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REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2022**

THE NATIONAL ASSEMBLY
DATE: 22 JUN 2023
Hon. Naomi W. O. Mwangi
Deputy Member of Parliament
A. Subula
Thursday

OFFICE OF THE AUDITOR GENERAL
NORTH EASTERN REGIONAL OFFICE

24 APR 2023

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LAMU EAST CONSTITUENCY

**NATIONAL GOVERNMENT CONSTITUENCIES
DEVELOPMENT FUND**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30th JUNE 2022**

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

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**Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022**

I. Key Constituency Information and Management

(a) Background information

The National Government Constituencies Development Fund (NG-CDF) formerly Constituencies Development Fund (CDF), is established under the NG-CDF Act 2015 as amended in 2016. The Act is a successor to the Constituencies Development Fund (CDF) Act of 2003 which initiated the Fund and its subsequent amendments/reviews of 2007 and 2013. At cabinet level, NG-CDF is represented by the Cabinet Secretary for the Treasury, 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

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.

Functions of NG-CDF Committee

The Functions of the NG-CDF Committee is as outlined in section 11 of The National Government Constituencies Development Fund Regulations, 2016.

(b) Key Management

The Lamu East Constituency NGCDF 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)

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(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	A.I.E holder	CPA Kumbatha Josef
2.	Sub-County Accountant	CPA Kimani Geoffrey
3.	Chairman NGCDFC	Ali Kassim Msalam
4.	Member NGCDFC	Khadija Swabir Mohamed

(d) Fiduciary Oversight Arrangements

The Audit and Risk Management Committee (ARMC) of NGCDF Board provide overall fiduciary oversight on the activities of Lamu East Constituency NGCDF. 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) Lamu East Constituency NGCDF Headquarters

P.O. Box 262
Duka la Sigara Building
Behind New Market, Next to Lamu Fort
LAMU - KENYA

(f) Lamu Constituency NGCDF Contacts

Telephone: (254) 704 451 760
E-mail: cdflamueast@ngcdf.go.ke
Website: www.go.ke

(g) Lamu East Constituency NGCDF Bankers

Equity Bank (Kenya) Limited
Account Name: Lamu East National Government Constituency Development Fund
Account Number: 1590261644233
Lamu Branch
P.o. Box 262 - 80500
LAMU

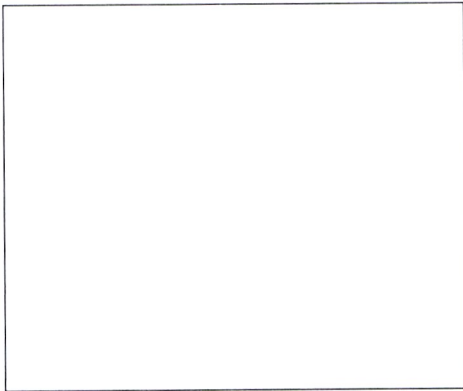
(h) Independent Auditors

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

(i) Principal Legal Adviser

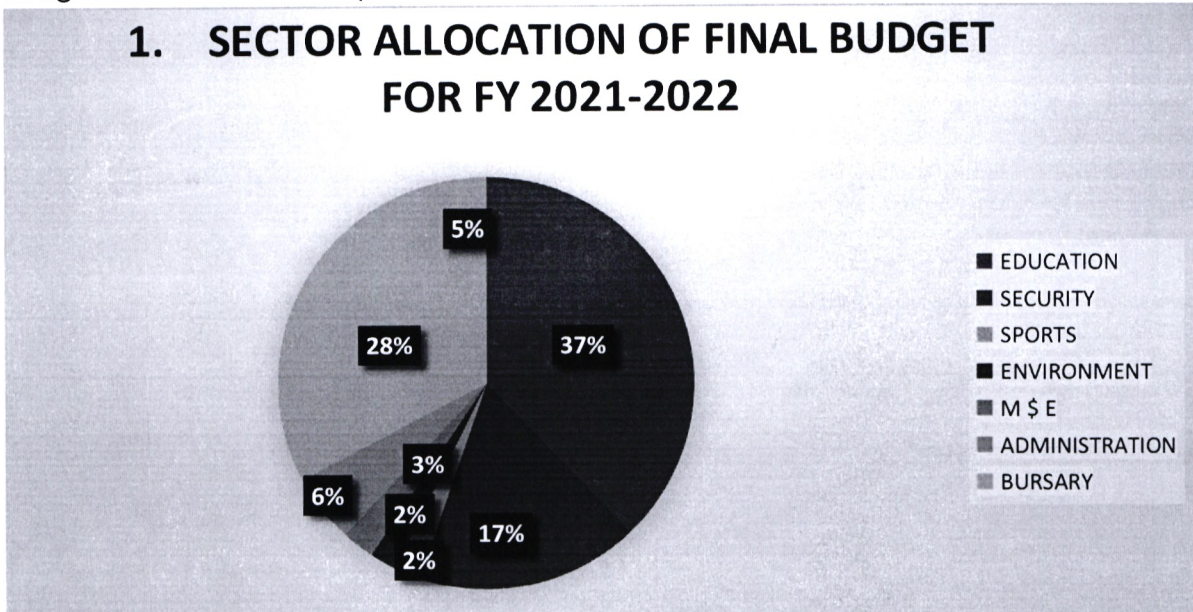
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. NGCDFC Chairman’s Report



