

REPUBLIC OF KENYA



*5 copies
Paper laid
Wednesday
6/12/2017
At*

OFFICE OF THE AUDITOR-GENERAL



PARLIAMENT
OF KENYA
LIBRARY

REPORT

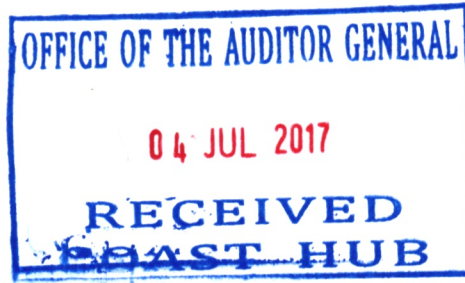
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND
LAMU EAST CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2016**



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

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

AMENDED

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

**Table of Content
Page**

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT	1
II. FORWARD BY THE CHAIRMAN CDFC	3
III. STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES.....	4
IV. STATEMENT OF RECEIPTS AND PAYMENTS	5
V. STATEMENT OF ASSETS	6
VI. STATEMENT OF CASHFLOW	7
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED.....	8
VIII. SIGNIFICANT ACCOUNTING POLICIES.....	9
IX. NOTES TO THE FINANCIAL STATEMENTS.....	11-20

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The Constituencies Development Fund (CDF) was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013. The Constituencies Development Fund is represented by the Cabinet Secretary for Devolution and Planning, who is responsible for the general policy and strategic direction of the Constituencies Development Fund.

(b) Key Management

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

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

(c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Stephen Charo - Acting
3.	Accountant	Geoffrey Kimani

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of CDF Board provide overall fiduciary oversight on the activities of Lamu East Constituency. The reports and recommendation of ARMC when adopted by the CDF Board are forwarded to the Constituency Development Fund Committee (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 CDF

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



**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND -
LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

(f) LAMU EAST CDF Contacts
E-mail: cdflamueast@cdf.go.ke

(g) LAMU EAST 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

II. FORWARD BY THE CHAIRMAN CONSTITUENCY DEVELOPMENT FUND COMMITTEE (CDFC)

NG-CDF Lamu Constituency received an allocation of Kshs. 89,633,846.00 for the financial year 2015/2016 which is considerably higher than an allocation of the previous financial year

ACHIEVEMENTS

In the Financial Year 2015/2016 NG-CDF Lamu infrastructure development was largely on Education with 23 primary schools and 6 secondary school projects respectively.

Other sectors include Security with constituency wide solar light masts and bursary for retaining students in school.

CHALLENGES

The major challenges the constituency is facing include

- Insecurity
- Poor road network
- High level of poverty
- Logistical issues since movement is mostly by sea

These challenges affect the implementation of project given the high cost of materials, give that; materials have to be procured from the main land and transported over the sea.

Sign.....

Date.....*26/5/2017*

**Ali Kassim
CHAIRMAN CDFC**

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND -
LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

III. STATEMENT OF 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 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.

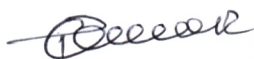
The Accounting Officer in charge of the Lamu East CDF is responsible for the preparation and presentation of Lamu East CDF's financial statements, which give a true and fair view of the state of affairs of Lamu East for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility 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 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 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 CDF accepts responsibility for the Lamu East 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 CDF's financial statements give a true and fair view of the state of Lamu East CDF's transactions during the financial year ended June 30, 2016, and of Lamu East CDF's financial position as at that date. The Accounting Officer charge of Lamu East CDF further confirms the completeness of the accounting records maintained for Lamu East CDF, which have been relied upon in the preparation of Lamu East CDF's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of Lamu East CDF confirms that Lamu East CDF has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that Lamu East 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 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 CDF's financial statements were approved and signed by the Accounting Officer on 26th May 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.kenao.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 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Government Constituencies Development Fund – Lamu East Constituency set out on pages 5 to 20, which comprise of the statement of assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development 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.

