursement to be done on timely basis
- (iv) More funds to be allocated to constituencies to allow for adequate bursary allocation
- (v) To separate development programs from political programs.

. Projects

- (i) Delay of funds from CDF Board to constituencies leads delay on implementation and the completion of projects on time
- (ii) Lack of sufficient resources to fund proposed projects.

Solution

- (i) Funds to be released in due time
- (ii) Sufficient resources should be allocated to fund proposed projects.

IMPACTS

- I. Increase in secondary school's retention rates and developments of skills for students in polytechnics and university institutions.
- II. Projects done such as the (Malindi Education Sub County office) will help the officers and teachers work in a good conducive environment at the same time parents and other education stakeholders can easily assess the education office.
- III. Reduction in crime rates resulting from increased funding to security projects.
- IV. Funding the sport sector to our youths which has helped in fighting the drug abuse menace in Malindi Constituency.
- V. Funding of school buses has helped the schools in easy transportation for students in academic trips and co-curriculum activities.



Chairman-NGCDF Committee

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

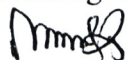
The Accounting Officer in charge of the NGCDF- Malindi Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the NGCDF - Malindi Constituency accepts responsibility for the entity'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 financial statement gives a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Accounting Officer in charge of the NGCDF - Malindi Constituency further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the NGCDF- Malindi Constituency confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity'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 entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The NGCDF - Malindi Constituency financial statements were approved and signed by the Accounting Officer on 27/9/2019 2019.



Fund Account Manager

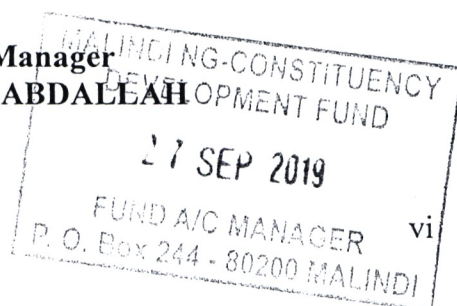
Name: OMAR ABDALLAH



Sub-County Accountant

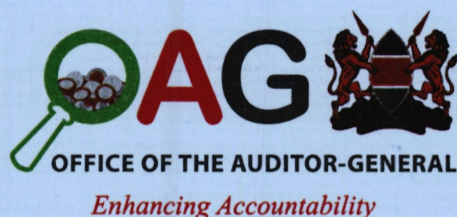
Name: EDWIN INDASE

ICPAK Member No.



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MALINDI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Malindi Constituency set out on pages 1 to 21 which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and the 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of National Government Constituencies Development Fund-Malindi Constituency as at 30 June, 2019, 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 do not comply with the National Government Constituencies Development Fund Act, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Inaccuracies and Presentation of Financial Statements

The financial statements for the year ended 30 June, 2019 submitted for audit contained inaccuracies as detailed below:

- (i) The statement of receipts and payments reflects use of goods and services of Kshs.9,812,939 which varies with the balance of Kshs.7,312,939 reflected under Note 5 to the financial statements, resulting into an unreconciled and unexplained variance of Kshs.2,500,000.

- (ii) Note 7 to the financial statements reflects bursary to secondary schools of Kshs.15,627,725. However, Kshs.6,280,000 related to bursary to tertiary institutions. Further, bursary to secondary schools amounting to Kshs.540,000 was excluded.
- (iii) Note 7 to the financial statements reflects bursary to tertiary institutions of Kshs.13,569,500. However, an amount of Kshs.8,041,000 related to bursary to secondary schools.
- (iv) The summary statement of appropriation-recurrent and development combined reflects actual transfers from the Board of Kshs.171,121,888. However, the figure varies with the receipts of Kshs.171,621,887 - comprising transfers from the NGCDF Board of Kshs.164,325,359 as per statement of receipts and payments and the fund balance brought forward of Kshs.7,296,528 - by Kshs.499,999.
- (v) Further, the summary statement of appropriation-recurrent and development combined reflects total receipts utilization difference of Kshs.4,000,040, while the re-computed amount is Kshs.4,500,040, thus resulting into an unreconciled and unexplained variance of Kshs.500,000.
- (vi) The summary statement of appropriation-recurrent and development combined reflects a total budget utilization difference of Kshs.60,351,347. However, no further disclosure has been given on the unutilized balances under Note 15.3 to the financial statements and Annex 3 as required.
- (vii) Various prior year audit issues remained unresolved as at 30 June, 2019. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements.
- (viii) The statement of cash flows reflects Note 8 for other payments instead of Note 9.

