

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 09 MAY 2019	DAY: THURSDAY
TABLED BY:	HON. BENJAMIN WASHAH MAJORITY PARTY WHIP
CLERK-AT-THE-TABLE:	INZOU MWALU

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2018**



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NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND NYALI  
CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018

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



**NATIONAL GOVERNMENT CONSTITUENCY  
DEVELOPMENT FUND (NGCDF) NYALI CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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**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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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 sec (3) of NG-CDF 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

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)  
NYALI CONSTITUENCY  
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**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 NYALI day-to-day management is under the following key organs:

- i. National Government Constituencies Development Fund Board (NGCDFB)
- ii. National Government Constituency Development Fund Committee (NGCDFC)

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Stella Tayo
3.	Sub-County Accountant	Peter Kamande
4.	Chairman NGCDFC	Rahma Dalacha
5.	Member NGCDFC	Boniface Munyifwa

**(d) Fiduciary Oversight Arrangements**

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of NGCDF -Nyali 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) NGCDF Nyali Constituency Headquarters**

P.O. Box 31-80122 Kengeleni  
NGCDF Building  
Nyali Sub-County Headquarters  
Kongowea Nyali  
Mombasa, KENYA

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**(f) NGCDF NYALI Constituency Contacts**

E-mail: [cdfnyali@ngcdf.go.ke](mailto:cdfnyali@ngcdf.go.ke)  
Website: [www.go.ke](http://www.go.ke)

**(g) NGCDF NYALI Constituency Bankers**

1. Equity Bank  
Kengeleni  
P.O. Box 155-80122  
Kengeleni  
Mombasa, Kenya

**(h) Independent Auditors**

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

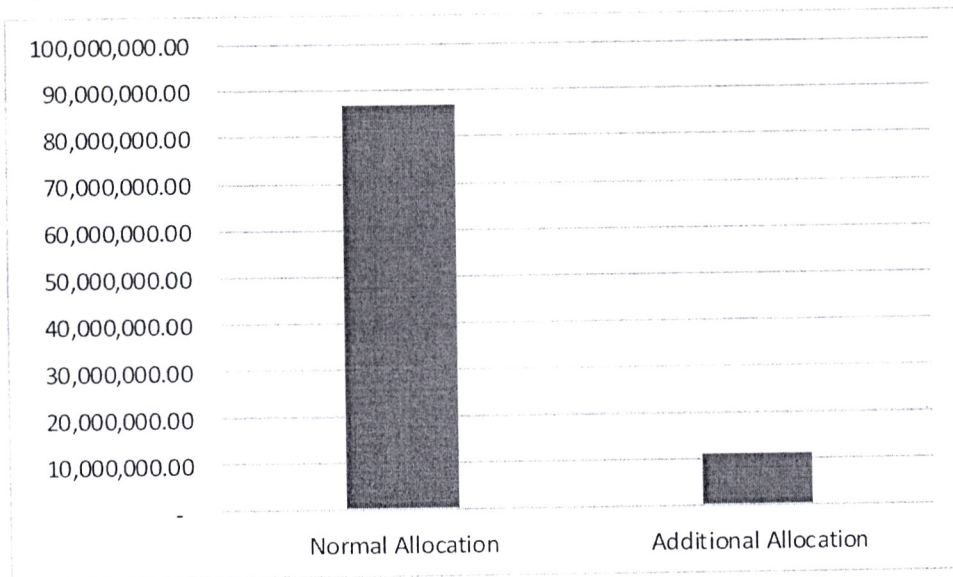
**(i) Principal Legal Adviser**

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

**II.FORWARD BY THE CHAIRMAN NGCDF COMMITTEE**

Annual Constituency Allocation statements for Nyali Constituency for the financial year ended 30th June 2018. During the year, the

It is my pleasure to present the unaudited financial Constituency was allocated a total of Kshs 98,189,655.16 consisting of Kshs 86,810,344.82 as normal allocation and Kshs 11,379,310.34 as additional allocations.



However, Nyali National Government Constituencies Development Fund Committee (NGCDFC) that during the FY 2017/2018, we received only 44.21% of the normal Constituency funding equivalent to Kshs 43,405,172 leading to a balance of Ksh.54,784,483.16 not received from the Board as at the end of the year.

This significantly hampered the effectiveness of the Committee in delivery of services to the residents of Nyali Constituency.

**Sector Prioritization**

During the year, a total of Kshs 48,065,217.19 had been allocated as transfers to other Government Units which consist of transfers to primary schools, secondary schools, security institutions and tertiary institutions compared to Kshs 33,955,172 allocated during the FY 2016/2017. This funding consisted of Ksh.38,279,010.30 in the normal allocation and Ksh.9,786,206.89 in the additional funding. The Committee also allocated Kshs 25,000,000 towards other grants and transfers which consist of Bursary for secondary schools, colleges and university students compared to Kshs 18,015,800 in the FY 2016/2017. Other allocations during the FY 2017/2018 include Kshs 17,408,160 towards the NG-CDF office which is nearly complete and a total of 8,837,067.94 towards administrative costs as well as the NGCDFC monitoring and evaluation programmes.

**Funding Analysis FY2013/14-2017/18 (5 Years)**

Over the past 5 years, the Constituency has received a total of Kshs .446,234,378.33 which were subsequently been disbursed to various projects in such sectors as education, water, health, energy, security etc in addition to the statutory bursary, emergency, sports, environment, administration and monitoring and evaluation votes.

FINANCIAL YEAR	AMOUNT ALLOCATED
2013-2014	67,589,409
2014-2015	96,446,159.44
2015-2016	102,112,603
2016-2017	81,896,551.72
2017-2018	98,189,655.17
<b>TOTAL</b>	<b>446,234,378.33</b>

The NG-CDF (Amendment) Act 2016 introduced a major shift in the scope of projects eligible to be funded. Under this Act only projects falling within the functions of the National Government as outlined in the Constitution of Kenya 2010 will be funded. This effectively means that the Fund has since been concentrating primarily on education, security, sports and environment sectors as well as other national government residual functions. During the FY 2017/2018, the Committee undertook to expedite the disbursement of funds to earmarked projects in accordance with the provisions of the NGCDF Act, 2015, as amended in 2016, and the requirements of the Annual Performance Contract. The disbursements saw the implementation of approved project activities across the Constituency

#### **Achievements and Major Undertakings**

During the year, the Committee disbursed a total of Kshs 24,930,000 as bursary to needy students in secondary, tertiary institutions and this benefitted a total of 1,406 students. Major physical facilities funded are infrastructure such as classrooms, administration blocks, dining hall and kitchen, toilets, lockers and chairs, desks. The continued funding towards the education sector in the Constituency has contributed to increased enrolment in primary, secondary and tertiary institutions whilst increasing retention and transition rates while equally reducing the burden of education for low income families. Another major project undertaken during the year is the Nyali NG-CDF Office which is 95% complete and comprises a modern Constituency office and the purchase of NG-CDF vehicle.