I am pleased to forward the Financial Statements and Reports for NGCDF Lamu East Constituency for the period ended 30th June 2022 as the expended Budget for the Financial Year 2021/2022. The actual receipts from the NGCDF Board for the referred period was kshs.1 63,277,758.30 which comprises of kshs.26,188,879.30 being balances from previous years received within the financial year under review and kshs.137,088,879.31 being the financial year 2021/2022 project proposal budget as approved and funded. Thus Lamu East constituency received 100 per centum of the annual allocation. The final budget for the referred period was kshs.1 65,898,963 backed up by an Adjustment (cashbook opening balances) of kshs.2,621,250 and ksh.26,188,879.30 being outstanding receipts from previous financial years. Total expenditure for the period was kshs.165,848,455 which is equivalent to 100% of the actual final budget closing with a cashbook balance of kshs.50,508 with no outstanding pending disbursements from the NGCDF Board.

Budget allocations for the period have been summarized in a pie-chart as captured below



As depicted in the pie-chart, education has remained a major priority as it takes a lion's share of the entire budget totaling 65% comprising of 37% being for education infrastructure projects such as construction of classrooms, dormitories, libraries, laboratories, administration blocks, ablution blocks among others and 28% being bursaries for needy and bright students both in secondary and tertiary institutions of learning.

Coming in second as a major beneficiary of the funds allocation is security - at 17% which is understandable due to the perennial threats posed by the porous boarder shared by Kenya and her neighbor - Somalia that have seen the Al-shabaab militants continuously invading the Boni forest area of Lamu East Constituency.

Environment allocation has gone along way to conserve the environment through implementation of projects such as construction of VIP toilets to improve waste disposal, provision of rain water harvesting equipment and planting of trees in schools and public compounds.

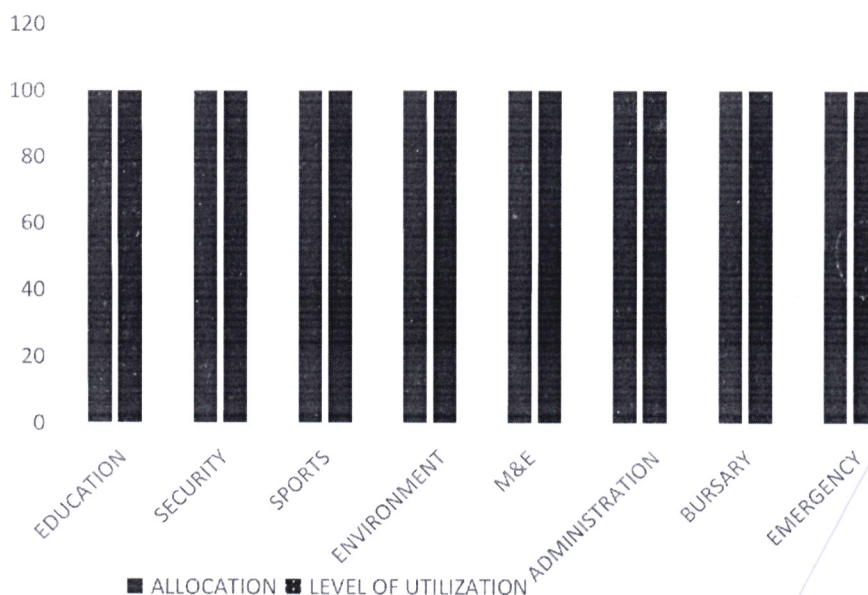
Sports allocation has awoken talents harnessing for the youths as they engage in various sporting activities and competitions.