Consequently, the accuracy and completeness of the financial statements as well as compliance with the requirements of International Public Sector Accounting Standard No. 1 – Presentation of Financial Statements and the prescribed financial reporting guidelines could not be confirmed.

2.0 Variances Between Balances in Financial Statements and Supporting Schedules

The financial statements balances were at variance with the supporting schedules provided as summarized below:

No.	Item	Note	Financial Statement Figure (Kshs.)	Supporting Schedule Figure (Kshs.)	Variance (Kshs.)
1.	Use of Goods and Services	-	9,812,939	10,337,724	(524,785)
2.	Transfers to Other Government Entities – Transfers to Tertiary Institutions	6	1,500,000	0	1,500,000
3.	Other Grants and Payments – Bursary Secondary Schools	7	15,627,725	15,538,000	89,725
4.	Acquisition of Assets	8	500,000	0	500,000
5.	Other Payments	9	2,000,000	3,500,000	(1,500,000)

In the circumstances, the accuracy and completeness of the financial statements balances could not be confirmed.

3.0 Bank Balance

The statement of assets and liabilities and Note 10A to the financial statements reflect bank balances of Kshs.56,351,346. The amount included unrepresented cheques totaling to Kshs.1,575,545. However, bank statements to confirm the dates when the cheques were subsequently cleared were not provided for audit. Further, no satisfactory explanation was provided for not updating the cash books with the receipts totalling Kshs.34,115 in respect to unspent balances in Project Management Committee bank accounts returned to the Constituency bank account in January, 2019 and with the bank charges totaling to Kshs.8,030.

Consequently, the validity and accuracy of the bank balance of Kshs.56,351,346 as at 30 June, 2019 could not be ascertained.

4.0 Other Receipts

The statement of receipts and payments reflects a nil balance for other receipts. However, available records indicated that the Fund collected Kshs.6,000 from sale of tender documents for the Proposed Erection of Classrooms at Shomani Girls Secondary School project to six (6) tenderers. The receipts were neither recorded in the cash book nor banked, contrary to Section 12 of the National Government Constituencies Development Fund Act, 2015 which requires all funds received by the Constituency to be banked in the Constituency's bank account.

In the circumstances, the Management was in breach of the Law. Further, the accuracy and completeness of the nil balance for other receipts could not be confirmed.

5.0 Unsupported Expenditure on Transfers to Other Government Entities

The statement of receipts and payments reflects transfers to other government entities of Kshs.59,904,775. Included in the balance and as disclosed at Note 6 to the financial statements are transfers of Kshs.28,554,775 to primary schools out of which an amount of Kshs.8,076,250 was paid for various projects undertaken in five (5) primary schools. However, the Purchase Orders issued in accordance with Section 106(5)(a) of Public Procurement and Asset Disposal Act, 2015 were not provided for audit.

In the circumstances, the validity and propriety of transfers to primary schools amounting to Kshs.8,076,250 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund – Malindi Constituency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

According to the summary statement of appropriation-recurrent and development combined, the National Government Constituencies Development Fund – Malindi Constituency had an approved expenditure budget of Kshs.175,621,928 while actual expenditure totalled to Kshs.115,270,541 resulting to an under-expenditure of Kshs.60,351,347 or 34%.

The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the constituents of Malindi.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Projects Monitoring and Inspection

Audit inspection to various projects revealed anomalies as detailed out under **Appendix I**.

The anomalies may be attributed to lack of proper supervision by the Constituency Development Fund Committee. There is therefore the need to ensure that all projects are properly supervised to satisfactory completion and to the specifications outlined in the bills of quantities for the benefit of the citizens of Malindi Constituency.