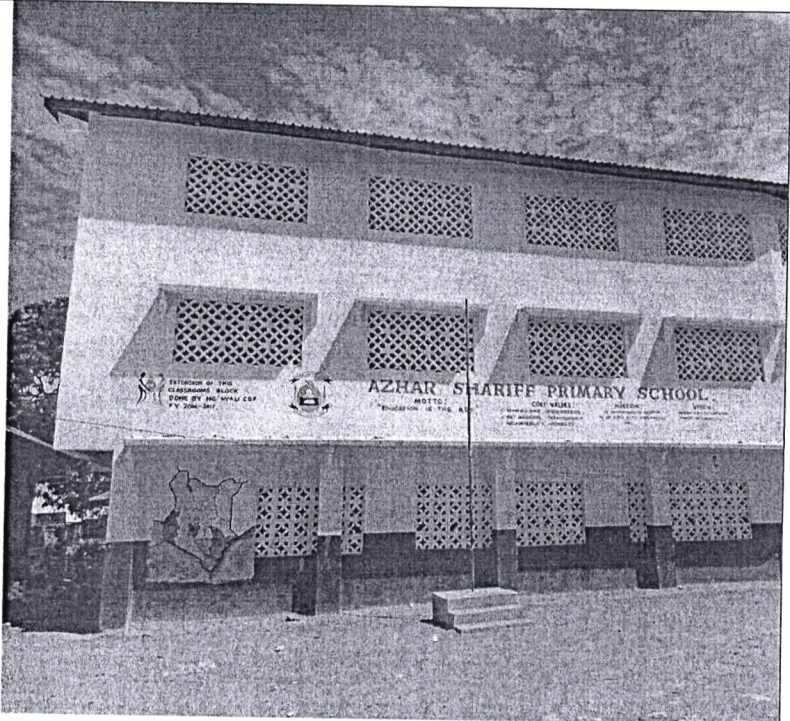
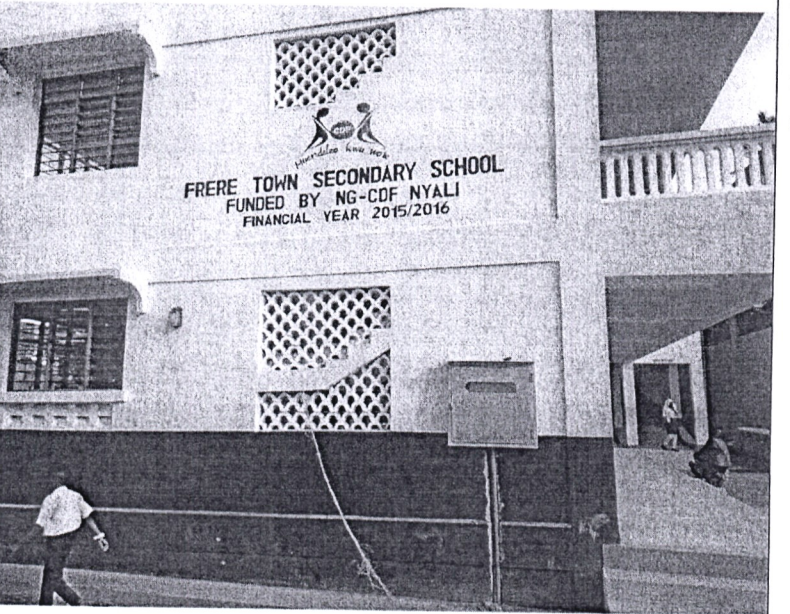
Other projects undertaken during the year include the ongoing construction of Youth and Women Empowerment Resource Centre, Kongowea Secondary.

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

**NYALI CONSTITUENCY**

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Project name	Image of the project	Impact of the project
<b>a) Education Projects</b>		
<p>Azhar Shariff Primary School</p> <p>(Extension to tuition block) at Ziwa La Ng'ombe Ward</p> <p>Cost:Ksh.14,504,850</p> <p>FY 2016-2017</p>		<p>The school has increased capacity to absorb more learners despite lack of expansion space as a result of the storeyed building</p>
<p>Freretown Secondary School(Construction of classroom block at Freretown Secondary School)</p> <p>Cost:Ksh.19,374,335</p> <p>FY 2015-2016/2016-2017</p>		<p>Expansion of classroom capacity has enabled the school to increase the number of students admission</p>

NYALI CONSTITUENCY

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Meretown Secondary School (Construction of classroom block at Meretown Secondary School)



Expansion of classroom capacity has enabled the school to increase the number of students admission

Maweni Secondary School (Construction of dining hall and kitchen)

