

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 31 JUL 2018
WEDNESDAY
Hon. Benjamin Natchali
Magistrate
Halima Ahmed

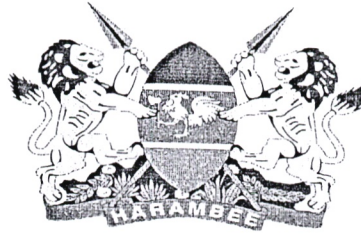
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ON

THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT
FUND – MALINDI CONSTITUENCY

FOR THE YEAR
ENDED 30 JUNE 2018

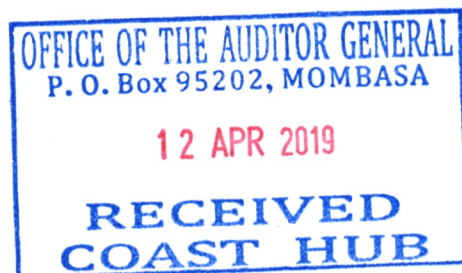


NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND MALINDI
CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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



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

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

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

I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

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 The Act was later reviewed through the enactment of the CDF (Amendment) Act 2007, and repealed through CDF Act, 2013.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

Mandate

The mandate of the Fund as derived from 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 CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MALINDI CONSTITUENCY**

Reports and Financial Statements

For the year ended June 30, 2018

Core Values

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

(b) Key Management

The NGCDF MALINDI Constituency day-to-day management is under the following key organs:

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

(c) Fiduciary Management

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

No	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Omar Abdallah
3.	Sub-County Accountant	Edwin Indase
4.	Chairman NGCDFC	Elena Mapenzi
5.	Member NGCDFC	Boaz Kakhiri

(d) Fiduciary Oversight Arrangements

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

(e) NGCDF MALINDI Constituency Headquarters

P.O. Box 244-80200
Opp DCC's Office Besides Mawasco and Kplc
Malindi, KENYA

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

Reports and Financial Statements

For the year ended June 30, 2018

(f) NGCDF MALINDI Constituency Contacts

Telephone: (254) 796449368
E-mail: cdfmalindi@ngcdf.go.ke
Website: www.go.ke

(g) NGCDF MALINDI Constituency Bankers

1. Equity Bank of Kenya
Malindi

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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

Reports and Financial Statements

For the year ended June 30, 2018

II. FORWARD BY THE CHAIRMAN NGCDF COMMITTEE

SECTORIAL ALLOCATIONS

Ng-Cdf Malindi has allocated funds to various sectors for financial years 2017/2017 and 2017/2018 in largely education and security as given here below;

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

Note: The decrease in Education projects for primary was due to decrease in funding from the CDF Board.
The 40% decrease in Bursary allocation for Secondary school was due to decrease in funding hence affecting bursary allocation.
The 100% allocation for special case was because student with special needs have not been allocation fund before.

EMERGING ISSUES

Implementation Challenges

a. Bursary

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

Solutions and way forward

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

b. Projects

- (i) Delay of funds from CDF Board to constituencies leads delay on implementation and the completion of projects on time
- (ii) Lack of sufficient funds to facilitate big number of projects

Solution

- (i) Funds to be released in due time
- (ii) Sufficient funds should be allocated to satisfy the big number of proposed projects.

IMPACTS

- a. Retain good number of needy students in schools e.g. we were able to pay full scholarship for youths to pursue plant operator's course for the purpose of acquiring skills and for job placements
- b. Projects done such as the (Malindi Education Sub County office) will help the officers and teachers work in a good conducive environment at the same time parents and other education stakeholders can easily assess the education office.
- c. Beef up security in our society hence reducing crime rates.
Funding the sport sector to our youths which has helped in fighting the drug abuse menace in Malindi Constituency.
- d. The desks project through (Inua mtoto wa malindi kutoka kwenye sakafu initiative) has enabled pupils to sit on desks and in good studying environment which will boost their performance.
- e. Funding of school buses has helped the schools in easy transportation for students in academic trips and co-curriculum activities.

Sign

CHAIRMAN NGCDF COMMITTEE

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

**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-MALINDI Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (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-MALINDI Constituency accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *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-MALINDI Constituency further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the NGCDF-MALINDI Constituency confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The NGCDF-MALINDI Constituency financial statements were approved and signed by the Accounting Officer on 16/9/2018 2018.