2. Projects Implementation Status

During the year under review, the Management budgeted to implement twenty-nine (29) projects at a total cost of Kshs.66,180,203. The implementation status of the projects as at 30 June, 2019 is as summarized below:

Status	Number of Projects	Allocation (Kshs.)
Ongoing projects	1	12,650,000
Not started	17	33,046,635
Completed projects	11	20,483,568
Total	29	66,180,203

As illustrated in the report, the Fund had only one (1) ongoing project at Shomani Girls Secondary School for construction of a four storey block at a cost of Kshs.12,650,000 and whose expected completion date was 30 June, 2019. However, the audit inspection carried out in the month of November, 2020 revealed that the works were still in progress. In addition, implementation of seventeen (17) projects with a total budgeted cost of Kshs.33,046,635 planned for implementation during the year under review, had not commenced.

No satisfactory explanation was provided for failure to implement the projects when the Fund had a balance of Kshs.56,351,346 in the bank as at 30 June, 2019 for the projects. Failure by Management to implement the budgeted projects may impact negatively on delivery of services to the residents of Malindi Constituency.

3. Other Grants and Transfers

3.1 Bursary Awards

Note 7 to the financial statements reflects bursaries to secondary schools amounting to Kshs.15,627,725 and bursaries to tertiary institutions and universities amounting to Kshs.13,569,500. However, audit revealed anomalies in the awarding of bursaries as summarized below:

No.	Description	No. of Institutions	No. of Students	Amount (Kshs.)
1.	Students without admission numbers - Secondary Schools	25	51	230,000
2.	Students awarded twice-Secondary	6	6	44,000
3.	Students without admission numbers -Tertiary Colleges	11	12	76,000
4.	Students without admission numbers - University	2	2	22,000
5.	Students awarded twice - University	1	1	12,000
Total		45	72	384,000

The Management has not explained why and how such anomalies arose and the corrective measures in place.

3.2 Failure to Vet Beneficiaries of Bursaries

Note 7 to the financial statements reflects Kshs.15,627,725, Kshs.13,569,500 and Kshs.804,000 being bursaries to secondary schools, tertiary institutions and special schools respectively, all totalling to Kshs.30,001,225. However, the Management did not provide the minutes of the vetting committee to confirm that needy students were identified using approved criteria, as required under Regulation 21(3) of National Government Constituency Development Fund Regulations, 2016 which provides that a Constituency Committee shall vet all persons proposed to receive support in accordance with guidelines issued by the Board.

Further, Regulation 21(4) of National Government Constituency Development Fund Regulations, 2016 requires a Constituency Committee to, in supporting social security programmes, consult with the relevant National Government Agencies. However, there was no evidence that the relevant Government Agencies which include the Ministry of Education and the County Government were involved in the identification of beneficiaries of the bursaries to avoid issuing multiple bursaries to the same parties.

In the circumstances, the Management was in breach of the Law and the propriety of bursaries totalling Kshs.30,001,225 could not be confirmed.

3.3 Bursary Budgetary Allocation

Regulation 21(5) of the National Government Constituency Development Fund Regulations, 2016 provides that a Constituency Committee shall allocate not less than twenty-five per cent (25%) of the funds allocated to a constituency for bursaries. However, out of the total budget of Kshs.109,040,915, the Fund allocated an amount of Kshs.21,808,000 or 20% to bursaries.

Consequently, the Management was in breach of the Law.

3.4 Emergency Projects

Note 7 to the financial statements reflects expenditure on emergency projects amounting Kshs.4,142,961. However, review of supporting documents for the payments revealed that the activities did not satisfy the criteria for emergency expenditure as provided under Section 8 (3) of the National Government Constituencies Development Fund Act, 2015, which provides that emergency shall be construed to mean an urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents.

In the circumstances, the propriety and lawfulness of emergency projects totaling to Kshs.4,142,961 could not be confirmed.

4. Transfers to Other Government Entities

4.1 Expenditure Not in Procurement Plan

Note 6 to the financial statements reflects transfers to primary schools totaling Kshs.28,554,775. However, included in the amount is Kshs.9,208,750 in respect of expenditure which was not in the procurement plan, contrary to Regulation 50(3) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an accounting officer of a Government entity shall make an expenditure commitment only against the procurement plan approved for that entity in accordance with the Public Procurement and Disposal Act, 2015.

Consequently, Management was in breach of the Law and the propriety of the expenditure of Kshs.9,208,750 could not be ascertained.