Management's Responsibility for the Financial Statements

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

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund – Lamu East Constituency for the year ended 30 June 2016

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Bank Balances

The statement of assets reflects bank balance of Kshs.18,192,303 as at 30 June 2016. However, audit review of the bank reconciliation statement as at 30 June 2016 revealed that included in the unrepresented cheques amounting to Kshs.1,141,842.20 were stale cheques totaling Kshs.25,188 which had not been reversed in the cash book as at 30 June 2016. In addition, a review of bank reconciliation statements as at 30 June 2016 revealed bank charges amounting to Kshs.124,019.62 as reconciling figure. As a result, the bank charges are excluded from these financial statements. Consequently, the bank balance of Kshs.18,192,303 is overstated because of the unaccounted for bank charges while the deficit of the year is also understated by the same amount.

Consequently, the accuracy and completeness of bank balance of Kshs.18,192,303 cannot be confirmed.

2. Transfer to Other Government Units

The statement of receipts and payments for the year ended 30 June 2016 reflects transfer to other government units of Kshs.39,745,000 as detailed in Note 4 to the financial statements. This includes transfers to primary schools balance of Kshs.16,375,000. The transfers to primary schools balance of Kshs.16,375,000 includes a payment of Kshs.6,200,000 in respect of supply of teachers' furniture and a total of Kshs.4,536,000 spent on water trucking. However, audit verification revealed that these suppliers were selected through request for quotations which is above the maximum of Kshs.500,000 as per Section 105 of the Public Procurement and Asset Disposal Act, 2015 and the National Treasury Legal Notice No.106 of 2013 threshold matrix for class C entities.

In the circumstances, the propriety and regularity of transfer to other government units of Kshs.10,736,000 cannot be ascertained.

3. Other Grants and Transfers

Note 5 to the financial statements reflects other grants and transfers of Kshs.50,390,000 for the year ended 30 June 2016. Included in this balance are bursaries to secondary schools of Kshs.10,436,000 and bursary to tertiary of Kshs.7,855,000 all totaling Kshs.18,291,000. However, audit verifications revealed that the bursary disbursements were not supported with bursary committee minutes in line with CDF 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 bursaries. It was therefore not clear if the beneficiaries were vetted and criteria used to award the bursaries.

In the circumstances, the validity and regularity of bursaries to secondary schools and tertiary institutions totaling Kshs.18,291,000 cannot be confirmed.

Qualified Opinion

In my opinion, except for effect of matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the National Government Constituencies Development Fund - Lamu East Constituency as at 30 June 2016, and of its financial performance and its cashflows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

Other Matter

1.0 Budgetary Control and Performance

Records availed for audit indicate that Lamu East Constituency had a final budget of Kshs.118,205,119 but received a disbursement of Kshs.94,633,846 being 80 % of the budget for the year.

The CDF incurred for the year under review actual expenditure of Kshs.100,012,817 resulting to overall under-absorption of Kshs.18,192,302 or 15% as summarized below:

Budget line	Final Budget	Expenditure	Under Absorption	Over Absorption	Absorption %
	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)
Compensation of Employees	2,258,076	1,072,224	1,185,852		52

Use of goods and services	9,945,243	8,805,593	1,139,650		11
Transfers to other government units	60,571,000	39,745,000	20,826,000		34
Other grants and transfers	45,430,800	50,390,000	0	4,959,200	11
Total	118,205,119	100,012,817	23,151,502	4,959,200	

The following observations were made from the above analysis:

(i) The fund's had total under-expenditure of Kshs.23,151,502 represented 20% of the budget. This implies that public funds lay idle at the expense of deserving areas. The underutilization of the funds impacted negatively on the delivery of goods and services to the citizens of Lamu East.

(ii) In addition, the NG-CDF underspent by 34% on transfers to other government units which represents project funds not disbursed for implementation. This may affect public service delivery to the residents of Lamu East Constituency which is 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.

(iii) It was further noted that Kshs.4,959,200 or 11% was overspent on other grants and transfers without evidence of authority to reallocate funds. This is an indication of unauthorized reallocation of funds contrary to Section 6 (2) of the NG-CDF Act, 2015 which states that "once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose during the financial year with the approval of the Board."