Cost: Ksh. 16,851,540

FY 2014-2015 / 2015-2016 /

2016-2017

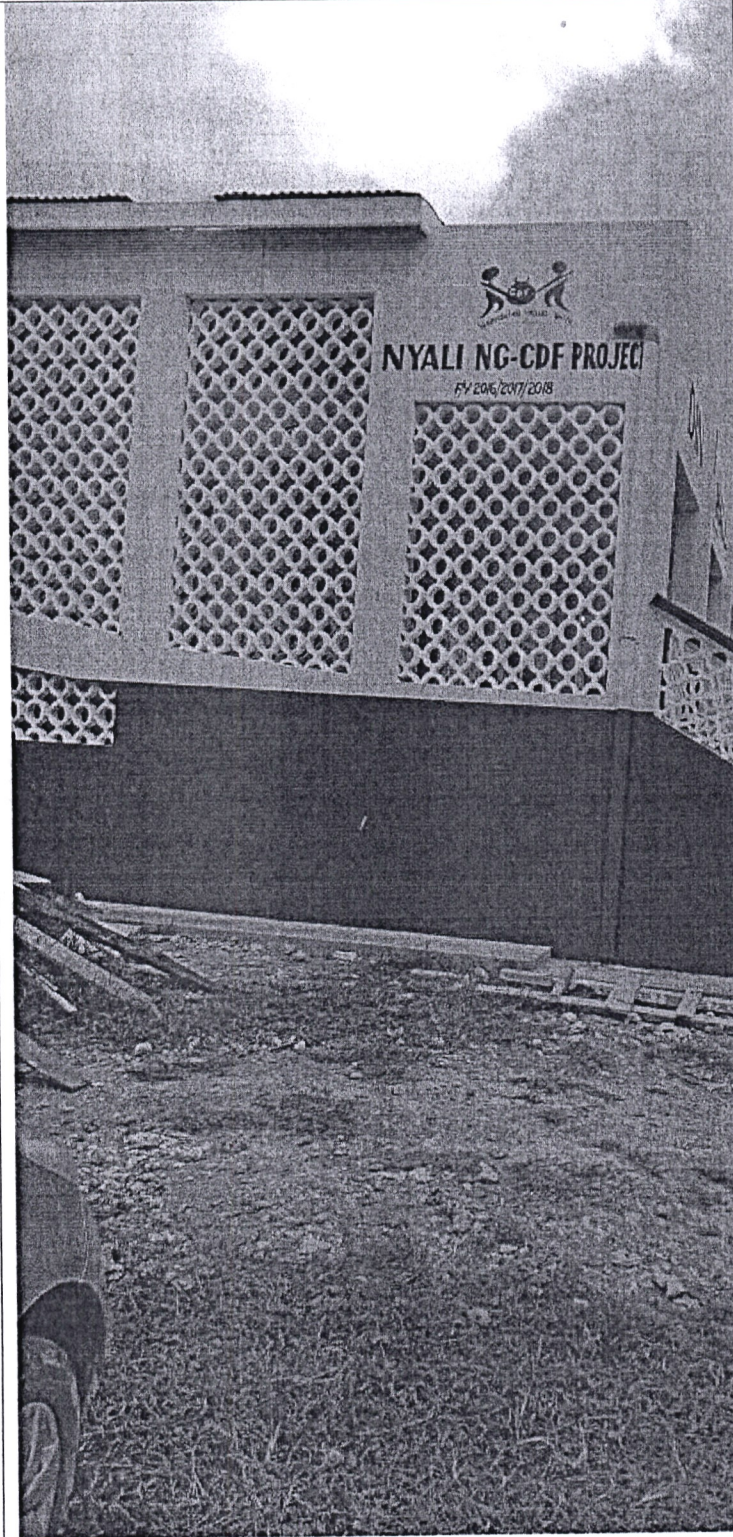


Sanitation and hygiene has improved as the students can now be served meals which are prepared in hygienic conditions and served in a comfortable and clean dining hall

aweni Secondary School(Construction of classroom block) at Mkomani Ward

Cost:Ksh.14,921,220

FY 2015-2016/2016-2017/2017-2018



Expansion of classroom capacity has enabled the school to increase the number of students admission

b)Security Projects

Kadzandani  
Mwatamba Police  
Post and Chief's  
Office at Kadzandani  
Ward

Cost:Ksh.8,718,080

FY 2016-  
2017/2017-2018



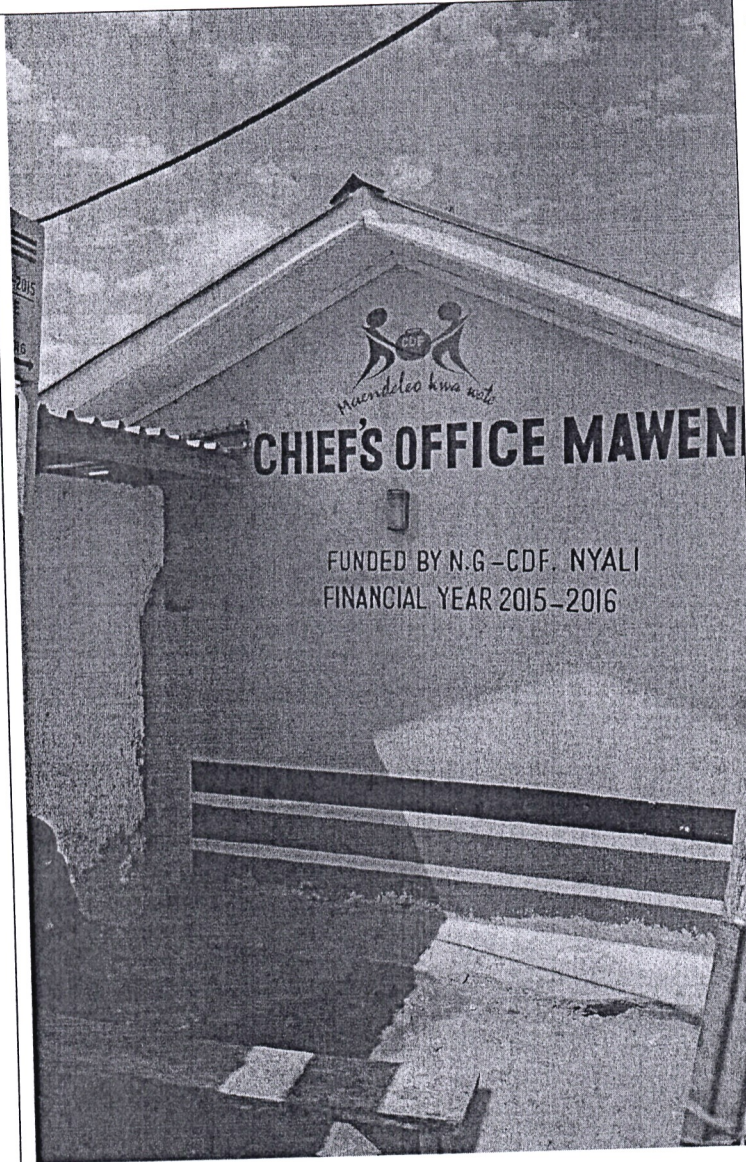
Members of the public can now access public services easily and security has been boosted as a result of the police post

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)**  
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Construction of  
chief's office at VOK  
Freretown Ward

Cost:Ksh.3,449,600

FY 2015-2016



Access to public services has been enhanced as the services have been brought closer to the people and security improved.

**Challenges**

Among others Nyali Constituency has faced the following challenges;

- Delays in getting cost estimates and projects documents because of the devolvement of these services. In this regard I urge the Board to consider seconding Engineers to Counties to assist in fast-tracking of NGCDF projects
- Delay in receipt of funds from the Board. I urge the Board to expedite release of funds for timely execution of projects
- Land scarcity has led to delays, stalling of projects, reallocations and in some cases litigation. The Nyali NGCDF Committee prefers the construction of storeyed buildings in order to economically utilise to the maximum the little space available for projects. This however comes with additional costs to projects.

Finally may I take this opportunity to thank the Board for the support they have extended to the Constituency during the year ended 30<sup>th</sup> June 2018 and look forward to the same in the new financial year. I would also like to thank the Nyali Member of Parliament for his dedicated leadership, my fellow NGCDFC members and the Fund Account Manager with whom we have worked cordially.

Sign.....

CHAIRPERSON NGCDF COMMITTEE

Reports and Financial Statements  
For the year ended June 30, 2018

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 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 the Public Sector Accounting Standards Board of Kenya from time to time.

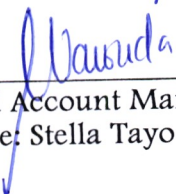
The Accounting Officer in charge of the NGCDF-Nyali Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018. 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-Nyali 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 *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer in charge of the NGCDF-NYALI 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-Nyali 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-Nyali Constituency financial statements were approved and signed by the Accounting Officer on 21/02/2019

  
\_\_\_\_\_  
Fund Account Manager  
Name: Stella Tayo

  
\_\_\_\_\_  
Sub-County Accountant  
Name: Peter Kamande  
ICPAK Member Number: 12030

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND – NYALI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Nyali Constituency set out on pages 13 to 37, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and a summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Nyali Constituency as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

#### Basis for Qualified Opinion

##### 1.0 Other Grants and Transfers

The statement of receipts and payments for the year ended 30 June 2018 reflects other grants and transfers balance of Kshs.38,723,751 as detailed in note 7. Included in this amount is security expense of Kshs.5,482,091 which includes Kshs.582,091 being transfers to Nyali Police Station project management committee for renovation of Nyali Police Station. This resulted to cumulative transfers to project management committee bank account totaling Kshs.8,581,141 as at 30 June 2018.