4.2 Transfers to Secondary Schools

Note 6 to the financial statements reflects transfers of Kshs.29,850,000 to secondary schools, out of which an amount of Kshs.20,807,956 was paid to various firms for implementation of projects. However, review of the tender documents revealed that the responsiveness of the tenders submitted by the tenderers awarded the contracts was in doubt as some of the eligibility and mandatory requirements were not met as summarized below:

Project Description	Amount Paid (Kshs.)	Audit Observations
Proposed construction of 1 block of 2 No. Classrooms at Ganda Secondary School	3,002,280	Successful tenderer did not attach to the tender documents- proof of sound financial capability; valid/current Tax Compliance Certificate; valid PIN and VAT certificate; copy of receipts on purchase of tender documents. National Construction Authority (NCA) certificate, names, qualifications and experience of key personnel available for this work.

Project Description	Amount Paid (Kshs.)	Audit Observations
Proposed construction of 1 block of 12 No. door Units toilet block at Muyeye Secondary School	1,699,890	Tax compliance certificate attached dated 1 March, 2019 after submission and evaluation of bids hence tender not awarded to responsive tenderer
Proposed erection of 8 No. classroom block phase (1) for Shomani Girls Secondary School	12,627,864	Sound financial capability (Bank Statements) and reports of financial standing (Audited accounts and Bank Statements) of tenderer for the past three years (From 2013 to date) not evaluated nor attached to bids by successful tenderer. NCA 7 certificate not attached by successful tenderer instead attached NCA 6.
Construction of one twin Staff House unit (Two bed room each)	3,477,922	Sound financial capability (Bank Statements) and reports of financial standing (Audited accounts and Bank Statements) of tenderer for the past three years (From 2013 to date) not evaluated nor attached to bids by successful tenderer. NCA 7 certificate not attached by successful tenderer instead attached NCA 6.
Total	20,807,956	

In the circumstances, Management was in breach of Section 79 (1) of the Public Procurement and Asset Disposal Act, 2015 which provides that a tender is responsive if it conforms to all the eligibility and other mandatory requirements in the tender documents.

4.3 Contracts Without Performance Bond

Section 142 of the Public Procurement and Asset Disposal Act, 2015 provides that, a successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract. However, 5% performance bond specified in the tender documents for five (5) contracts with a total contract sum of Kshs.23,806,593 and included in the reported balance of Kshs.59,904,775 for transfers to other Government entities were not provided.

Consequently, Management was in breach of the Law and may have no recourse in case of non-performance by the contractors.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of the National Government Constituencies Fund - Malindi Constituency to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 ability of National Government Constituencies Fund-Malindi Constituency 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 – Malindi Constituency 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 National Government Constituencies Development Fund – Malindi 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

16 September, 2021

Report of the Auditor-General on the National Government Constituencies Development Fund - Malindi Constituency for the year ended 30 June, 2019

APPENDIX I

No.	Name of Project	Project Activity	Contract Price (Kshs.)	Audit observations
1.	Shomani Girls Secondary School	Proposed Erection of 4 Classroom Block Phase (1) for Shomani Girls Secondary School	12,650,000	Project not completed. Four (4) of the eight (8) classrooms constructed but not completed despite value of works certified and paid of Kshs.11,871,000 out of the contract sum of Kshs.12,627,864.
2.	Shomani Girls Secondary School	Proposed one (1) unit 2 bedroomed staff Quarter for Shomani Girls Secondary School	3,500,000	Project completed. However, certificate of completion had not been issued. Further, no red oxide was applied to the floor as required by the Bills of Quantity.
3.	Malindi Police Station	Renovation of one Block at Malindi Police Station Offices and Residential Houses, Removing of Old Roof, replacing with new roof for 20 Offices, Patch Plastering of Walls, Replacement of Doors and Windows, Repair of Floor	4,500,000	Project Complete. However, no certificate of completion had been issued to the contractor nor handover report and labelling of the project done, contrary to Regulation 15 (1) of the National Government Constituencies Development Regulations, 2016 which requires the Project Management Committee to undertake project closure, labelling and handover upon completion.
4.	Malindi Mere Police post	Renovation of Buildings	4,000,000	Long outstanding Project-The project was started in 2015/16 However, works amounting to Kshs.931,610 entailing renovations had not been done despite being reported as complete. The outstanding work has not been completed since then.
5.	Primary School Desk	Distribution of desks to several primary schools	3,285,000	No distribution list availed for audit review, hence not verified.
6.	Kasimbiji Primary	Construction of 2 classrooms, foundation and slab, walling, doors and	3,063,568	Poor workmanship was evident with several cracks on the walls. It was also noted that no pin board was