2.0 Project Implementation

According to the project implementation status report as at 30 June 2016, the following twenty two (22) projects with a total budget of Kshs.63,727,438 were not completed during the period under review:

No.	Financial Year	Project	Activity	Allocation (Kshs.)
1	2015/16	Bursary		18,477,438
2	2013/14	Patte Secondary School	Construction of classroom and administration block	2,300,000
3	2014/15	Patte Secondary School	Construction of classroom and administration block	2,000,000
4	2015/16	Patte Secondary	Construction of four classrooms	3,500,000

		School		
5	2015/16	Kizingitini Primary School	Construction of an Administration block	2,500,000
6	2015/16	Kizingitini Primary School	Construction of Perimeter Fence and Gate	1,000,000
7	2014/15	Milimani Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	300,000
8	2015/16	Milimani Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	100,000
9	2015/16	Mararani Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	100,000
10	2014/15	Mtangawanda Primary School	Completion of two classroom, finish roofing, painting, fixing doors and windows	300,000
11	2015/16	Mtangawanda Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	100,000
12	2015/16	Mtangawanda Primary School	Construction of two classrooms	2,400,000
13	2015/16	Faza Secondary School	Construction of a school library	3,000,000
14	2014/15	Tchundwa Primary School	Construction of administration block	2,000,000
15	2014/15	Kizingitini Secondary School	Completion of galvanized chain-link perimeter fencing of school compound with concrete poles	1,500,000
16	2015/16	Kizingitini Secondary School	Completion of galvanized chain-link perimeter fencing of school compound with concrete poles	2,150,000
17	2014/15	Kizingitini Youth Polytechnic	Construction of technical and vocational college	5,000,000
18	2015/16	Kizingitini Youth Polytechnic	Construction of technical and vocational college	5,000,000
19	2015/16	Ndau Dispensary	Roofing, ceiling, tiles, doors, window, drainage system, tabs, water tanks, lental construction, ablution block, floor works	2,500,000
20	2014/15	Mbwajumwali Dispensary	Construction of Mbwajumwali dispensary	3,500,000

21	2015/16	Mbwajumwali Dispensary	Roofing, ceiling, tiles, doors, window, drainage system, tabs, water tanks, lenti construction, ablution block, floor works	3,000,000
22	2015/16	Tchundwa AP Post	construction of security houses	3,000,000
	Total			63,727,438

The management has attributed non-implementation of the above projects to among others, security challenges. Non-implementation of development projects affects delivery of goods and service to the public and the intended purpose of the projects may take long to be realized. In addition, it also casts doubt on the effectiveness of the project monitoring and evaluation carried out by the National Government Constituency Development Fund Committee (CDFC).

3.0 Project Inspection

Audit inspection, in the month of May 2017, of projects implemented during the year under review indicated the following state of affairs of the following projects:

No.	Project	Project Activity	Amount	Observations
1	Ndau Dispensary	Construction of Ndau Dispensary	1,000,000	The back door had a bent and was difficult to close-indication of substandard work.
2	Mbwajumwali Dispensary	Construction of Mbwajumwali Dispensary	3,500,000	The project was behind schedule and citizens may take long to realize benefits of the facility.
3	Street Lighting	Supply and installation of solar street lights	15,000,000	The project was not branded and it was not possible to confirm if other government agencies had also funded the project
4	AP Staff Quarters at Tchundwa Post	Construction of staff quarters at Tchundwa Post	3,000,000	The project was not branded and it was not possible to confirm if other government agencies had also funded the project
	Total		22,500,000	

Although the management has indicated that branding of the projects is underway, it was not possible to confirm whether the projects were undertaken by the CDF, County Government or any other government agency. In addition, poor workmanship had been exhibited on the fixing of windows and doors at Ndau Dispensary as the doors could not close properly.