Emergency allocation has come in hand to arrest life threatening calamities mostly caused by mother nature that may not have been prior planned for as they are unforeseen in nature

Administration allocation capacitates the committee to manage the fund efficiently and effectively

2. PROJECTS OUT PUT AND LEVEL OF FUND UTILIZATION

I'm delighted as the Chairman of NGCDF Committee Lamu East Constituency to report that the team performed above board in absorbing the annual allocated budget within the financial year. The timely and consistent disbursements of funds from the NGCDF Board coupled with the improved bureaucracies in the procurement laws and the teamwork of all players in project implementation empowered the NGCDF Committee Lamu East constituency to expend the annual budget within the required time frame, hence the 100% utilization as shown in the bar-graph below



PERENIAL ISSUES

Lamu East Constituency suffers from pre-independence challenges of;

- i) Diseases, illiteracy and poverty
- ii) Transport is hampered by lack of roads on the islands and the ocean
- iii) Insecurity caused by pirates and now terrorists

As a result, the fund has continuously endeavored to lead in the fight against illiteracy by supporting education 100% through infrastructure development and students sponsorship, construction of security facilities notable chief' s offices and police posts in every village of the constituency and more so insecurity hot spots.

EMERGING ISSUES

- i. Economic collapse caused by covid-19 pandemic
- ii. Climatic changes causing droughts, unpredictable rainfall and unusual rough seas
- iii. Ban on dusk to dawn fishing
- iv. Ban on mangrove harvesting
- v. High rural-urban migration by youth due to joblessness thus stripping the islands of much needed man-power for development

Despite a few challenges here and there, NGCDF continues to be one of the most preferred devolved funds at the grassroots by the society due to its broadened and inclusive management style and the visible tangible results that have brought hope to many villages that not so long ago were living in despair and ravaging poverty.

Forward by;



Abd Shae Mohamed
Chairman - NGCDF Lamu East Constituency

III. Statement Of Performance Against Predetermined Objectives for FY2021/22

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

Lamu East Constituency is mainly made up of Patte, Ndau, Kiwayu islands and the mainland Boni forest. Thus the main economic activity is fishing and tourism. Arable land is very limited though the population practice some crop production mainly food crops such as maize, beans, green grams and sim-sim. They also keep some livestock such as cows and donkeys.

The constituency has people of diverse culture that co-exist and participate in the development of the constituency but majority of the population is composed of the Bajuni community

Majority of the population is poor and records high illiteracy rate and perennial food deficit. This is one of the biggest challenges that faces the population of Lamu East Constituency. In terms of infrastructural development, the constituency lags behind in poor road network, inadequate safe drinking water, schools, security infrastructure and health facilities. The non-existence of a developed road network has resulted into the usage of dhows and donkeys as the main means of transport.

Majority of the population of Lamu East Constituency derive their livelihood from fishing, subsistence agriculture and livestock keeping. The area experiences unreliable rainfall and the population has perennial shortage of food and has repeatedly to depend on the government for food relief. Thus 65 per cent of the populations are food poor, 43 per cent are hardcore poor meaning that they cannot meet the basic minimum food requirements even after spending all their income on food alone. About 60 per cent of the adult population cannot meet the minimum cost of food and non food items essential for human life hence are absolutely poor. In terms of gender, 45 percent of the poor are male and 55 percent are female. The highest poverty incidence is found in the hinterland Boni forest areas of the constituency where the Boni community live as hunters and gatherers.

Lack of sufficient and reliable sources of potable water supply and sanitation services in Lamu East Constituency have greatly contributed to the high poverty levels inherent of the area. Provision of readily available potable water supply and improved sanitation will impact positively on the livelihoods of the communities by availing adequate time for engagement in farming and other economic activities, eradication of water borne related diseases, improved food security and better health care services.

The constituency has endeavored to come up with strategic objectives and related programmes and projects that have been formulated to better the livelihoods of the constituents as envisaged in the five year strategic plan (2018-2022). This is a commitment by the Lamu East NGCDF Committee to initiate projects for a period of five years that is expected to transform the livelihoods of the constituents for the better.

The vision statement is "To be a leader in promoting citizen's driven socio-economic programmes for sustainable development".