Fund Account Manager
Name: OMAR ABDALLA

MALINDI CONSTITUENCY
DEVELOPMENT FUND
16 SEP 2018
FUND ACCOUNTANT
O. B. 244 - 02000 MALINDI



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

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund – Malindi Constituency set out on pages 6 to 28 which comprise the statement of assets as at 30 June 2018, and statement of receipts and payments, statement of cash flow and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Presentation of Financial Statements

Review of financial statements for the year ended 30 June 2018 presented for audit revealed the following errors:

	Page of Financial Statements	Observation
1	cover page	Cover page has the word "revised template 30th June 2018" where as these are the actual financial statement and not a template.
2	3	Constituency banker details - item 2 has details of the bank, Equity Bank Malindi, Branch repeated twice.
3	5	Refers to Public Finance management Act of 2013 instead of Public Finance Management Act, 2012.
4	6 & 19	Other payments in statement of receipts and payments reflect Kshs.0 while note 9 discloses a balance of Kshs.1,500,000 resulting to unexplained variance of Kshs.1,500,00

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

	Page of Financial Statements	Observation
5	9	Summary statement of appropriation: recurrent and development combined - includes reversed cheques figure of Kshs.428,815 which the management has not explained.
6	27	Summary of fixed assets - construction of building balance reflects opening and closing balance of Kshs.18,000,000. Prior year audited financial statements indicate a balance of Kshs.15,000,000 resulting to unexplained variance of Kshs.3,000,000. The comparatives summary of the fixed asset register in Annex 4 reflects Kshs.46,946,708 but recasting results to a total of Kshs.54,770,425, again resulting to unexplained variance of Kshs.7,823,717.
7	27	Annex 4 - PMC bank balances has not been disclosed as required by template issued by Public Sector Accounting Standards Board.
8	28	Progress on follow up of auditor recommendations – No information has been availed.
9	24-28	The headings indicate the figures has been rounded off to KShs'000' while the figures have not been rounded off. The heading also does not indicate the name of the entity.
10	24-26	The heading indicates the financial statements are for year ended 30 June 2014.

Consequently, the financial statements do not comply with financial reporting framework requirement and guideline issued by Public Sector Accounting Standard Board and do not reflect true and fair view of the state of the books of account for the Malindi National Government Constituency Development Fund.

2. Inaccuracies in Financial Statements

Review of financial statements for the year ended 30 June 2018 presented for audit revealed the following inaccuracies;

- 2.1.** The statement of cash flow reflects bank balance as at 30 June 2018 of Kshs.6,867,714 whereas statement of assets reflect a balance of Kshs.7,296,529 resulting to unexplained variance of Kshs.428,815
- 2.2.** The statement of assets reflects prior year adjustments of Kshs.428,815 but note 14 on the same reflects a balance of Kshs.7,296,529 resulting to unexplained variance of Kshs.6,867,714.
- 2.3.** The statement of receipts and payments reflects receipts of Kshs.80,353,447 as transfers from National Government Constituency Development Fund Board whereas summary statement of appropriation: recurrent and development combined reflects actual amount of Kshs.83,393,942 resulting to unreconciled variance of Kshs.3,040,495.

2.4. The statement of receipts and payments reflects a figure of nil balance for other receipt but note 3 to the financial statements for the year ended 30 June 2018 reflects a figure of Kshs.428,815 as other receipts resulting to an unexplained variance of Kshs.428,815.

2.5. The statement of receipts and payments reflects Kshs.22,789,379 as other grants and transfers while note 7 on the same has balance of Kshs.21,289,373 resulting to unexplained variance of Kshs.1,500,006.

Consequently, the accuracy and completeness of these financial statements for the year ended 30 June 2018 could not be ascertained.

3. Cash and Cash Equivalents

The statement of assets as at 30 June 2018 reflects bank balance of Kshs.7,296,529. However, the bank reconciliation statement as at 30 June 2018 presented for audit had unrepresented cheques amounting to Kshs.3,276,764, out of which Kshs.10,000 relates to stale cheques not reversed in cash book as at the year end. Further, information on the dates of subsequent clearance of the other outstanding cheques totaling Kshs.3,266,764 was not availed for audit review. Further, the bank reconciliation statements as at 30 June 2018 revealed payments in bank statement not in cashbooks of Kshs.120,456. Included in these payments are bank charges of Kshs.33,056 which ought to have been expensed. In addition, the bank confirmation certificate of balance as at 30 June 2018 was not availed for audit review.

Consequently, the validity, accuracy and completeness of bank balance of Kshs.7,296,529 as at 30 June 2018 could not be ascertained.

4.0. Other Receipts

The statement of receipts and payments for the year ended 30 June 2018 reflects nil balances from other receipts. Scrutiny of the tender register revealed that during the financial year, the Fund sold tender documents amounting to Kshs.69,000. However, this amount has not been recognized as a receipt in the financial statements.

Further, scrutiny of the cashbook and bank statements revealed that the amounts were neither banked nor recorded in the cashbook contrary to Section 12(6) of the National Government Constituencies Development Fund Act, 2015 which states that all receipts, savings and accruals to the constituency account and the balances thereof at the end of each financial year shall be returned to the constituency account.

In consequence, the accuracy and completeness of other receipts nil balance for the year ended 30 June 2018 could not be confirmed.