A review of the records availed for audit revealed the following anomalies.

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*Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund – Nyali Constituency for the year ended 30 June 2018*

- 1.1 A contract agreement dated 23 June 2017 was signed by both parties but contract period was not indicated.
- 1.2 On 19 July 2017 the contractor was paid Kshs.6,820,150 based on, two sets of Project Management Committee minutes. However, the payment was not supported with a signed certificate of actual works undertaken by the contractor from the supervising technical department.
- 1.3 On 26 September 2017 a payment of Kshs.700,000 was made without supporting minutes of the project management committee minutes.

Further, site visit in the month of January 2019 revealed that the contractor was not on site yet the following works had not been carried out as per the BQ:

BQ	Quantity	Rate	Amount	Remarks
OCS House: Allow Kshs.50,000 for other repairs to windows			50,000	Not done
Painting: Exterior painting two coats permaplast	125 SM	300	37,500	Not done. Works later done by a donor
Dep. OCS House: Allow Kshs.50,000 for other repairs to windows			50,000	Not done
Painting: Exterior painting two coats permaplast	155 SM	300	46,500	Not done. Works later done by a donor
4 Blocks MOMB/LG/227.H/CAT/G; Prepare surfaces & apply 2 coats 1 <sup>st</sup> grade gloss paint to – Surface of timber 200 – 300mm girth	500 LM	90	45,000	Not done. Works later done by a donor
Toilet block – 2No: Prepare surfaces & apply 2 coats 1 <sup>st</sup> grade gloss paint to – Surface of timber 200 – 300mm girth	52 LM	90	4,680	Not done. Works later done by a donor
<b>Total</b>			<b>233,650</b>	

Under the circumstances, the propriety of expenditure of Kshs.582,091 for the year ended 30 June 2018 and previous year balance of Kshs.6,820,150 for renovation of Nyali police station could not be confirmed.

## 2.0 Transfer to Other Government Entities

The statement of receipts and payments for the year ended 30 June 2018 reflect a transfer to other government entities balance of Kshs.53,128,613 as detailed in note 6 to the financial statements. Included in this amount is Kshs.31,953,585 being transfers to primary school out of which Kshs.8,800,000 was transferred to a project management committee for refurbishment works at Kongowea Primary School. Records availed for audit revealed the following;

- 2.1 The contractor was paid Kshs.6,661,940 supported by three certificate of work done. However, examination of the certificates revealed that they were not signed by the project supervising officer from the public works.
- 2.2 The projects Bill of Quantities included provisional sums amounting to Kshs.500,000 for plumbing and drainage works, which could have been itemized to allow for competitive bidding. Further, the provisional amount was utilized but there was no evidence of what contingency the funds were applied to contrary to Section 139 (2)(c) and (e) of the Public Procurement and Assets Disposal Act, 2015 which requires that the procuring entity shall justify the use of contingencies and provisional sums.

Under the circumstances, the propriety of expenditure of Kshs.7,161,940 transferred to other government entities for refurbishment of Kongowea primary school for the year ended 30 June 2018 could not be confirmed.

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

### Key Audit Matters

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

### Other Matter

#### 1. Budgetary Control and Performance

The summary statement of appropriation recurrent and development combined reflects a final budget of Kshs.166,179,855 and actual expenditure was Kshs.126,145,396 resulting to under absorption of Kshs.40,034,459 as summarized below;

Expense Item	Final Budget	Actual Expenditure	Under Utilization Kshs.	Over utilization Ksh.	Utilization %
Compensation of Employees	4,447,110	2,839,406	1,607,704		64%
Use of goods and services	10,296,426	6,160,966	4,135,460		60%
Transfers to Other Government Units	61,821,183	53,128,613	8,692,570		86%

Expense Item	Final Budget	Actual Expenditure	Under Utilization Kshs.	Over utilization Ksh.	Utilization %
Other grants and transfers	54,121,432	38,723,751	15,397,681		72%
Acquisition of Assets	24,032,605	25,292,660		1,260,055	105.2%
Other Payments	11,461,099		11,461,099		0.0%
<b>Total</b>	<b>166,179,855</b>	<b>126,145,396</b>	<b>41,294,514</b>	<b>1,260,055</b>	<b>76.1%</b>

The underutilization of Kshs.41,294,514 or 24 % is an indication that the residents of Nyali constituency did not receive the planned goods and services. Although the management has indicated that the unutilized funds were received at the close of the financial year, there is need for the management to review the budget mechanism with a view to speeding the project implementation time for better delivery of service. Further, approval for the over expenditure of Kshs1,260,055 on acquisition of assets was not availed for audit review.

## 2. Project implementation

According to the project implementation status report as at 30 June 2018, the fund budgeted for twenty (21) projects with a total budget of Kshs.59,214,656.19 as detailed in the table below;

	Financial Year	Project Name	Project Activity	Period Ended	Amount Allocated	Status
1	2017/2018	Azhar Shariff Primary School	Extension of existing classrooms into a storey block consisting of 5 classrooms(additional)	30-Jun-18	3,355,335	Complete
2	2017/2018	Azhar Shariff primary school	Purchase of 200 two(2) seater desks	30-Jun-18	1,100,000	Ongoing
3	2017/2018	Kengeleni Primary School	Extension of existing classroom block by strengthening it into a storey building consisting of 5 classrooms and toilets	30-Jun-18	11,000,000	Ongoing
4	2017/2018	Maweni Secondary School	Construction of dining hall and kitchen (additional funds) to completion	30-Jun-18	4,194,120	Complete
5	2017/2018	Maweni Secondary School	Construction of four (4) classrooms (additional funds) - a storey building to completion	30-Jun-18	1,355,908	Complete
6	2017/2018	Maweni Secondary School	Purchase of 200 lockers and chairs	30-Jun-18	1,250,000	Not started
			Renovation of staffroom and administration blocks by replacing the roof, putting up of ceiling, floors ,doors,			