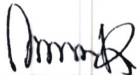
No.	Name of Project	Project Activity	Contract Price (Kshs.)	Audit observations
		window fittings, paintings and roofing		in place nor red oxide applied on the floors as per the Bills of Quantities.
7.	St. Andrews Primary	Construction of 6 classrooms	6,348,568	The project was complete and in use. However, it was noted that no pin board was in place as per the Bills of Quantities.
8.	Goshi Primary	Construction to completion of 2 No Classrooms; Door and window fittings, floor skidding, painting and plastering	3,000,000	The project was complete. However, electrical works had not been fully done. It was also noted that no pin board was in place and red oxide not applied in the floors as per the Bill of Quantities.
Total			40,347,136	

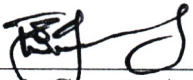
NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
 MALINDI CONSTITUENCY
 Reports and Financial Statements
 For the year ended June 30, 2019

IV. STATEMENT OF RECEIPTS AND PAYMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

	Note	2018 - 2019 Kshs	2017 - 2018 Kshs
RECEIPTS			
Transfers from NG-CDF board	1	164,325,359	80,353,447
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	-	-
TOTAL RECEIPTS		164,325,359	80,353,447
PAYMENTS			
Compensation of employees	4	1,722,435	4,020,000
Use of goods and services	5	9,812,939	3,650,004
Transfers to Other Government entities	6	59,904,775	43,891,851
Other grants and other payments	7	41,330,392	22,789,373
Acquisition of Assets	8	500,000	2,175,000
Other Payments	9	2,000,000	
TOTAL PAYMENTS		115,270,541	76,526,228
SURPLUS/(DEFICIT)		49,054,818	3,827,219

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF- Malindi Constituency financial statements were approved on 27/9/ 2019 and signed by:


 Fund Account Manager
 Name: OMAR ABDALLAH

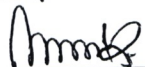
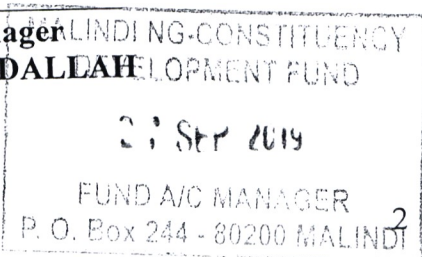

 Sub-County Accountant
 Name: EDWIN INDASE
 ICPAK Member Number:

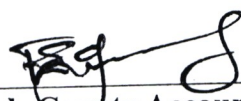
NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
 MALINDI CONSTITUENCY
 Reports and Financial Statements
 For the year ended June 30, 2019

V. STATEMENT OF ASSETS AND LIABILITIES
 AS AT JUNE 30, 2019

	Note	2018-2019 Kshs	2017-2018 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	56,351,346	7,296,529
Cash Balances (cash at hand)	10B	-	-
Total Cash and Cash Equivalents		56,351,346	7,296,529
Current Receivables		-	-
Outstanding Imprests	11	-	-
TOTAL FINANCIAL ASSETS		56,351,346	7,296,529
FINANCIAL LIABILITIES			
Accounts Payable		-	-
Retention	12A	-	-
Gratuity	12B	-	-
TOTAL FINANCIAL LIABILITES		-	-
NET FINANCIAL ASSETS		56,351,346	7,296,529
REPRESENTED BY			
Fund balance b/fwd	13	7,296,529	3,040,494
Surplus/Deficit for the year		49,054,818	3,827,219
Prior year adjustments	14	-	428,816
NET FINANCIAL POSITION		56,351,347	7,296,529

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF - Malindi Constituency financial statements were approved on 27/9/2019 and signed by:


 Fund Account Manager
 Name: OMAR ABDALLAH


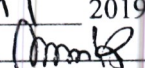

 Sub-County Accountant
 Name: EDWIN INDASE
 ICPAK Member Number

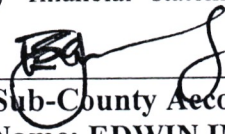
NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MALINDI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2019