Further, there was no evidence that Lamu East NG-CDF had formally handed over the devolved projects including health facilities, water, roads and street lighting to the County Government of Lamu to ensure them sustainable use and maintenance.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

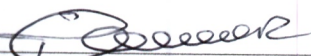
06 November 2017


**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND -
LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	NOTE	2015 - 2016 Kshs	2014 - 2015 Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	94,633,846	78,230,426
Proceeds from Sale of Assets		-	
Other Receipts		-	
TOTAL RECEIPTS		94,633,846	78,230,426
PAYMENTS			
Compensation of employees	2	1,072,224	1,284,750
Use of goods and services	3	8,805,593	6,629,654
Transfers to Other Government Units	4	39,745,000	26,690,954
Other grants and transfers	5	50,390,000	51,399,879
Acquisition of Assets	6	-	2,300,000
Other Payments	7	-	2,704,073
TOTAL PAYMENTS		100,012,817	91,009,310
SURPLUS/DEFICIT		(5,378,971)	(12,778,884)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lamu East CDF financial statements were approved on 26th May 2017 and signed by:


 Ali Kassim
 Chairman - CDFC

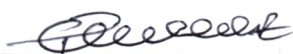

 Stephen Charo
 Fund Account Manager

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND -
LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

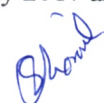
V. STATEMENT OF ASSETS

	Note	2015 - 2016 Kshs	2014 - 2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	8A	18,192,302	23,571,273
Cash Balances (cash at hand)		-	-
Outstanding Imprests		-	-
TOTAL FINANCIAL ASSETS		18,192,302	23,571,273
REPRESENTED BY			
Retention			
Fund balance b/fwd 1st July...	9	23,571,273	36,350,157
Surplus/Deficit for the year		(5,378,971)	(12,778,884)
Prior year adjustments		-	-
NET LIABILITIES		18,192,302	23,571,273

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lamu East CDF financial statements were approved on 26th May 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, 2016**

VI. STATEMENT OF CASHFLOW

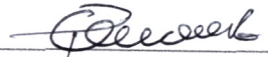
		2015 - 2016	2014 - 2015
Receipts for operating income			
Transfers from CDF Board	1	94,633,846	78,230,426
Other Receipts		-	-
		94,633,846	78,230,426
Payments for operating expenses			
Compensation of Employees	2	1,072,224	1,284,750
Use of goods and services	3	8,805,593	6,629,654
Transfers to Other Government Units	4	39,745,000	26,690,954
Other grants and transfers	5	50,390,000	51,399,879
Other Payments	7	-	2,704,073
		100,012,817	88,709,310
Adjusted for:			
Adjustments during the year		-	-
Net cash flow from operating activities		(5,378,971)	(10,478,884)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		-	-
Acquisition of Assets	6	-	(2,300,000)
Net cash flows from Investing Activities		-	(2,300,000)
NET INCREASE IN CASH AND CASH EQUIVALENT		(5,378,971)	(12,778,884)
Cash and cash equivalent at BEGINNING of the year	9	23,571,273	36,350,158
Cash and cash equivalent at END of the year	8	18,192,302	23,571,273

CONSTITUENCIES DEVELOPMENT FUND – LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016

II. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	89,633,846	28,571,273	118,205,119	118,205,119	-	100.0%
Proceeds from Sale of Assets				-	-	
Other Receipts	-			-	-	
TOTAL	89,633,846	28,571,273	118,205,119	118,205,119	-	100.0%
PAYMENTS						
Compensation of Employees	1,379,196	878,880	2,258,076	1,072,224	1,185,852	48%
Use of goods and services	6,732,850	3,212,393	9,945,243	8,805,593	1,139,650	89%
Transfers to Other Government Units	44,071,000	16,500,000	60,571,000	39,745,000	20,826,000	66%
Other grants and transfers	37,450,800	7,980,000	45,430,800	50,390,000	(4,959,200)	111%
Acquisition of Assets	-	-	-	-	-	
Other Payments				-	-	
TOTAL	89,633,846	28,571,273	118,205,119	100,012,817	18,192,302	85%

The Lamu East CDF financial statements were approved on 26th May 2017 and signed by:


 Ali Kassim
 Chairman CDF


 Stephen Charo
 Fund Account Manager

VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the 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.