5.0. Compensation of Employees

The statement of receipts and payments and note 4 to the financial statements reflects compensation of employees cost of Kshs.4,020,000 for the financial year ended 30 June 2018. However, the supporting schedule reflects Kshs.3,141,809 resulting to unexplained nor reconciled variance of Kshs.878,191. Further, payment voucher number 01148 of Kshs.1,098,475 listed in the support schedule was not availed for audit.

In the circumstances, the accuracy, regularity and completeness of compensation of employees amount of Kshs.4,020,000 for the year ended 30 June 2018 could not be ascertained.

6.0. Use of Goods and Services

6.1. Variance Between Ledger and Financial Statement Amounts

Note 5 to the financial statement for the year ended June 2018 reflects use of goods and services balance of Kshs.3,650,004. However, schedules availed for audit revealed payments for use of goods and services of Kshs.4,957,460 resulting to unexplained nor reconciled variance of Kshs.1,307,456.

In the circumstances, the accuracy and completeness of expenditure of Kshs.4,957,460 on use of goods and services could not be ascertained.

6.2. Committee Allowances

Note 5 to the financial statement for the year ended 30 June 2018 reflects the use of goods and services amount of Kshs.3,650,004. Included in the figure is payment of Kshs.550,000 that was used to pay Constituency Development Fund Committee (CDFC) members allowances during the training at Kaskazi Beach Hotel for 5 days.

Review of the payment voucher and the minutes dated 12 February 2018 noted that each of the 10 members was paid allowance of Kshs.10,000 instead of Kshs.5,000 each, per day as per the budget and approved Constituency Development Fund Committee Minutes. This resulted to an excess and unapproved payment of Kshs.300,000.

In the circumstances, the regularity and propriety of committee allowance of Kshs.300,000 for the year ended 30 June 2018 could not be ascertained.

7.0. Transfers to Other Government Entities

7.1. Transfers to Primary Schools

Note 6 to the financial statements for the year ended 30 June 2018 reflects transfers to primary schools amount of Kshs.10,656,055. Included in this amount is Kshs.869,014 paid for the supply of 200 desks to Kasimbiji Primary School. However, during the financial year under review, the National Government Constituencies Development Fund Board approved Kshs.450,000 for the acquisition of 100 desks as evidenced by the project code list resulting to excess and unapproved expenditure of Kshs.419,014 that was not budgeted nor approved by the Constituency Development Fund Board.

Further, tender opening meeting minutes, adhoc evaluation meeting minutes, professional opinion, and notification of award and inspection committee meeting minutes were not availed for audit purposes.

In the circumstances, it could not be established how the supplier of the 200 desks to Kasimbiji Primary School at a cost of Kshs.869,014 was identified, evaluated, selected and awarded the contract to supply and deliver the desks.

In consequence, the regularity of the transfer to other Government entities amount of Kshs.869,014 for the year ended 30 June 2018 could not be confirmed.

7.2. Transfers to Secondary Schools

Note 6 to the financial statements for the year ended 30 June 2018 reflects transfers to Secondary Schools amount of Kshs.33,235,796. Included in this figure is payments of Kshs.20,000,000 to Project Management Committee (PMC) for construction of sub-county education office. Review of payment documents in the project files revealed a sum of Kshs.1,292,500 that was paid as administration cost which is above the allowed 5% threshold (Kshs1,000,000), hence incurring administration costs above allowed costs. This is contrary to Section 9 of the National Government Constituencies Development Fund Act, 2015 which states that the Project Management Committee shall set aside a sum not exceeding five per centum of the total allocation for the project to cater for the administration expenses of the project.

Further, review of the project documentation did not reveal how the Project Management committee spent Kshs.1,292,500. This is contrary to Section 10 of National Government Constituencies Development Fund Act, 2015 which states that the sums set aside under sections 8 and 9 shall be properly accounted for and proper books of accounts shall be kept and returns made to the Constituency Committee for that constituency on how the sum has been used.

In the circumstances, regularity on expenditure of Kshs.1,292,500 on transfers to secondary schools for the year ended 30 June 2018 could not be ascertained.

8.0. Sports Projects

Note 7 to the financial statements for the year ended 30 June 2018 reflects other grants and transfers of Kshs.21,289,373. Included in this figure is sports project of Kshs.1,337,930. However, documents availed for audit revealed that included in the sports project amount of Kshs.1,337,930, is an amount of Kshs.500,000 paid to Football Kenya Federation (FKF) as payments for FKF league participation fee for the year 2017/2018 for sixty-four (64) Malindi Constituency Clubs. However, the registration certificates of the sixty-four (64) clubs whom financial support was sought were not availed for audit review.

In the circumstances, the regularity and propriety of sports projects amount of Kshs.500,000 for the year ended 30 June 2018 could not be ascertained.