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The strategic objectives include:

- To improve the quality of the socio-economic well-being of the marginalized and vulnerable local communities.
- To contribute in enhancing infrastructure improvement.
- To promote conservation and management of the environment.
- To contribute in reducing unemployment among the youth in the constituency
- To develop and sustain institutional capacity of Lamu East Constituency NGCDF Committee

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

The key development objectives of NGCDF Lamu East Constituency's 2018-2022 plan are to:

Constituency Sector	Objective	Outcome	Indicator	Performance
Education	To have all children of school going age attending school	Increased enrollment in primary schools and improved transition to secondary schools and tertiary institutions	Number of usable physical infrastructure build in primary, secondary, and tertiary institutions Number of bursary beneficiaries at all levels	In the FY 2021/2022 we increased and renovated classrooms, furnished learning facilities, sanitation blocks, Multipurpose halls, Administration offices, etc in both primary and secondary schools, just to name but a few; - Kiunga Primary School supply of furniture - Kizingitini Girls primary school - new classrooms and renovation of dilapidated structures, - Shanga, Rasini Girls, Myabogi primary schools - renovation of classrooms - Faza Boys Primary School supply of furniture - Faza secondary school renovation of science laboratory - Siyu secondary school supply of furniture - Mbwajumwali secondary school multipurpose hall - Kizingitini secondary school renovation of classrooms - Bursary beneficiaries at all levels were sponsored with tuition fees totaling

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				kshs.47,000,000
Security	To have all government security agencies within the constituency provided with administration offices and secured working environment	Heightened security within the constituency that guarantees safe working environment and peaceful co-existence of communities and improved service delivery to the citizens	Number of police posts constructed and furnished Number of chiefs offices constructed and furnished	In the FY 2021/2022 the following infrastructures were implemented:- -Lamu East Sub-county Head Quarters at Faza - Lamu East Sub-county Police Head Quarters at Kizingitini Police Station - Chief Offices at Kiunga, Siyu, Patte, together with furniture of chief offices at Ndau, Kiwayu, Kizingitini - AP Post at Ndau, Kiangwe etc
Environment	Rehabilitation and Conservation of environment	Restoration of nature and protecting nature from degradation and pollution	Number of tree seedlings planted, gabions constructed, water harvesting facilities initiated and pit-latrines constructed	In the FY 2021/2022, funded water harvesting facilities at Mbwajumwali Secondary school, Shanga primary school, Patte Girls primary school, each supplied and installed with - 3no plastic water tanks of 10litres capacity - Pit-latrines at Kiangwe Police post, - Planted trees at Mtangawanda Primary School, Patte Girls secondary school, Mbwajumwali secondary school and Siyu secondary school
Sports	Promotion of Sports and Sporting activities	Harnessing of youth talents and promotion of peaceful coexistence of communities through social welfare activities such as ball games, boat racing and donkey competitions	Number of teams participated in sponsored sporting events Infrastructures constructed in institutions that providing sporting space Sporting gear and equipment procured for sporting teams	In the FY 2021/2022, we organized constituency sports tournament that provided a platform to harness and identify sporting talents, offered entertainment and peace building opportunity for all the communities in the constituency

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IV. Environmental and Sustainability Reporting

Lamu East NGCDF exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on social sector, namely, Education & Training, Security Sector Support, Environment, and Sports. This pillar also makes special provisions for Kenyans with various disabilities and previously marginalized communities.

1. Sustainability strategy and profile -

To ensure sustainability of Lamu East NGCDF, the committee funds the following key sectors with the following sustainable priorities.

- a) **Education and Training:** Lamu East NGCDF focus on human capital for constituency development is entrenched in its strategy to support needy and bright students from each ward of the constituency. The intention is to empower the constituents such that in years to come, the beneficiaries at secondary school levels would have transitioned to Tertiary institutions while those at tertiary level would have transitioned to the job market as employees or employers thereby contributing positively to the economic growth of the constituency. This strategy takes care of both marginalized groups including girls and people living with disabilities.
- b) **Security Sector Support:** Among its key pillars; NGCDF has security as a priority area with intention to provide better working environment for the security providers within the constituency as well a secure constituency. The strategy is to have a long-term collaborative working approach that enhances community engagement in security activities. This is aimed at eliminating crime and vices in the long run by providing a better working environment for the law enforcement agencies while collaborating with community in trust on matters of security.
- c) **Environment:** The Constituency acknowledges that all its operation has an impact on environment. Cognizant of the Sustainable development goals, the NGCDF has allocated part of its budget on environment conservation through activities such as tree planting, water conservation, sensitization forums for agroforestry as well as best practices to reduce soil erosion.
- d) **Sports:** The NGCDF has taken sports as a key pillar of cohesion and integration. To sustain this pillar, the strategy taken is that of developing skills through sports with intention of identifying, nurturing talent and encouraging physical fitness among the constituents.

To attain this level of sustainability, we acknowledge challenges currently arising from the effects of Covid-19 that have adversely affected the sporting activities and thereby limiting the potential benefits envisaged in using sports as development strategy within the constituency. On macro levels FY 21/22 has been a challenging year with limited funding towards these activities which may hamper the success of priority strategies undertaken.