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

Reports and Financial Statements

For the year ended June 30, 2016

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, 2016.

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND –
LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

GFS CODES				
	Description		2015 - 2016	2014 -2015
			Kshs	Kshs
	Normal Allocation		-	-
		A796244	5,000,000.00	7,300,000
		A796280	10,000,000.00	14,007,606
		A796398	10,000,000.00	12,784,564
		A796482	20,000,000.00	8,523,043
		A825510	24,000,000.00	21,307,606
		A825630	25,633,846.00	14,307,607
			-	
	TOTAL		94,633,846	78,230,426

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND –
LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. COMPENSATION OF EMPLOYEES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Basic wages of contractual employees	1,072,224	1,210,690
Basic wages of casual labour	-	-
Personal allowances paid as part of salary	-	-
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	35,000
Other personnel payments	-	-
Employer contribution to NSSF	-	-
gratuity	-	39,060
Total	1,072,224	1,284,750

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND –
LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. USE OF GOODS AND SERVICES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Utilities, supplies and services	539,365	61,525
Office rent	420,000	450,000
Communication, supplies and services	667,000	80,000
Domestic travel and subsistence	1,125,000	170,000
Printing, advertising and information supplies & services	681,150	-
Rentals of produced assets	-	-
Training expenses	-	1,160,000
Hospitality supplies and services	445,000	-
Other committee expenses	-	2,193,000
Committee allowance	3,071,000	1,081,000
Insurance costs	-	-
Specialised materials and services	-	-
Office and general supplies and services	815,000	562,384
Fuel ,oil & lubricants	1,000,000	800,000
Other operating expenses	42,078	71,745
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance – other assets	-	-
Total	8,805,593	6,629,654

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND –
LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Transfers to primary schools	16,375,000	11,300,000
Transfers to secondary schools	17,870,000	5,266,250
Transfers to Tertiary institutions	-	10,124,704
Transfers to Health institutions	5,500,000	-
TOTAL	39,745,000	26,690,954

5. OTHER GRANTS AND OTHER PAYMENTS

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bursary -Secondary	10,436,000	12,673,700
Bursary -Tertiary	7,855,000	2,321,000
Bursary-Special schools	-	-
Mocks & CAT	1,850,000	2,300,000
water	-	800,000
Agriculture (food security)	-	-
Electricity projects	-	-
Security	17,925,000	15,500,000
Roads	-	-
Sports	1,800,000	2,813,073
Other capital grants and transfer	4,800,000	7,150,000
Emergency Projects	5,724,000	7,842,106
Total	50,390,000	51,399,879

**NATIONAL CONSTITUENCIES DEVELOPMENT FUND – LAMU EAST
CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. ACQUISITION OF ASSETS

8 ACQUISITION OF ASSETS			
<u>Non Financial Assets</u>		2015 - 2016	2014 - 2015
		Kshs	Kshs
Purchase of Buildings		-	-
Construction of Buildings(CDF - Office)		-	-
Refurbishment of Buildings		-	-
Purchase of Vehicles & other transport equipments		-	2,000,000
Purchase of Bicycles & Motorcycles		-	-
Overhaul of Vehicles		-	-
Purchase of Office furniture and fittings		-	120,000
Purchase of computers ,printers and other IT equipments		-	180,000
Purchase of photocopier		-	-
Purchase of other office equipments		-	-
Purchase of soft ware		-	-
Acquisition of Land		-	-
		-	-
Total		-	2,300,000

7. OTHER PAYMENTS

Environment		-	2,704,073
		-	-
		-	-
TOTAL		-	2,704,073

NATIONAL CONSTITUENCIES DEVELOPMENT FUND – LAMU EAST CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.A BANK ACCOUNTS (cash book bank balance)

Name of Bank, Account No. & currency	Account Number	2015 - 2016 Kshs (30/6/2016)	2014 - 2015 Kshs (30/6/2015)
Equity Bank Lamu	1590261644233	18,192,302	23,571,273
Total		18,192,302	23,571,273