	<b>Financial Year</b>	<b>Project Name</b>	<b>Project Activity</b>	<b>Period Ended</b>	<b>Amount Allocated</b>	<b>Status</b>
7	2017/2018	Mlaleo Primary School	windows, extension of staffroom and painting of the buildings	30-Jun-18	7,256,646	Ongoing
8	2017/2018	Mlaleo Primary School	Purchase of 100 two(2) seater desks	30-Jun-18	550,000	Not started
9	2017/2018	Fathil Adhim Primary School	Purchase of 100 two(2) seater desks	30-Jun-18	550,000	Not started
10	2017/2018	Ziwa La Ng'ombe Primary School	Purchase of 150 lockers and chairs	30-Jun-18	937,500	Not started
11	2017/2018	Kadzandani Primary School	Purchase of 120 three(3) seater desks	30-Jun-18	690,000	Not started
12	2017/2018	Freretown Primary School	Purchase of 221 three(3) seater desks	30-Jun-18	1,270,750	Not started
13	2017/2018	Freretown Secondary School	Purchase of 500 lockers and chairs	30-Jun-18	2,875,000	Not started
14	2017/2018	Pentrose Community Primary School	Construction of four classrooms and Administration Block	30-Jun-18	9,786,206.89	Not started
15	2017/2018	Nyali Police Station	Additional funds for painting and toilets tiling in the OCS's and Deputy OCS's houses, fascia board replacement, replacement of ceiling covers in the OCS's office.	30-Jun-18	582,091	Not started
16	2017/2018	Kongowea Assistant County Commissioner's Office	Executive table, Secretary's table, two (2) executive chairs, four (4) visitors chairs, two (2) tables , 50 conference chairs & one (1) cupboard	30-Jun-18	1,000,000	Not started
17	2017/2018	Ziwa La Ng'ombe Social Hall	Construction of a social hall(additional funds)	30-Jun-18	311,660	Complete
18	2017/2018	Strategic Plan	Charges involved in consultative and validation forums, consultation fees, fact sheet data collection ,printing and launching	30-Jun-18	3,000,000	Not started
19	2017/2018	Constituency Innovation Hub	Installation of satellite antenna, router, digital access kit and digital ruggedized tablets, Wi-Fi with outdoor wireless	30-Jun-18	4,677,027	Not started

	Financial Year	Project Name	Project Activity	Period Ended	Amount Allocated	Status
			device complete with 12 U-cabinet			
20	2017/2018	Constituency sports	Purchase of sports uniforms, balls and balls and kits for Kadzandani, Freretown, Mkomani, Ziwa La Ng'ombe and Kongowea teams @ Kshs.347,241.20 each	30-Jun-18	1,736,206	Not started
21	2017/2018	Environment	Purchase and installation of two (2) solar panels and their accessories (5.0 KVA inverter/charger, 4 batteries 200 AH, AVS 30, 2 racks) to back up power for NGCDFC office @ Kshs.860,000 and Mombasa Secondary School for Physically Handicapped @ Kshss. 876,206.	30-Jun-18	1,736,206	Not started
	Total				<b>59,214,656.19</b>	

A review of the project status report indicated that:

- i) Four (4) projects of Kshs.9,217,023.30 were complete and in use
- ii) Three (3) projects with a total allocation of Kshs.19,356,646 were ongoing
- iii) Thirteen (14) projects allocated Kshs.30,640,987.89 had not been started despite funding.

The above state of affairs is an indication of lack of proper planning and prioritizing citizens' needs in the budget making process mechanism.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion] section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Construction of Kadzandani Mwatamba Chiefs Office/Police Post**

The statement of receipts and payments for the year ended 30 June 2018 reflect other grants and payments of Kshs.38,723,751. Included in this amount is Kshs.5,482,091 being transfers to security projects out of which Kshs.4,900,000 was transferred towards Constructing of Kadzandani Mwatamba Chiefs Office/Police Post. Although the management has availed a letter from the district land adjudication and settlement officer, it was not possible to confirm ownership of the parcel of land where the project was put up as the title deed was not availed to confirm the same was public land contrary Section 2. 11(k) of the National Government Constituency Development Fund Regulations which require that where a project involves purchase of a parcel of land or a building, ensure that the ownership thereof is duly verified.

Site visit to the project revealed that the project was complete and in use by the National Police Service as a police Post.

Consequently, the management was in breach of the law.

### **2. Project Fund Activities**

Annex 5 to the financial statements for the year ended 30 June 2018 reflects Project Management Committees Bank balances of Kshs.75,183,813 out of which Kshs.5,517,544 relate to water and health projects. These services have since been devolved and are not eligible for funding in terms of Section 24 of the National Government Constituencies Development Fund Act 2015 and Section 11(j) which requires that all project receive adequate funding and are completed within 3 years.

Consequently, the management breached the law.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 National Government Constituency development Fund – Nyali constituency ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the National Government Constituency development Fund – Nyali constituency or to cease operations, or have no realistic alternative but to do so.

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

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 National Government Constituency development Fund – Nyali constituency financial reporting process, reviewing the effectiveness of how the entity 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 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 the 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:

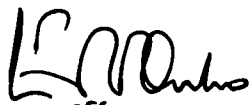
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 National Government Constituency development Fund – Nyalı constituency

ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the National Government Constituency development Fund - Nyali constituency to cease to continue as a going concern or 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 Constituency development Fund – Nyali constituency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**05 April 2019**

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

**NYALI CONSTITUENCY**

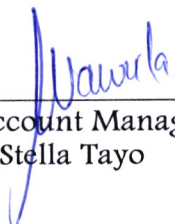
**Reports and Financial Statements**


**For the year ended June 30, 2018**

**IV. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2017 - 2018 Kshs	2016 - 2017 Kshs
<b>RECEIPTS</b>			
Transfers from NGCDF board	1	121,206,896	104,207,432
Proceeds from Sale of Assets	2	-	-
Other Receipts	3	<u>97,000</u>	<u>11,769,122</u>
<b>TOTAL RECEIPTS</b>		<b>121,303,896</b>	<b>115,976,554</b>
<b>PAYMENTS</b>			
Compensation of employees	4	2,839,406	2,733,836
Use of goods and services	5	6,160,966	7,675,596
Transfers to Other Government Units	6	53,128,613	51,100,000
Other grants and transfers	7	38,723,751	40,210,304
Acquisition of Assets	8	25,292,660	12,160,831
Other Payments	9	-	<u>26,480</u>
<b>TOTAL PAYMENTS</b>		<b>126,145,396</b>	<b>113,907,047</b>
<b>SURPLUS/(DEFICIT)</b>		<b><u>(4,841,500)</u></b>	<b><u>2,069,507</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Nyali Constituency financial statements were approved on 21/2/2019 and signed by:

  
\_\_\_\_\_  
Fund Account Manager  
Name: Stella Tayo

  
\_\_\_\_\_  
Sub-County Accountant  
Name: Peter Kamande  
ICPAK Member Number: 12030

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)  
 NYALI CONSTITUENCY  
 Reports and Financial Statements  
 For the year ended June 30, 2018**

**V. STATEMENT OF FINANCIAL ASSETS  
 AND LIABILITIES**

	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	10A	17,646,527	22,488,027
Cash Balances (cash at hand)	10B	-	-
<b>Total cash and cash Equivalent</b>		17,646,527	22,488,027
Accounts receivables - Outstanding Imprests	11	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>17,646,527</b>	<b>22,488,027</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts payable - Retention	12	-	-
<b>NET FINANCIAL ASSETS</b>		17,646,527	22,488,027
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July...	13	22,488,027	20,418,520
Surplus/Defict for the year		(4,841,500)	2,069,507
Prior year adjustments	14	-	-
<b>NET FINANCIAL POSITION</b>		<b>17,646,527</b>	<b>22,488,027</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Nyali Constituency financial statements were approved on 21/2/2019 and signed by:

\_\_\_\_\_  
 Fund Account Manager  
 Name: Stella Tayo

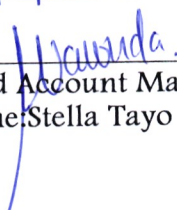
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 Sub-County Accountant  
 Name: Peter Kamande  
 ICPAK Member Number: 12030

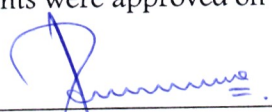
**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)**  
**NYALI CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**VI.STATEMENT OF CASHFLOW**

		2017 – 2018	2016 - 2017
Receipts for operating income			
Transfers from NGCDF Board	1	121,206,896	104,207,432
Other Receipts	3	<u>97,000</u>	<u>11,769,122</u>
		121,303,896	115,976,554
Payments for operating expenses			
Compensation of Employees	4	2,839,406	2,733,836
Use of goods and services	5	6,160,966	7,675,596
Transfers to Other Government Units	6	53,128,613	51,100,000
Other grants and transfers	7	38,723,751	40,210,304
Other Payments	9	-	26,480
		(100,852,736)	101,746,216
Adjusted for:			
Adjustments during the year	14	-	-
Net cash flow from operating activities		20,451,161	14,230,338
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	8	25,292,660	12,160,831
Net cash flows from Investing Activities		(25,292,660)	12,160,831
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		(4,841,500)	2,069,507
Cash and cash equivalent at BEGINNING of the year	13	22,488,027	20,418,520
Cash and cash equivalent at END of the year		<u>17,646,527</u>	<u>22,488,027</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-Nyali Constituency financial statements were approved on 21/2/2019 and signed by:

  
Fund Account Manager  
Name: Stella Tayo

  
Sub-County Accountant  
Name: Peter Kamande  
ICPAK Member Number: 12030

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Transfers from CDF Board	86,810,345	79,272,510	166,082,855	143,694,923	22,387,932	87%
Proceeds from Sale of Assets		-	-	-	-	-
Other Receipts		97,000	97,000	97,000.00	-	100%
<b>TOTAL RECEIPTS</b>	<b>86,810,345</b>	<b>79,369,510</b>	<b>166,179,855</b>	<b>143,791,923</b>	<b>22,387,932</b>	
<b>PAYMENTS</b>						
Compensation of Employees	2,266,315	2,180,795	4,447,110	2,839,406	1,607,704	64%
Use of goods and services	5,546,615	4,749,811	10,296,426	6,160,966	4,135,460	60%
Transfers to Other Government Units	37,967,350	23,853,833	61,821,183	53,128,613	8,692,570	86%
Other grants and transfers	29,568,966	24,552,466	54,121,432	38,723,751	15,397,681	72%
Acquisition of Assets		24,032,605	24,032,605	25,292,660	(1,260,055)	105%
Other Payments	11,461,099		11,461,099	-	11,461,099	0%
<b>TOTAL</b>	<b>86,810,345</b>	<b>79,369,510</b>	<b>166,179,855</b>	<b>126,145,396</b>	<b>40,034,459</b>	<b>76%</b>


NYALI CONSTITUENCY

Reports and Financial Statements  
For the year ended June 30, 2018

Item	% of Utilisation	Comment
Transfers from CDF Board	87%	Delay in release of funds from the Board
Compensation of Employees	64%	There was balance brought forward from the previous year
Use of goods and services	60%	Expenditure was disrupted during the electioneering period
Transfers to Other Government Units	86%	Delay in release of funds from the Board
Other grants and transfers	72%	Delay in release of funds from the Board
Acquisition of Assets	105%	Reallocations were done from Emergency to office furniture
Other Payments	0%	The projects that include Environment, Sports, Strategic Plan and Emergency had not started.

The NGCDF-NYALI Constituency financial statements were approved on 21/8/2019 and signed by:

  
Fund Account Manager  
Name: Stella Tayo

  
Sub-County Accountant  
Name: Peter Kamande  
ICPAK Member Number: 12030

## 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 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-Nyali Constituency. The financial statements encompass the reporting entity as specified under section 81 of the PFM 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<sup>th</sup> June 2018, 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, imprests 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.
10. **Unutilized Funds**  
Unutilized funds consist of bank balances in the constituency account and previous year(s) balances not yet disbursed by the Board to the constituency at the beginning of the financial year. These balances are available for use in the year under review to fund projects approved in the respective prior financial years consistent with sec 6(2) and sec 7(1) of NGCDF Act, 2015.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **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 2017 for the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018 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<sup>th</sup> June 2018.

### **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.

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2017 - 2018	2016 - 2017
		Kshs	Kshs
Normal Allocation	AIE NO...		
	2017/2018/219 A 855976	5,500,000	
	2016/2017/462 A 839749	36,853,448	
	2016/2017/528 A 892873	40,948,276	
	2017/2018/546 A 892986	37,905,172	
	2015/2016/899 A 825916		51,000,000
	2016/2017/220 A 829970		4,094,828
	2015/2016/673 A 839655		49,112,604
Conditional grants	AIE NO...	-	-
		-	-
Receipt from other Constituency		-	-
<b>TOTAL</b>		<b>121,206,896</b>	<b>104,207,432</b>

2. PROCEEDS FROM SALE OF ASSETS

	2017-2018	201-2017
	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	-	
<b>Total</b>	-	

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)**  
**NYALI CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**3. OTHER RECEIPTS**

	2017- 2018	2016-2017
	Kshs	Kshs
Interest Received	-	-
Rents	-	-
Receipts from Sale of tender documents	97,000	90,000
Other Receipts Not Classified Elsewhere	-	-
<b>Total</b>	<b>97,000</b>	<b>90,000</b>

**4. COMPENSATION OF EMPLOYEES**

Description	2017-2018	2016 - 2017
	Kshs	Kshs
Basic wages of contractual employees	1,310,120	1,294,060
Basic wages of casual labour		
<b>Personal allowances paid as part of salary</b>		
House allowance	349,000	301,000
Transport allowance	135,000	105,000.00
Leave allowance		
Other personnel payments	230,472	201,000
Employer contribution to NSSF	78,840	89,880
Gratuity-contractual employees	735,974	742,896
<b>TOTAL</b>	<b>2,839,406</b>	<b>2,733,836</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

Description	2017-2018	2016 - 2017
	Kshs	Kshs
Utilities, supplies and services	82,430	44,120
Electricity	-	-
Water & sewerage charges	-	-
Office rent	192,000	1,076,000
Communication, supplies and services	55,100	327,690
Domestic travel and subsistence	65,800	56,000
Printing, advertising and information supplies & services	341,750	313,513
Rentals of produced assets	71,610	5,000
Training expenses	908,000	1,168,900
Hospitality supplies and services	56,970	79,655
Other committee expenses	1,640,955	1,141,370
Committee allowance	1,091,000	2,081,400
Insurance costs	-	-
Specialised materials and services	-	-
Office and general supplies and services	536,420	412,193
Fuel , oil & lubricants	-	18,900
Other operating expenses	1,070,000	833,530
Bank service commission and charges	36,581	-
Security operations	-	-
Routine maintenance - vehicles and other transport equipment	-	-
Routine maintenance- other assets	12,350	117,325
<b>TOTAL</b>	<b>6,160,966</b>	<b>7,675,596</b>