2. Environmental performance

Environment Policy and Action Plan

Protection of the environment in which we live and operate is part of Lamu East NGCDF initiatives

Care for the environment is one of our key responsibilities and an important aspect in the way in which we carry out our operations.

Our Environmental Policy

In this policy statement Lamu East NGCDF commits to:

- ✓ Comply with all relevant environmental legislation, regulations and approved codes of practice
- ✓ Protecting the environment by striving to prevent and minimize our contribution to pollution of land, air, and water

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- ✓ Seeking to keep wastage to a minimum and maximize the efficient use of materials and resources
- ✓ Managing and disposing of all wastage in a responsible manner;
- ✓ Providing training for our CDFC and staff so that we all work in accordance with this and within an environmentally aware culture
- ✓ Regularly communicating our environmental performance to our employees and other significant stakeholders
- ✓ Developing our management processes to ensure that environmental factors are considered during planning and implementation
- ✓ Monitoring and continuously improving our environmental performance.
- ✓ Seeking to leverage our environmental impact by encouraging stakeholders to improve their environmental performance

Our Environmental Action Plan

Lamu East NGCDF has identified four areas in which we as an office have direct or indirect environmental impact, and where we can implement initiatives to manage and reduce these impacts. These four areas together with our approach and targets for each are shown below:

Impact Area	Approach
Capacity Building	<ul style="list-style-type: none"> ● Promote environmental awareness by sensitizing the Lamu East NG-CDFC, NG-CDFC staff and PMCs on good conservation practices ● To encourage, through regular communication to Lamu East NG-CDFC, staff, and other stakeholders changes in individual behaviour to reduce usage
Conservation of Energy and Resources	<ul style="list-style-type: none"> ● To maximize use of available technologies to remove the need to use paper ● To encourage our clients to engage with us using electronic means where possible ● To maximize on rain water harvesting ● To make energy efficiency a key factor in the selection of any new energy device being purchased ● To invest in available energy saving technologies and devices within our existing premises
Environmental Protection and Conservation	<ul style="list-style-type: none"> ● To promote use of volt guards to control power surges ● We have constructed culverts and gabions to prevent soil erosion ● To encourage tree planting in the constituency to improve the forest cover. ● To promote purchase and installation of fire extinguishers to aid in extinguishing and controlling fires
Pollution Control and Waste Management	<ul style="list-style-type: none"> ● To ensure that all paper waste is recycled ● To ensure segregation of waste ● To ensure proper human waste disposal through construction of pit latrines, septic and soak pit tanks

3. Employee welfare

We invest in providing the best working environment for our employees. Lamu constituency recruitment is guided by Employment Act, NGCDF Act and other regulations as issued from time to time. In line with the law and regulations, the Constituency offers equal opportunity to all while adhering to the one third gender rule and special groups. We also Recognize and appreciate of our employees for exemplary performance. The reward and sanctions system is based on performance appraisal.

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The constituency promotes a healthy lifestyle and provides all employees with health insurance cover through a reliable insurance Scheme. Employees are encouraged and supported to continually build on their skills and knowledge. Lamu constituency invests in capacity building programs for employees. These include courses on technical competencies relevant to each employee and continuous sensitization on cross cutting issues. The committee has a policy on safety in compliance with Occupational Safety and Health Act of 2007, (OSHA) and has ensured the work environment is conducive for everybody in terms of movement and accessibility within the office. The Constituency has also put in place disaster mitigating measures including fire extinguishers and accessible escape routes in case of emergency.

4. Market place practices-

Lamu NGCDF Constituency is committed to fair and ethical market practices.

The Procurement of goods and services is done through a transparent and competitive bidding process that allows equal opportunities to all participants. We support local vendors drawn from the constituency for purposes of uplifting them economically. Our ethical market practices ensure the fund get value for money on all goods and services procured.

We are also committed to healthy relations with our suppliers which is enhanced through organized sensitization forums that relate to the procurement legal framework and ethical subject matters. We are dedicated to honoring all contracts and settling payments promptly.

NGCDF has put in efforts to ensure:

- a) Responsible competition practice by encouraging fair competition and zero tolerance to corruption
- b) Good business practice including cordial Supply chain and supplier relations by honoring contracts and respecting payment practices.
- c) Responsible marketing and advertisement
- d) Product stewardship by safeguarding consumer rights and interest

5. Community Engagements-

Lamu NGCDF has endeavored to sustain community engagement through CSR as well as appreciating our existence through engaging local contractors and suppliers when necessary. We have also engaged the community through sports and community projects.