9.0. Other Payments

The statement of receipts and payments reflects a nil balance whereas note 9 to the financial statements for the year ended 30 June 2018 reflects other payments balances of Kshs.1,500,000 on the Strategic Plan reflecting unexplained variance of Kshs.1,500,00. Further, during the year under review, the Fund budgeted for 5-year Strategic Plan at a cost

of Kshs.3,500,000. Procurement was undertaken and the contract awarded to a consultant at a tender sum of Kshs.3,493,600. The Fund transferred to the Project Management Committee Bank account Kshs.1,500,000 from which Kshs.1,423,000 was paid to the consultant. However, this is despite the fact the Fund had made payments of Kshs.1,074,000 to another consultant on 7 September 2016 for preparation and submission of five (5) year strategic plan in financial year 2016/17 and charged as other operating expenses. There was no evidence availed to show that the strategic plan paid for in 2016/17 was delivered to the Fund after the payment and before contracting another consultant to prepare another plan in 2017/18.

Consequently, the validity and propriety of other payments balance of Kshs.2,574,000 for the year ended 30 June 2018 could not be ascertained.

10.0. Acquisition of Assets

10.1. Asset Ownership

The statement of receipts and payments for the year ended 30 June 2018 reflects acquisition of assets of Kshs.2,175,000. Included in this amount is a final payment of Kshs.2,075,000 to the supplier for the acquisition of the Fund's motor vehicle, Reg No.GKB 558R. However, the vehicle's log book was not availed for audit verification.

In the circumstances, ownership of Fund's motor vehicle as at 30 June 2018 could not be ascertained.

10.2 Misclassification of Fuel and Lubricants

The statement of receipts and payments for the year ended 30 June 2018 reflects acquisition of assets of Kshs.2,175,000. Included in this amount is a payment of Kshs.100,000 to a supplier for the supply of fuel. The amount has wrongly been classified under acquisition of assets instead of use of goods and services.

In the circumstances, the accuracy of the balance of acquisition of assets of Kshs.2,175,000 as at 30 June 2018 could not be ascertained.

11.0. Retention Account

Review of the Fund's main bank account reflected payment of Kshs.1,189,947 narrated as "retention amount for project works for the financial year 2016/2017". However, the same was not captured in the cashbook and purpose for payments and the beneficiary's account were not disclosed.

In the circumstances, the validity, accuracy and completeness of retention payment of Kshs.1,189,947 as at 30 June 2018 could not be ascertained.

12. Outstanding Imprest

As previously reported, the statement of financial statements as at 30 June 2018 reflects nil balance of outstanding imprest. However, the financial statements for the financial year 2016/2017 availed for audit reflected an opening balance of outstanding imprest of

Kshs.468,000. Surrender vouchers used to surrender the imprest were not availed for audit review and no explanation was availed for the audit on how the imprest of Kshs.468,000 for the financial year 2015/2016 was cleared.

In the circumstances, the accuracy and completeness of nil outstanding imprest could not be ascertained.

13.0 Budgetary Controls and Performance

13.1 Revenue Budget Analysis

During the year under review, the National Government Constituencies Development Fund – Malindi Constituency had a final budget of Kshs.142,678,426 against actual disbursements of Kshs.83,393,942 resulting to a shortfall of Kshs.59,284,484 or 42%.

The Fund therefore received almost 60% of its budget and this may hinder the implementation of programmes and activities to the residents of Malindi Constituency.

13.2 Expenditure Budget Analysis

During the year under review, the National Government Constituencies Development Fund – Malindi Constituency had a final budget of Kshs.142,678,426 against actual expenditure of Kshs.76,526,228 resulting to an overall under-absorption of Kshs.66,152,198 or 46 % as summarized below:

Receipt/ Expense Item	Final Budget Kshs	Actual on Comparable Basis Kshs	Under Absorption in Kshs	% of Utilization	Under Absorption - %
Compensation of Employees	4,020,000	4,020,000	0	100%	0%
Use of goods and services	3,650,004	3,650,004	0	100%	0%
Transfers to Other Government Units	87,361,880	43,891,851	43,470,029	50%	50%
Other grants and transfers	45,471,542	22,789,373	22,682,169	50%	50%
Acquisition of Assets	2,175,000	2,175,000		100%	0%
Total	142,678,426	76,526,228	66,152,198	54%	46%

The under expenditure of Kshs.66,152,198 or 46% could be attributed to low disbursements of funds from the National Constituencies Development Fund Board. The slow pace of project implementation has resulted to delayed benefits to be derived from the projects by the residents of Malindi Constituency.

13.3 Project Implementation

The project status report indicated that a total of Kshs.98,189,654 was allocated for 49 projects during the financial year ended 30 June 2018. Scrutiny of the status report revealed as follows:

Status	Number of Projects	Allocation Kshs
Ongoing Projects	15	68,950,302
Not Started	7	10,911,207
Completed Projects	27	18,328,145
Total	49	98,189,654

From the above analysis, incomplete projects amounted to Kshs.79,861,509 which was attributed to non-disbursement of Kshs.59,284,483 by National Government Constituency Development Fund Board as at 30 June 2018.