9.0. BALANCES BROUGHT FORWARD

	2015 - 2016 Kshs (1/7/2015)	2014 - 2015 Kshs (1/7/2014)
Bank accounts	23,571,273	35,431,500
Cash in hand	-	0
Imprest		918,658
Total	23,571,273	36,350,158



NATIONAL CONSTITUENCIES DEVELOPMENT FUND – LAMU EAST CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANNEX 1

SUMMARY OF FIXED ASSET REGISTER

SUMMARY OF FIXED ASSETS			
Asset class	Historical Cost		Historical Cost
	(Kshs)		(Kshs)
	2015/2016		2014/2015
Transport Equipment	2,000,000		2,000,000
Office equipment, Building, furniture and fittings	656,279		656,279
ICT Equipment, Software and other ICT Assets	180,000		180,000
Land and Building	3,500,000		
Total	6,336,279		2,836,279

NATIONAL CONSTITUENCIES DEVELOPMENT FUND – LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANNEX 2: FIXED ASSET REGISTER

	Description	Date of purchase	Serial No.	2015/16 (Ksh)	2014/15 (Ksh)
	Office Equipment, Furniture and Fittings				
1.	Panasonic Telephone Head	2006	51CDFC928623	2,600	2,600
2.	PC Nobel Hot & Cold Dispenser Model: NWD 1581R	2006	1	14,600	14,600
3.	Steel Filing cabinet	2006	1	27,586	27,586
4.	Sony Video Camera	2006	377916	42,200	42,200
5.	Steel Filing cabinet	2011	1	30,000	30,000
6.	Executive chairs with arms	2006	6	41,793	41,793
7.	Office table	2007	1	21,000	21,000
8.	Conference table	2007	1	25,000	25,000
9.	Notice board	2014	2	2,500	2,500
10.	Water tanks 100ltrs	2014	2	2,200	2,200
11.	Standing	2014	1	17,000	17,000
12.	3 Seater metallic chairs	2014	1	300,000	300,000
13.	Black executive chairs& high back	2014	1	120,000	120,000
15.	Apc 650 va ups	2007		9,800	9,800
	Sub total			656,279	656,279
	Transport Equipment				
1.	Speed Boat	2006	1	2,000,000	2,000,000
2.	Office and building - Faza CDF office			3,500,000	
	Sub total			3,500,000	

NATIONAL CONSTITUENCIES DEVELOPMENT FUND – LAMU EAST CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	ICT Equipment, Software and other ICT Assets				
1.	Desktop computer	2014	1	60,000	60,000
2.	Printer HP M1132MFP	2014	1	40,000	40,000
3.	Computer table	2007	1	49,500	49,500
4.	Hp LaserJet printer	2015	1	30,500	30,500
	Sub total			180,000	180,000
	TOTAL			6,336,279	2,836,279

NATIONAL CONSTITUENCIES DEVELOPMENT FUND – LAMU EAST CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANNEX 3. PENDING PAYABLES

NO.	Project	Activity	Allocation	Comments
1	Pate Secondary School	Construction of classroom and administration block	18,477,438.43	Change of design to a story building
2	Pate Secondary School	Construction of classroom and administration block	2,300,000.00	Change of design to a story building
3	Pate Secondary School	Construction of four classrooms	3,500,000.00	Change of design to a story building
4	Kizingitini Primary School	Construction of Perimeter Fence and Gate	1,000,000.00	Awaiting for further funding
5	Milimani Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	300,000.00	Insecurity issues
6	Milimani Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	100,000.00	Insecurity issues
7	Mararani Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	100,000.00	Insecurity issues
8	Mtangawanda Primary School	Completion of one classroom, finish roofing, painting, fixing doors and windows	100,000.00	Stalled project
9	Kizingitini Youth Polytechnic	Construction of technical and vocational college	5,000,000.00	Project not started
10	Lamu East TTI	Construction of technical and vocational college	5,000,000.00	Project not started
11	Staff	Payment of gratuity	1,000,000	Not yet paid
	TOTAL		35,877,438.43	