Public Participation in Project Identification and Implementation and Monitoring

The NGCDFC deliberated on project proposals from all the wards in the constituency and considered the most beneficial to the constituency, considering the national development plans and policies and the constituency strategic development plan. The identified list of priority projects, both immediate and long term, was submitted to the NGCDF Board in accordance with the Act.

Public participation is the process that directly engages the concerned stakeholders in decision-making and gives full consideration to public input in making that decision.

The NG CDFC during bursary programme, engaged the community through the community leaders to identify the needy students to be awarded with the bursary.

Public Awareness

This includes mechanisms for participation and cooperation with local, regional and national agencies, and for conducting community-based needs assessments and public awareness campaigns and holding community meetings.

Lamu East NGCDF have continually practiced public participation and public awareness during project identification and proposal collections in all the wards in the constituency.

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George Juma Onesmus
Fund Account Manager

V. Statement of Management Responsibilities

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

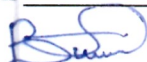
The Accounting Officer in charge of the NGCDF Lamu East Constituency is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2022. 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 Lamu East 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 *constituency's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2022, and of the entity's financial position as at that date. The Accounting Officer charge of the NGCDF Lamu East Constituency further confirms the completeness of the accounting records maintained for the *constituency*, 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.

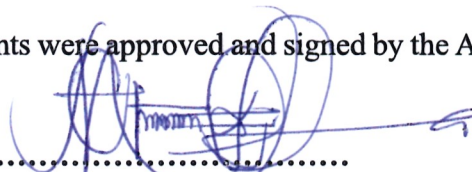
The Accounting Officer in charge of the NGCDF Lamu East Constituency confirms that the *constituency* has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the *constituency'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 Lamu East Constituency financial statements were approved and signed by the Accounting Officer on _____ 2023.

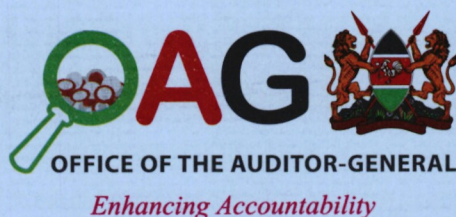


.....
Name: Bwanadi Mohamed Shee
Chairman – NGCDF Committee



.....
Name: George Juma Onesmus
Fund Account Manager

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - LAMU EAST CONSTITUENCY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the Fund has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that the entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Lamu East Constituency set out on pages 1 to 28, which comprise of the statement of assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and summary statement of

Report of the Auditor-General on National Government Constituencies Development Fund - Lamu East Constituency for the year ended 30 June, 2022

appropriation 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 the National Government Constituencies Development Fund - Lamu East Constituency as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the National Government Constituencies Development Fund Act, 2015.

Basis for Qualified Opinion

1. Other Grants and Transfers - Security Projects

The statement of receipts and payments reflects a balance of Kshs.90,152,209 for other grants and transfers as disclosed in Note 5 to the financial statements. Included in the balance is an expenditure of Kshs.28,600,000 on transfers to the Project Management Committees (PMCs) for implementation of security projects. Out of this balance, Kshs.3,000,000 was disbursed to Siyu Administration Police Post PMC for construction of an administration block. However, review of the records revealed that the project was not implemented during the year under review. It was also noted that the funds meant for the project was approved by National Government Constituencies Development Fund Board on 30 June, 2022 for re-allocation to Kiwayu Primary School for renovation of seven (7) class rooms. It was not explained why the transfer was not included in the unutilized funds but instead included in the security projects as a disbursement while the intended project was not implemented during the year under review.

In the circumstances, the accuracy and completeness of the transfer of Kshs.3,000,000 for security projects could not be confirmed.

2. Compensation of Employees

2.1 Unsupported Casuals' Wages

The statement of receipts and payments reflects a balance of Kshs.4,700,700 for compensation of employees as disclosed in Note 2 to the financial statements. Included in the balance is an expenditure of Kshs.1,544,670 for casuals' wages. However, Management did not provide muster rolls/attendance register to support the expenditure.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.1,544,670 for casual wages could not be confirmed.

2.2 Misclassification of Expenditure

The statement of receipts and payments reflects a balance of Kshs.4,700,700 for compensation of employees as disclosed in Note 2 to the financial statements. Included in the balance is an expenditure of Kshs.462,000 for office rent which ought to have been

disclosed under rental of produced assets. The misclassification therefore led to overstatement of employee costs by Kshs.462,000.