This resulted to the budget not being fully implemented as envisaged. The slow progress on completion of projects may impact negatively on delivery of goods and services to the residents of Malindi Constituency.

13.4 Project Verification

During the year under review, eight (8) projects with a total allocation of Kshs.15,829,564 were visited for verification in the month of March 2019 and the following status of affairs of the specific projects were observed: -

Item No.	Project	Project Description	Allocation (Kshs)	Status as per Project Status Report	Auditors Observations
1	Sir Ali Primary School	Completion of new administration Block (Plastering, flooring, windows, painting, electrical ceiling and Plumbing)	3,381,034	Ongoing	Project incomplete. Windows, door and floor finishes not undertaken. Contractor has been paid 93% of amount tendered. Contractor was observed not to be on site. No signage.
2	Majivuni Primary School	Proposed Completion of Administration Block at Majivuni Primary School	2,000,000	Ongoing	Project incomplete. Floor finished, windows, wall finished, ceiling not undertaken. No signage. Project paid in full.
3	Kasimbiji Primary School	100 Desks @4,500 at	450,000	Incomplete	Not confirmed during project visit. Further, Stock ledger card from

Item No.	Project	Project Description	Allocation (Kshs)	Status as per Project Report	Auditors Observations
		Kasimbiji Primary School			Kasimbiji Primary School not availed for audit purposes.
4	Ganda Primary School	50 Desks @3984.06 at Ganda Primary School	400,000	Incomplete	Budgeted for purchase of 100 desks but only 50 desks were purchased and delivered.
5	Maziwani secondary	2 classroom blocks	2,498,530.00	Complete	Classroom completed and in use. Electrical work of Kshs.77,152 not done. The classrooms are not labelled to have been funded by CDF (signage).
6	Malindi Mere Police post	Renovation of buildings	4,000,000	ongoing	The project had been queried in 2016/17 as work was incomplete. Outstanding work not done.
7	Malindi AP Line	Construction of boundary wall	1,500,000	complete	No CDF Board signboard or labeling of project.
8	Langobaya Chiefs office	Construction of chiefs office plus 2 door toilet	2,000,000	complete	Work not done as per BQ-Works of Kshs.422,774 not yet done.
	Total		15,829,564		

There is need for the management to ensure that all projects are properly supervised to ensure satisfactory completion of all projects.

14.0 Failure to Prioritize On-going Projects

Included in statement of receipts and payments and as disclosed in Note 7 to the financial statements for the year ended 30 June 2018 is payments of Kshs.21,289,373 for other grants and transfers. Included in this figure are payments of Kshs.6,999,343 for security projects, out of which Kshs.4,053,415 was paid for projects which have been on-going for the last three years as detailed below:

Project Description	Payee/ Project	Contract Award Date	Contract Price Kshs	Payment in 2017/18 Kshs	Total Payment to Date Kshs	Balance Kshs	Observation
Renovation of buildings	Malindi Mere Police post	16 Sep 2015	4,923,409	1,000,000	4,000,000	923,409	The project was reported in 2015/16 Audit report as having works amounting to

Project Description	Payee/ Project	Contract Award Date	Contract Price Kshs	Payment in 2017/18 Kshs	Total Payment to Date Kshs	Balance Kshs	Observation
							Kshs.931,610 not having been done despite being reported as complete. The outstanding work has not been completed since then
Construction of 6 units - 5 staff houses and 1 unit as office for police post	Kakuyuni AP - Police Post	16 Sep 2015	7,992,626	2,053,415	5,053,415	2,939,211	Project first funded in financial year 2014/15. The building map had 6 identical units - 5 staff houses and 1 unit to be used as office. The building was not done as per drawing/plan with 4 units' staff houses and 1 block of four rooms done.
Construction of chiefs office plus 2 door toilet	Langobaya Chiefs office	17 Oct 2016	2,617,742	1,000,000	2,000,000	617,742	Though the office is in use, works amounting to Kshs.422,774 is still outstanding
Total			15,533,777	4,053,415	11,053,415	4,480,362	

The projects have been ongoing for three financial years and physical verification revealed the projects has not been completed. The projects have also not been fully funded contrary to Section 46(2) of National Government Constituencies Development Fund Act, 2015 which requires ongoing projects to be given priority.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

Implementation of Project Without Project Management Committee (PMC)

Review of project files revealed that projects amounting to Kshs.10,804,023 were implemented during the year under review without formation of Project Management Committee. This is contrary to Section 36(1) of National Government Constituencies Development Act, 2015 which states projects under this Act shall be implemented by the Project Management Committee appointed in accordance with the regulations made under section 57, with the assistance of the relevant department of Government and all payments through cheques or otherwise shall be processed and effected in accordance with government regulations for the time being in force.