VI. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

		2018-2019	2017-2018
		Kshs.	Kshs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers from NGCDF Board	1	164,325,359	80,353,447
Other Receipts	3	-	-
Total receipts		164,325,359	80,353,447
Payments			
Compensation of Employees	4	1,722,435	4,020,000
Use of goods and services	5	9,812,939	3,650,004
Transfers to Other Government Units	6	59,904,775	43,891,851
Other grants and transfers	7	41,330,392	22,789,373
Other Payments	8	2,000,000	
Total payments		(114,770,541)	(74,351,228)
Total Receipts Less Total Payments		49,554,818	6,002,219
Adjusted for:			
Outstanding imprest	11	-	-
Retention Payable	12A	-	-
Gratuity Payable	12B	-	-
Prior year adjustments	14	-	428,815
Net Adjustments		-	-
Net cash flow from operating activities		49,554,818	6,431,034
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	500,000	2,175,000
Net cash flows from Investing Activities		(500,000)	(2,175,000)
NET INCREASE IN CASH AND CASH EQUIVALENT		49,054,818	4,256,035
Cash and cash equivalent at BEGINNING of the year	13	7,296,529	3,040,494
Cash and cash equivalent at END of the year		56,351,346	7,296,529

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF - Malindi Constituency financial statements were approved on 28/9/2019 and signed by:


Fund Account Manager
Name: OMAR ABDALLAH


Sub-County Accountant
Name: EDWIN INDASE
ICPAK Member Number:

MALINDI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2019

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget (Kshs.)	Adjustments (Kshs.)	Final Budget (Kshs.)	Actual on Comparable Basis (Kshs.)	Budget Utilisation Difference (Kshs.)	Share of Utilisation (Kshs.)
	a	B	c = a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from NGCDF Board	109,040,915	66,581,013	175,621,928	171,121,888	4,000,040	97.4%
Proceeds from Sale of Assets						
Other Receipts		-	-	-	-	
TOTAL RECEIPTS	109,040,915	66,581,013	175,621,928	171,121,888	4,000,040	97.4%
PAYMENTS						
Compensation of Employees	2,888,000	1,717,490	4,605,490	1,722,435	2,883,055	37.4%
Use of goods and services	8,164,712	2,648,575	10,813,287	9,812,939	1,000,348	90.7%
Transfers to Other Government Units	66,318,568	- 33,559,559	99,878,127	59,904,775	39,973,352	60.0%
Other grants and transfers	30,669,635	28,655,349	59,324,984	41,330,392	17,994,592	69.7%
Acquisition of Assets	1,000,000	0	1,000,000	500,000	500,000	50.0%
Other Payments	-	-	-	2,000,000	(2,000,000)	(100) %
TOTAL PAYMENTS	109,040,915	66,581,013	175,621,928	115,270,541	60,351,347	65.6%

The NGCDF- Malindi Constituency financial statements were approved on 27/9/2019 and signed by:



Fund Account Manager
Name:



Sub-County Accountant
Name:
ICPAK Member Number:

III. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

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

2. Reporting Entity

The financial statements are for the NGCDF-Malindi Constituency. The financial statements encompass the reporting entity as specified under section 81 of the Public Finance Management Act 2012.

3. Reporting Currency

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

4. Significant Accounting Policies

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

a) Recognition of Receipts

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

Tax Receipts

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

Transfers from the Exchequer

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

SIGNIFICANT ACCOUNTING POLICIES

External Assistance

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

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

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

During the year ended 30 June 2019, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

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

b) Recognition of payments

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

Compensation of Employees

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

Use of Goods and Services

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

Acquisition of Fixed Assets

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

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

SIGNIFICANT ACCOUNTING POLICIES

5. In-kind contributions

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

7. Accounts Receivable

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

8. Accounts Payable

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

9. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

SIGNIFICANT ACCOUNTING POLICIES

10. Unutilized Fund

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

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2018 for the period 1 July 2018 to 30 June 2019 as required by Law and there was one supplementary adjustment to the original budget during the year. Included in the adjustments are the unutilized funds.

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

12. Comparative Figures

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

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2019.