In the circumstances, the employee costs of Kshs.4,700,700 reported in the financial statements is misstated by Kshs.462,000.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Lamu East Constituency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The summary statement of appropriation reflects both final receipts budget and actual amounts on comparable basis of Kshs.165,898,963, representing a 100% budget performance. Similarly, the Fund expended Kshs.165,848,455 against an approved budget of Kshs.165,898,963, resulting to an under-expenditure of Kshs.50,508.

The under-expenditure may have affected implementation of the Fund's planned activities and impacted negatively on service delivery to the people of Lamu East Constituency.

2. Unresolved Prior Year Matters

In the audit of the previous year, several issues were raised under the report of financial statements and report on Lawfulness and Effectiveness in Use of Public Resources and report on Effectiveness of Internal Controls, Risk Management and Governance. However, although Management has indicated as having resolved the prior year audit issues, no evidence was provided to support that status.

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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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. Other Grants and Transfers

1.1 Security Projects

The statement of receipts and payments reflects a balance of Kshs.90,152,209 for other grants and other payments. Included in the balance is an expenditure of Kshs.28,600,000 for transfers to the Project Management Committees (PMCs) for implementation of security projects in respect of construction of administration block, renovation of offices and purchase of office furniture. Review of payment records revealed that transfers totaling to Kshs.23,600,000 were made in the year under review. However, project files for transfers totalling Kshs.20,600,000 provided for audit did not contain company profiles of the winning bidders to confirm whether they had satisfied the mandatory requirements set for preliminary evaluation of tender. In addition, there were no cost estimates prepared by the engineer to act as a guide to the evaluation committees on determining as to whether the bidders' quoted prices were reasonable.

In the circumstances, the regularity of transfers totalling Kshs.20,600,000 and whether the Fund got value for money could not be confirmed.

1.2 Emergency Projects

The statement of receipts and payments reflects a balance of Kshs.90,152,209 for other grants and transfers. Included in the balance is an expenditure of Kshs.7,192,209 for emergency expenses. Review of the payment documents revealed that four (4) projects amounting to Kshs.7,192,209 were not of emergency in nature as 'urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents', contrary to Section 8(3) of the National Government Constituencies Development Fund Act, 2015. Further, the utilization of the emergency reserve was not reported to the Board within thirty (30) days of the occurrence of the emergency, in the format prescribed by the Board.

In the circumstances, Management was in breach of the law.

2. Non-Submission of National Hospital Insurance Fund Deductions

The statement of receipts and payments reflect compensation of employees' balance of Kshs.4,700,700. Review of the Fund's payroll revealed that statutory deductions for the months of May and June, 2022 amounting to Kshs.11,900 on National Hospital Insurance Fund were not remitted contrary to Section 16(1) of the National Hospital Insurance Fund Act, 2012 which requires that a person liable to pay a standard contribution under Section 15 shall pay such contribution through monthly deductions from his salary or other remuneration and the employer of such person shall be liable to deduct and to pay the contribution to the Board on behalf of and to the exclusion of that person.

In the circumstances, Management was in breach of the law.

3. Project Management Committee (PMC) Records

The financial statements under Annex 5 discloses Project Management Committee's unutilized bank balance of Kshs.117,801. Review of records of the various Project Management Committees revealed that bank statements for Project Management Committees' accounts were not maintained at the Constituency office contrary to Regulation 15(10)(a) of the National Government Constituencies Development Fund Regulations, 2016. Further, no explanation was given for failure to close the accounts of the Project Management Committee and transfer balances to the Fund's account contrary to Section 12(8) of the National Government Constituencies Development Fund Act, 2015.

In the circumstances, Management was in breach of the law.

4. Unsupported Transfer to Other Government Units - Transfers to Primary Schools

The statement of receipts and payments for the year ended 30 June, 2022 reflects a balance of Kshs.62,900,000 for transfers to other government units. Included in the balance is an expenditure of Kshs.41,400,000 for transfers for implementation of projects in various primary schools. A review of payments, project files and other relevant records revealed that transfers totaling to Kshs.29,400,000 were made in the year under review. It was however noted that project files for grants amounting to Kshs.28,400,000 provided for audit did not contain the company profile of the winning bidders to confirm whether the winning bidders had satisfied the mandatory requirement set for preliminary evaluation of tender. It was further noted that there were no cost estimates prepared by the engineer to act as a guide to the evaluation committees on determining as to whether the bidders quoted prices were reasonable.