The management was therefore in breach of 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Conclusion of Internal Controls, Risk Management and Governance section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability of National Government Constituency Development Fund – Malindi Constituency to continue 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 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 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.

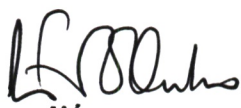
Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the National Government Constituency Development Fund – Malindi Constituency financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes

and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of National Government Constituency Development Fund – Malindi 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.



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

Nairobi

8 May 2019

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

Reports and Financial Statements

For the year ended June 30, 2018

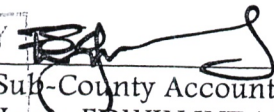
IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	80,353,447	103,562,823
Proceeds from Sale of Assets	2	-	
Other Receipts	3		
TOTAL RECEIPTS		80,353,447	103,562,823
PAYMENTS			
Compensation of employees	4	4,020,000	2,889,265
Use of goods and services	5	3,650,004	8,798,900
Transfers to Other Government Units	6	43,891,851	69,262,291
Other grants and transfers	7	22,789,373	45,058,927
Acquisition of Assets	8	2,175,000	7,225,600
Other Payments	9	-	-
TOTAL PAYMENTS		76,526,228	133,234,983
SURPLUS/DEFICIT		3,827,219	(29,672,160)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-MALINDI Constituency financial statements were approved on 16/9 2018 and signed by:


Fund Account Manager
Name: OMAR ABDALLAH

MALINDI CONSTITUENCY
DEVELOPMENT FUND
16 SEP 2018
FUND MANAGER
P.O. BOX 214 - 80200 MALINDI


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

NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)

MALINDI CONSTITUENCY

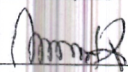
Reports and Financial Statements

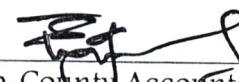
For the year ended June 30, 2018

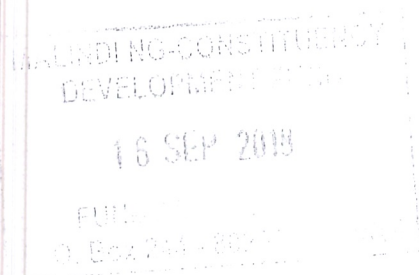
V. STATEMENT OF ASSETS

	Note	2017 - 2018	2016 - 2017
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	7,296,529	3,040,495
Cash Balances (cash at hand)	10B		-
Total Cash and Cash Equivalents		7,296,529	3,040,495
current Receivable - Outstanding Imprests	11		-
TOTAL FINANCIAL ASSETS		7,296,529	3,040,495
Retention	12		
NET FINANCIAL ASSETS		7,296,529	3,040,495
REPRESENTED BY			
Fund balance b/fwd 1st July...	13	3,040,495	32,712,656
Surplus/Deficit for the year		3,827,219	(29,672,160)
Prior year adjustments	14	428,815	-
NET FINANCIAL POSITION		7,296,529	3,040,495

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-MALINDI Constituency financial statements were approved on 16/9 2018 and signed by:


Fund Account Manager
Name: OMAR ABDALLAH


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



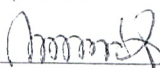
**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF)
MALINDI CONSTITUENCY**

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

VI. STATEMENT OF CASHFLOW

Receipts for operating income		2017 - 2018	2016 - 2017
Transfers from CDF Board	1	80,353,447	103,562,823
Other Receipts	3		-
		80,353,447	103,562,823
Payments for operating expenses			
Compensation of Employees	4	4,020,000	2,889,265
Use of goods and services	5	3,650,004	8,798,900
Transfers to Other Government Units	6	43,891,851	69,262,291
Other grants and transfers	7	22,789,373	45,058,927
Other Payments (purchase of motor vehicle)	9	2,175,000	-
		76,526,228	126,009,383
Adjusted for:			
Adjustments during the year	14	-	-
Net cash flow from operating activities		3,827,219	(22,446,560)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	-
Acquisition of Assets	9	-	(7,225,600)
Net cash flows from Investing Activities		-	(7,225,600)
NET INCREASE IN CASH AND CASH EQUIVALENT		3,827,219	(29,672,160)
Cash and cash equivalent at BEGINNING of the year	13	3,040,495	32,712,656
Cash and cash equivalent at END of the year		6,867,714	3,040,495

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NGCDF-MALINDI Constituency financial statements were approved on 16/9 2018 and signed by:


Fund Account Manager
Name: OMAR ABDALLAH


Sub-County Accountant
Name: EDWIN INDASE

ICPAK Member Number:

Reports and Financial Statements

For the year ended June 30, 2018

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 %
RECEIPTS						
Transfers from CDF Board	86,810,345	55,868,081	142,678,426	83,393,942	59,284,484	58%
Proceeds from Sale of Assets			0			
Other Receipts			0			
TOTAL	86,810,345	55,868,081	142,678,426	83,393,942	59,284,484	58%
PAYMENTS			0			
Compensation of Employees	3,020,000	1,000,000	4,020,000	4,020,000	0	100%
Use of goods and services	1,184,311	2,465,693	3,650,004	3,650,004	0	100%
Transfers to Other Government Units	48,870,690	38,491,190	87,361,880	43,891,851	43,470,029	50%
Other grants and transfers	31,560,344	13,911,198	45,471,542	22,789,373	22,682,169	50%
Acquisition of Assets	2,175,000	0	2,175,000	2,175,000		100%
Other Payments			0			
TOTAL	86,810,345	55,868,081	142,678,426	76,526,228	66,152,198	54%
		(0.35)				
					66,581,013.05	
					428,815.00	reversed cheques

(a) [For the revenue items, indicate whether they form part of the AIA by inserting the "AIA" alongside the revenue category.]

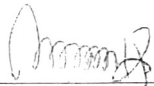
(b) [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)]

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

- (j) Transfers to other Government Units at 50%: as at 30th june 2018 only 50% (kshs 43,470,029) of the funding (kshs86,940,058) was received and disbursed
- (k) Other grants and transfers at 50% as 30th june only 50% was received and transferred

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSS 1.9.23.) The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should equal to the amounts reported in the Statement of Receipts and Payments.

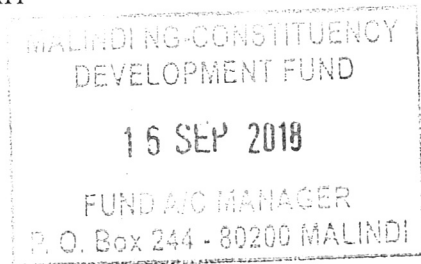
The NGCDF-MALINDI Constituency financial statements were approved on 16/9 2018 and signed by:



Fund Account Manager
Name: OMAR ABDALLAH



Sub County Accountant
Name: EDWIN INDASE
ICPAK Member Number:



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

Reports and Financial Statements

For the year ended June 30, 2018

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-MALINDI 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 30th 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.

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

Reports and Financial Statements

For the year ended June 30, 2018

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.

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

Reports and Financial Statements

For the year ended June 30, 2018

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 1st July 2017 to 30th 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 30th 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.

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

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2017-2018	2016-2017
		Kshs	Kshs
NGCDF Board			
AIE NO 892963	1	37,905,172	103,562,823
AIE NO 892559	2	36,948,275	
AIE NO 855916	3	5,500,000	
TOTAL		80,353,447	103,562,823

2. PROCEEDS FROM SALE OF ASSETS

	2017-2018	2016-2017
	Kshs	Kshs
Receipts from sale of Buildings	0	0
Receipts from the Sale of Vehicles and Transport Equipment	0	0
Receipts from sale of office and general equipment	0	0
Receipts from the Sale Plant Machinery and Equipment	0	0
	0	0
Total	0	0

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
MALINDI 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	0	0
Rents	0	0
Receipts from Sale of tender documents	0	0
Other Receipts Not Classified Elsewhere (Reversed cheques)	428,815	0
Total	428,815	0

4. COMPENSATION OF EMPLOYEES

	2017-2018	2016-2017
	Kshs	Kshs
Basic wages of contractual employees	3,756,068	2,870,065
Basic wages of casual labour	0	0
Personal allowances paid as part of salary	0	0
House allowance	0	0
Transport allowance	0	0
Leave allowance	0	0
Gratuity	0	0
Other personnel payments	263,932	19,200
Total	4,020,000	2,889,265

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

5. USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Committee Expenses	3,506,444	3,734,100
Utilities, supplies and services	143,560	35,000
Communication, supplies and services	0	201,000
Domestic travel and subsistence	0	600,000
Printing, advertising and information supplies & services	0	0
Rentals of produced assets	0	192,500
Training expenses	0	1,030,000
Hospitality supplies and services	0	0
Insurance costs	0	0
Specialized materials and services	0	0
Office and general supplies and services	0	1,474,500
Other operating expenses	0	1,329,100
Routine maintenance – vehicles and other transport equipment	0	50,200
Routine maintenance – other assets	0	152,500
Total	3,650,004	8,798,900

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

6. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to National Government entities	0	0
Transfers to primary schools (see attached list)	10,656,055	37,440,000
Transfers to secondary schools (see attached list)	33,235,796	25,200,000
Transfers to tertiary institutions (see attached list)	0	6,000,000
Transfers to health institutions (see attached list)	0	622,291
TOTAL	43,891,851	69,262,291