14. Errors

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

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

15. Related Party Transactions

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

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MALINDI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2019

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2018-2019	2017-2018
		Kshs	Kshs
NGCDF Board			
AIE NO	B005115	54,784,483	37,905,172
AIE NO	B005314	4,000,000	36,948,275
AIE NO	B030094	10,000,000	5,500,000
AIE NO	B042793	12,000,000	-
AIE NO	A724469	11,000,000	
AIE NO	A006439	6,000,000	
AIE NO	B030492	15,000,000	
AIE NO	A410135	51,540,875	
TOTAL		164,325,358	80,353,447

2. PROCEEDS FROM SALE OF ASSETS

	2018-2019	2017-2018
	Kshs	Kshs
Receipts from sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from sale of office and general equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Total	-	-

3. OTHER RECEIPTS

	2018-2019	2017-2018
	Kshs	Kshs
Interest Received	-	-
Rents	-	-
Receipts from Sale of tender documents	-	-
Other Receipts Not Classified Elsewhere	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. COMPENSATION OF EMPLOYEES

	2018-2019	2017-2018
	Kshs	Kshs
Basic wages of contractual employees	1,468,962	3,756,068
Basic wages of casual labour	-	-
Personal allowances paid as part of salary	-	-
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Other personnel payments (PAYE & NHIF) 131,208+51,700	182,853	245,932
Employer contribution to NSSF	70,620	18,000
Gratuity – paid	-	-
- Accrued	-	-
Total	1,722,435	4,020,000

5. USE OF GOODS AND SERVICES

	2018-2019	2017-2018
	Kshs	Kshs
Committee Expenses	3,710,320	3,506,444
Utilities, supplies and services	-	143,560
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Printing, advertising and information supplies & services	-	-
Rentals of produced assets	-	-
Training expenses	-	-
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	-	-
Other operating expenses	2,026,553	-
Committee Allowance	1,576,066	-
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance – other assets	-	-
Total	7,312,939	3,650,004

MALINDI CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2018-2019 Kshs	2017-2018 Kshs
Transfers to primary schools	28,554,775	10,656,055
Transfers to secondary schools	29,850,000	33,235,796
Transfers to tertiary institutions	1,500,000	-
Transfers to health institutions	-	-
TOTAL	59,904,775	43,891,851

7. OTHER GRANTS AND OTHER PAYMENTS

	2018-2019 Kshs	2017-2018 Kshs
Bursary – secondary schools	15,627,725	6,502,000
Bursary – tertiary institutions	13,569,500	5,578,100
Bursary – special schools	804,000	116,000
Mock & CAT	-	-
Security projects	4,500,000	6,999,343
Sports projects	950,000	1,337,930
Environment projects	1,736,206	-
Emergency projects	4,142,961	756,000
Total	41,330,392	21,289,373

8. ACQUISITION OF ASSETS

<u>Non-Financial Assets</u>	2018-2019	2017-2018
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	-	-
Purchase of Vehicles and Other Transport Equipment	-	2,175,000
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	-	-
Purchase of ICT Equipment, Software and Other ICT Assets	500,000	-
Purchase of Specialised Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
Total	500,000	2,175,000

9. OTHER PAYMENTS

	2018-2019	2017-2018
	Kshs	Kshs
Strategic plan	2,000,000	-
	-	-
Total	2,000,000	-

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2018-2019	2017-2018
	Kshs	Kshs
Name of Bank, Account No. 0450262081943	56,351,346	7,296,529
	-	-
Total	56,351,346	7,296,529
10B: CASH IN HAND		
Location 1	-	-
Total	-	-

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MALINDI CONSTITUENCY**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. OUTSTANDING IMPRESTS

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>Name of Officer or Institution</i>		-	-	-
<i>Name of Officer or Institution</i>		-	-	-
<i>Name of Officer or Institution</i>		-	-	-
<i>Name of Officer or Institution</i>		-	-	-
<i>Name of Officer or Institution</i>		-	-	-
<i>Name of Officer or Institution</i>		-	-	-
Total		-	-	-

12A. RETENTION

	2018 - 2019 Kshs	2017-2018 Kshs
Supplier 1	-	-
Supplier 2	-	-
Supplier 3	-	-
Total	-	-