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)****NYALI CONSTITUENCY****Reports and Financial Statements****For the year ended June 30, 2018***NOTES TO THE FINANCIAL STATEMENTS (Continued)*

## 6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2017 - 2018	2016 - 2017
	Kshs	Kshs
Transfers to National Government entities		
Transfers to primary schools (see attached list)	31,953,585	22,900,000
Transfers to secondary schools (see attached list)	21,175,028	28,200,000
Transfers to tertiary institutions (see attached list)	-	-
Transfers to health institutions (see attached list)	-	-
<b>TOTAL</b>	<b>53,128,613</b>	<b>51,100,000</b>

## 7. OTHER GRANTS AND OTHER PAYMENTS

Description	2017 - 2018	2016 - 2017
	Kshs	Kshs
Bursary -Secondary(see attached list)	14,130,000	17,953,731
Bursary -Tertiary(see attached list)	9,000,000	
Bursary-Special schools(see attached list)	1,800,000	
Mocks & CAT		
Water	-	
Food security	-	-
Electricity	-	-
Security(see attached list)	5,482,091	21,280,383
Roads and Bridges		
Sports		400,000
Environment		
Cultural Projects(see attached list)	8,311,660	
Agriculture		-
Emergency Projects		576,190
<b>TOTAL</b>	<b>38,723,751</b>	<b>40,210,304</b>

8. ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2017-2018 Kshs	2016-2017 Kshs
Purchase of Buildings	-	-
Construction of Buildings	17,408,160	11,741,840
Refurbishment of Buildings	-	-
Purchase of Vehicles and Other Transport Equipment	4,084,500	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	3,800,000	418,991
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Purchase of Specialised Plant, Equipment and Machinery	-	-
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
<b>Total</b>	<b>25,292,660</b>	<b>12,160,831</b>

9. OTHER PAYMENTS

	2017-2018 Kshs	2016-2017 Kshs
Strategic plan	-	-
ICT Hub	-	-
TIVET	-	-
Bank Charges	-	26,480
	-	-

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**10A: Bank Accounts (cash book bank balance)**

Name of Bank, Account No. & currency	2017-2018	2016-2017
	Kshs	Kshs
<i>Equity Bank Kengeleni A/c.No.1140261189476</i>	17,646,527	22,488,027
<i>Name of Bank, Account No.</i>	-	-
<i>Name of Bank, Account No.</i>	-	-
<b>Total</b>	<b>17,646,527</b>	<b>22,488,027</b>
<b>10B: CASH IN HAND</b>		
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other Locations ( <i>specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<i>[Provide cash count certificates for each]</i>		

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**11: OUTSTANDING IMPRESTS**

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

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

**12:RETENTION**

	2017 - 2018 Kshs	2016-2017 Kshs
Supplier 1	-	-
Supplier 2	-	-
Supplier 3	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*[Provide short appropriate explanations as necessary]*

**13. BALANCES BROUGHT FORWARD**

	2017-2018 Kshs	2016-2017 Kshs
Bank accounts	22,488,027	20,418,520
Cash in hand	-	-
Imprest	-	-
<b>Total</b>	<b>22,488,027</b>	<b>20,418,520</b>

*[Provide short appropriate explanations as necessary]*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PRIOR YEAR ADJUSTMENTS

	2017- 2018 Kshs	2016-2017 Kshs
Bank accounts	-	-
Cash in hand	-	-
Imprest	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017- 2018 Kshs	2016-2017 Kshs
Construction of buildings	-	-
Construction of civil works	3,970,400	-
Supply of goods	-	86,100
Supply of services	-	430,760
	<b>3,970,400</b>	<b>516,860</b>

15.2: PENDING STAFF PAYABLES (See Annex 2)

	2017- 2018 Kshs	2016-2017 Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others ( <i>gratuity</i> )	56,835	551,323
	<b>56,835</b>	<b>551,323</b>

15.3: UNUTILIZED FUNDS (See Annex 3)

	2017- 2018 Kshs	2016-2017 Kshs
Compensation of employees	359,181	-
Use of goods and services	3,208,054	-
Amounts due to other Government entities (see attached list)	-	22,175,770
Amounts due to other grants and other transfers (see attached list)	14,079,292	-
Acquisition of assets	-	-
Others ( <i>specify</i> )	-	312,257
	<b>17,646,527</b>	<b>22,488,027</b>

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF)**  
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

15.4: PMC account balances (See Annex 5)

	2017- 2018	2016-2017
	Kshs	Kshs
PMC account Balances (see attached list)	75,183,813	86,023,351
	75,183,813	86,023,351

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) – NYALI CONSTITUENCY**  
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**ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
	A	b	c	d=a-c		
<b>Construction of buildings</b>						
1.						
2.						
3.						
<b>Sub-Total</b>						
<b>Construction of civil works</b>						
4. Wavecon Enterprises	3,970,400	26.06.18	-	3,970,400	-	Construction ongoing
5.						
6.						
<b>Sub-Total</b>	<b>3,970,40</b>			<b>3,970,400</b>		
<b>Supply of goods</b>						
7.						
8.						
9.						
<b>Sub-Total</b>						
<b>Supply of services</b>						
10.						
11.						
12.						
<b>Sub-Total</b>						
<b>Grand Total</b>	<b>3,970,400</b>			<b>3,970,400</b>		

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) – NYALI 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 2018	Outstanding Balance 2017	Comments
		a	b	c	d=a-c		
<b>Senior Management</b>							
1. Kenneth Jagongo	H	13,020	02.05.18	-	13,020	-	
2. Esha Mohamed	G	11,160	10.04.18	-	11,160	-	
3.							
<b>Sub-Total</b>							
<b>Middle Management</b>							
4.							
5.							
6.							
<b>Sub-Total</b>							
<b>Unionisable Employees</b>							
7. Tembo Sanga	G	10,335	02.05.18	-	10,335	-	
8. Jumaa Mwema	G	11,160	10.04.18	-	11,160	-	
9. Memwinyi Mohamed	G	11,160	10.04.18	-	11,160	-	
<b>Sub-Total</b>		<b>56,835</b>			<b>56,835</b>		
<b>Others (specify)</b>							
10.							
11.							
12.							
<b>Sub-Total</b>							
<b>Grand Total</b>		<b>56,835</b>			<b>56,835</b>		



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**ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost b/f (Kshs) 2016/17	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost (Kshs) 2017/18
Land				
Buildings and structures	11,741,840	17,408,160	~	29,150,000
Transport equipment	-	4,084,500	~	4,084,500
Office equipment, furniture and fittings	1,366,765	3,800,000		5,166,765
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment	418,991	-	~	418,991
Heritage and cultural assets				
Intangible assets				
<b>Total</b>	<b>13,527,596</b>	<b>25,292,660</b>	<b>-</b>	<b>38,820,256</b>

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**ANNEX 4 –PMC BANK BALANCES AS AT 30<sup>TH</sup> JUNE 2018**

PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
NYALI NGDF GENERAL PROJECTS	EQUITY	1140261189498	12,100	12,320
FRERETOWN WATER PROJECT	EQUITY	1140262468382	12,520	12,740
MKOMANI MAJENGO MAPYA WATER PROJECT	EQUITY	1140262468557	376,515	11,420
MKOMANI WARD MAST LIGHTS PROJECT	EQUITY	1140262466403	0	1
KADZANDANI MAST LIGHTS	EQUITY	1140262468787	376,515	376,735
FRERETOWN WARD MAST LIGHTS PROJECT	EQUITY	1140262469085	0	1
KONGOWEA SECONDARY/ PRIMARY SCHOOL	EQUITY	1140262479404	15,150,818	14,372,488
ZIWA LA NGOMBE(MKUNGUNI) WATER PROJECT	EQUITY	1140262479437	10,587	10,807
KWA BULLO WATER PROJECT	EQUITY	1140262507359	12,575	12,795
KADZANDANI PRI.SCH-SEEDLINGS	EQUITY	1140262526874	1,450	1,670
KONGOWEA WARD OFFICE	EQUITY	1140262545001	331	1
PWANI SCHOOL FOR MENTALLY CHALLENGED	EQUITY	1140262672112	54,505	54,725
ZIWA LA NG'OMBE ELECTRICITY PROJECT	EQUITY	1140263451404		48,945
MKOMANI ELECTRICITY PROJECT	EQUITY	1140263451459	48,560	48,780
KONGOWEA ELECTRICITY PROJECT	EQUITY	1140263451715	48,725	48,945
KONGOWEA UWANJA WA MBUZI WATER PRJCT	EQUITY	1140263451897		63,440
NYALI CONSTITUENCY SPORTS	EQUITY	1140262507359	0	328
KADZANDANI ELECTRICITY PROJECT	EQUITY	1140263452003	48,725	48,945
FRERETOWN ELECTRICITY PROJECT	EQUITY	1140263452092	48,725	48,945
FRERETOWN HEALTH CENTRE	EQUITY	1140263452297	612,878	613,098
FATHIL ADHIM PRIMARY SCHOOL	EQUITY	1140263537830	804,983	255,203
FRERETOWN RESPONSE CENTRE	EQUITY	1140263537867	1,261,528	1,261,748
FRERETOWN LEISURE WATER PROJECT	EQUITY	1140263575589		59,077
BAMBURI HEALTH CENTRE	EQUITY	1140263575806	4,482,539	4,482,759
KADZANDANI PRIMARY SCHOOL	EQUITY	1140263575887	4,451,780	62,000
KADZANDANI KWA BULLO PRIMARY SCHOOL	EQUITY	1140263575967	325,973	326,193
KADAZANDANI MIGOMBANI WATER PROJECT	EQUITY	1140263626073		65,689
MLALEO PRIMARY SCHOOL	EQUITY	1140263642803	621,440	72,135
MLALEO HOSPITAL	EQUITY	1140263654291	9,930	10,150
ENVIRONMENT MANAGEMENT	EQUITY	1140268740953		12,933
MAWENI PRIMARY SCHOOL	EQUITY	1140265904422	40,932	41,152
KADZANDANI KWA BULLO PRIMARY SCHOOL	EQUITY	1140266068267	2,360,910	2,361,295
FRERETOWN SECONDARY SCHOOL	EQUITY	1140266106756	2,965,982	11,214,365
FRERETOWN CHIEF'S OFFICE	EQUITY	1140266106885	102,733	459,618
FRERETOWN PUBLIC TOILETS	EQUITY	1140266134844	29,619	30,004

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PMC	Bank	Account number	Bank Balance 2017/18	Bank Balance 2016/17
ZIWA LA NGOMBE SOCIAL HALL	EQUITY	1140266458642	327,276	15,836
ZIWA LA NG'OMBE CHIEF'S OFFICE	EQUITY	1140266526003	1,184	2,042,859
AZHAR SHARIFF PRIMARY SCHOOL	EQUITY	1140266526252	2,818,445	11,963,694
MAWENI SECONDARY SCHOOL	EQUITY	1140266621255	11,010,419	16,085,308
SPORTS MANAGEMENT CDF PROJECT	EQUITY	1140268741088	528	399,858
KENGELENI PRIMARY SCHOOL	EQUITY	1140269094252	12,798,445	1,800,000
FRERETOWN CHIEF'S OFFICE TOILETS	EQUITY	114271058732	74,118	211,192
FRERETOWN POLICE POST	EQUITY	1140271058881	313,670	3,478,430
KADZANDANI KWA BULLO POLICE POST	EQUITY	1140271329420	2,263,479	4,859,508
NYALI POLICE STATION	EQUITY	1140272235384	875,946	7,999,050
KONGOWEA PRIMARY SCHOOL	EQUITY	1140272620624	213,425	213,975
KISAUNI PRIMARY SCHOOL	EQUITY	1140272883580	2,750	299,525
KONGOWEA YOUTH & WOMEN EMPOWERMENT	EQUITY	1140276136387	8,000,000	-
ZIWA LA NG'OMBE PRIMARY SCHOOL	EQUITY	1140277328661	938,500	-
CDF STRATEGIC PLAN	EQUITY	1140262803574		1
FRERETOWN PRIMARY SCHOOL	EQUITY	1140277349649	1,271,750	152,665
<b>TOTAL</b>			<b>75,183,813</b>	<b>86,023,351</b>

**TRANSFER TO OTHER GOVERNMENT ENTITIES**

**PRIMARY SCHOOLS**

KONGOWEA PRIMARY SCH	8,800,000
AZHAR SHARIFF PRIMARY SCHOOL	4,455,335
KENGELENI PRIMARY SCHOOL	11,000,000
MLALEO PRIMARY SCHOOL	550,000
FATHIL ADHIM PRIMARY SCHOOL	550,000
ZIWA LA NG'OMBE PRIMARY SCHOOL	937,500
KADZANDANI PRIMARY SCHOOL	4,390,000
FRERETOWN PRIMARY SCHOOL	1,270,750
<b>TOTAL</b>	<b>31,953,585</b>

**SECONDARY SCHOOLS**

MAWENI SECONDARY SCHOOL	18,300,028
FRERETOWN SECONDARY SCHOOL	2,875,000
<b>TOTAL</b>	<b>21,175,028</b>

**SECURITY**

KADZANDANI CHIEFS OFFICE/POLICE POST	4,900,000
NYALI POLICE STATION	582,091
<b>TOTAL</b>	<b>5,482,091</b>

**NATIONAL GOVERNMENT CONSTITUENCY DEVELOPMENT FUND (NGCDF) – NYALI  
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**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Budgetary Control and Performance-Underutilisation of Ksh.102,571,899	There was delay in funding from the Board for FY 2016-2017 as only Emergency Funds were received during the year.	Fund Account Manager	Not yet resolved	November 2018
2.0	Project Implementation	Delay in funding from the Board	Fund Account Manager	Not yet resolved	November 2018