7. OTHER GRANTS AND OTHER PAYMENTS

	2017-2018	2016- 2017
	Kshs	Kshs
Bursary – secondary schools (see attached list)	6,502,000	22,142,541
Bursary – tertiary institutions (see attached list)	5,578,100	0
Bursary – special schools (see attached list)	116,000	0
Mock & CAT (see attached list)	0	0
Security projects (see attached list)	6,999,343	3,000,000
Sports projects (see attached list)	1,337,930	5,264,829
Environment projects (see attached list)	0	1,887,931
Emergency projects (see attached list)	756,000	8,787,785
Roads	0	625,000
Other capital grants	0	150,000
Total	21,289,373	45,058,927

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

8. ACQUISITION OF ASSETS

Non Financial Assets

	2017-2018	2016-2017
	Kshs	Kshs
Purchase of Buildings	0	0
Construction of Buildings	0	0
Refurbishment of Buildings	0	0
Purchase of Vehicles and Other Transport Equipment	2,175,000	5,225,000
Overhaul of Vehicles and Other Transport Equipment	0	0
Purchase of Household Furniture and Institutional Equipment	0	0
Purchase of Office Furniture and General Equipment	0	2,000,600
Purchase of ICT Equipment, Software and Other ICT Assets	0	0
Purchase of Specialised Plant, Equipment and Machinery	0	0
Rehabilitation and Renovation of Plant, Machinery and Equip.	0	0
Acquisition of Land	0	0
Acquisition of Intangible Assets	0	0
Total	2,175,000	7,225,600

9. OTHER PAYMENTS

	2017-2018	2016-2017
	Kshs	Kshs
Strategic plan	1,500,000	0
ICT Hub	0	0
TIVET	0	0
Total kshs	1,500,000	0

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

10A: Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	2017-2018	2016-2017
	Kshs	Kshs
<i>Equity Bank, Account No. (0450262081958)</i>	7,296,529	3,040,495
<i>Name of Bank, Account No.</i>	0	0
<i>Name of Bank, Account No.</i>	0	0
Total	7,296,529	3,040,495
10B: CASH IN HAND		
Location 1	0	0
Location 2	0	0
Location 3	0	0
Other Locations (<i>specify</i>)	0	0
Total	0	0
<i>[Provide cash count certificates for each]</i>		

**NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND (NGCDF) –
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For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: OUTSTANDING IMPRESTS

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>Name of Officer or Institution</i>	dd/mm/yy	0	0	0
<i>Total</i>				<u>0</u>

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

12 RETENTION

	2017 - 2018 Kshs	2016-2017 Kshs
Supplier 1	0	0
Supplier 2	0	0
Supplier 3	0	0
Total	<u>0</u>	<u>0</u>

[Provide short appropriate explanations as necessary]

13. BALANCES BROUGHT FORWARD

	2017-2018 Kshs	2016-2017 Kshs
Bank accounts	7,296,529	32,712,656
Cash in hand	0	0
Imprest	0	0
Total	<u>7,296,529</u>	<u>32,712,656</u>

[Provide short appropriate explanations as necessary]

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

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For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PRIOR YEAR ADJUSTMENTS

	2017- 2018	2016-2017
	Kshs	Kshs
Bank accounts	7,296,529	32,712,656
Cash in hand	0	0
Imprest	0	0
Total	7,296,529	32,712,656

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2017- 2018	2016-2017
	Kshs	Kshs
Construction of buildings	0	0
Construction of civil works	0	0
Supply of goods	0	0
Supply of services	0	0
	0	0

15.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
Senior management	0	0
Middle management	0	0
Unionisable employees	0	0
Others (<i>specify</i>)	0	0
	0	0

15.3: UNUTILIZED FUNDS (See Annex 3)

	Kshs	Kshs
Compensation of employees	0	0
Use of goods and services	0	0
Amounts due to other Government entities (see attached list)	0	0
Amounts due to other grants and other transfers (see attached list)	0	0
Acquisition of assets	0	0
Others (<i>specify</i>)	0	0
	0	0

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

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For the year ended June 30, 2018

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)	0	0
	0	0

NATIONAL GOVERNMENT ENTITY - (Indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2014	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

NATIONAL GOVERNMENT ENTITY - (Indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2014	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (<i>specify</i>)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

NATIONAL GOVERNMENT ENTITY - (Indicate actual name of the entity)
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

ANNEX 3 – UNUTILIZED FUNDS

Name	Brief Transaction Description	Outstanding Balance 2017/18	Outstanding Balance 2016/17	Comments
Compensation of employees				
Use of goods & services		182,758	0	
Amounts due to other Government entities		25,507,413	23,504,984	
Sub-Total				
Amounts due to other grants and other transfers		28,252,932	15,889,668	
Sub-Total				
Sub-Total				
Acquisition of assets				
Others (<i>specify</i>) Committee expenses		841,379	2,053,624	
Sub-Total				
Grand Total		54,784,482	41,448,275	

NATIONAL GOVERNMENT ENTITY - (indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2018 (Kshs'000)

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)	Time frame: (Put date when you expect the issue to be resolved)