12B. STAFF GRATUITY OUTSTANDING

	2018-2019 Kshs	2017-2018 Kshs
Name 1	-	-
Name 2	-	-
Name 3	-	-
Total	-	-

13. BALANCES BROUGHT FORWARD

	2018-2019 Kshs	2017-2018 Kshs
Bank accounts	7,296,529	3,040,494
Cash in hand	-	-
Imprest	-	-
Total	7,296,529	3,040,494

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PRIOR YEAR ADJUSTMENTS

	2018-2019 Kshs	2017-2018 Kshs
Bank accounts	-	428,816
Cash in hand	-	-
Imprest	-	-
Total	-	428,816

Prior year adjustment of Kshs. 428,816 relates to Un-presented cheques of 2017-18 Financial year, that were reversed in the cash book in the financial year ended 30 June 2018, resulting to an increase in cash and Bank balances.

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2018-2019 Kshs	2017-2018 Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
	-	-

15.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others (<i>specify</i>)	-	-
	-	-

15.3: UNUTILIZED FUND (See Annex 3)

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

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

MALINDI CONSTITUENCY

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15.4: PMC account balances (See Annex 5)

	2018-2019	2017-2018
	Kshs	Kshs
PMC account Balances (see attached list)	7,555,893.20	-
Total Amount	7,555,893.20	-

MALINDI CONSTITUENCY
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X. ANNEXES

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019	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					

MALINDI CONSTITUENCY

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ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2019	Comments
		A	b	c	d=a-c	
Senior Management						
1.						
2.						
3.						
Sub-Total						
Middle Management						
4.						
5.						
6.						
Sub-Total						
Unionisable Employees						
7.						
8.						
9.						
Sub-Total						
Others (Specify)						
10.						
11.						
12.						
Sub-Total						
Grand Total						

ANNEX 3 -- UNUTILIZED FUNDS

Name	Brief Transaction Description	Outstanding Balance 2018/19	Outstanding Balance 2017/18	Comments
Compensation of employees				
Use of goods & services				
Amounts due to other Government entities				
Sub-Total				
Amounts due to other grants and other transfers				
Sub-Total				
Sub-Total				
Acquisition of assets				
Others (specify)				
Sub-Total				
Grand Total				

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2017/18	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2018/19
Land	5,000,000			5,000,000
Buildings and structures	-			-
Construction Of Buildings	18,000,000			18,000,000
Transport equipment	6,950,000			6,950,000
Office equipment, furniture and fittings	2,821,097	500,000		3,321,097
ICT Equipment, Software and Other ICT Assets	974,327			974,327
Other Machinery and Equipment	22,750,000			22,750,000
Heritage and cultural assets	-			-
Intangible assets	-			-
Total	56,495,424	500,000	*	56,995,424

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

MALINDI CONSTITUENCY

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ANNEX 5 –PMC BANK BALANCES AS AT 30 JUNE 2019

PMC	Bank	Account number	Bank Balance 2018/19 (Kshs.)	Bank Balance 2017/18 (Kshs.)
MALINDI NG-CDF ST ANDREWS PRIMARY SCHOOL	Equity	0450277538657	197,120	-
MALINDI NG-CDF SHOMANI GIRLS SECONDARY SCHOOL PROJECT	Equity	0450278503254	3,711,801	-
MALINDI NG-CDF GANDA SECONDARY SCHOOL	Equity	0450278679765	97,200	-
MALINDI NG-CDF SUB COUNTY EDUCATIONAL OFFICE FURNITURE	Equity	0450278698811	905	-
MALINDI NG-CDF GIRIMACHA PRIMARY SCHOOL	Equity	0450278991867	1,199,520	-
MALINDI NG-CDF MUYEYE SECONDARY SCHOOL	Equity	0450278727461	115,697	-
MALINDI NG-CDF JILORE HIGH SCHOOL	Equity	0450278729247	35	-
MALINDI NG-CDF MKONDONI PRIMARY SCHOOL	Equity	0450278637591	400	-
MALINDI NG-CDF KASIMBIJI PRIMARY SCHOOL	Equity	0450278679408	20,502	-
MALINDI NG-CDF GANDINI PRIMARY SCHOOL	Equity	0450278997125	2,212,713	-
Total			7,555,893	-

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)