In the circumstances, the Fund may not have achieved value for money.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Unsupported Ownership, Valuation and Existence of Fixed Assets

As disclosed in Annex 4 of the financial statements, the Fund has assets totaling Kshs.20,841,953 as at 30 June, 2022. Included in the summary of assets register is the historical costs of the Fund's buildings amounting to Kshs.9,805,012. However, Management did not disclose the cost of the land where the Fund's offices are constructed and ownership documents like the title deed or allotment letter for the land. It was also noted that two (2) boats owned by the Fund were not functional and ownership documents were not provided for audit review. In addition, the assets were not tagged and could not therefore be clearly identified.

In the circumstances, the ownership, valuation and existence of the Fund's assets could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall 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 controls 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management 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 overall 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 non-compliance. 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 Fund's 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 Management.
- Conclude on the appropriateness of Management's use of the applicable 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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu CBS
AUDITOR-GENERAL

Nairobi

22 May, 2023

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

VII. Statement Of Receipts and Payments for the Year Ended 30th June 2022

	Note	2021 – 2022	2020- 2021
		Kshs	Kshs
Receipts			
Transfers From NGCDF Board	1	163,277,758	113,400,000
Total Receipts		163,277,758	113,400,000
Payments			
Compensation Of Employees	2	4,700,700	4,899,172
Use Of Goods and Services	3	8,095,546	8,235,694
Transfers to Other Government Units	4	62,900,000	43,903,200
Other Grants and Transfers	5	90,152,209	116,646,672
Other Payments	6	-	<u>4,677,027</u>
Total Payments		165,848,455	178,361,765
Surplus/(Deficit)		<u>(2,570,697)</u>	<u>(64,961,765)</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Constituency financial statements were approved on _____ 2023 and signed by:


Fund Account Manager


National Sub-County Accountant


Chairman NGCDF Committee

Name: George Juma Onesmus

Name: Peter Vucko

Name: Bwanadi Shee Mohamed

ICPAK M/No:

ICPAK M/No:

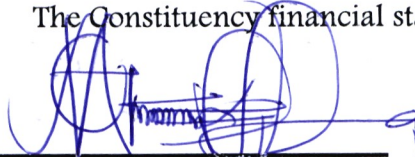
Lamu East Constituency
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VIII. Statement of Assets and Liabilities As At 30th June, 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Financial Assets			
Cash And Cash Equivalents			
Bank Balances (As Per the Cash Book)	7A	50,508	2,621,205
Total Cash and Cash Equivalents		50,508	2,621,205
Accounts Receivable			
Total Financial Assets		50,508	2,621,205
Financial Liabilities			
Accounts Payable (Deposits)			
Total Financial Liabilities		=	=
Net Financial Assets		<u>50,508</u>	<u>2,621,205</u>
Represented By			
Fund Balance B/Fwd	8	2,621,205	67,582,970
Surplus/Deficit for The Year		(2,570,697)	(64,961,765)
Net Financial Position		<u>50,508</u>	<u>2,621,205</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Constituency financial statements were approved on _____ 2023 and signed by:



Fund Account Manager
Name: George Juma Onesmus

ICPAK M/No:



National Sub-County Accountant
Name: Peter Vucko

ICPAK M/No:



Chairman NGCDF Committee
Name: Bwanadi Shee Mohamed

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
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IX. Statement of Cash Flows for the Year Ended 30th June 2022

	Notes	2021 - 2022	2020 - 2021
		Kshs	Kshs
Receipts From Operating Activities			
Transfers From NGCDF Board	1	163,277,758	113,400,000
Total Receipts		163,277,758	113,400,000
Payments			
Compensation Of Employees	2	4,700,700	4,899,172
Use Of Goods and Services	3	8,095,546	8,235,694
Transfers To Other Government Units	4	62,900,000	43,903,200
Other Grants and Transfers	5	90,152,209	116,646,672
Other Payments	6	-	4,677,027
Total Payments		165,848,455	178,361,765
Total Receipts Less Total Payments		(2,570,697)	(64,961,765)
Net Cash Flow from Operating Activities		(2,570,697)	(64,961,765)
Cash flow From Investing Activities			
Net Cash Flows from Investing Activities		(2,570,697)	(64,961,765)
Net Increase/(Decrease) In Cash And Cash Equivalent		(2,570,697)	(64,961,765)
Cash & Cash Equivalent At Start Of The Year	9	2,621,205	67,582,970
Cash & Cash Equivalent At End Of The Year	9	<u>50,508</u>	<u>2,621,205</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Constituency financial statements were approved on _____ 2023 and signed by:


Fund Account Manager

Name: George Juma Onesmus
ICPAK M/No:


National Sub-County Accountant

Name: Peter Vucko
ICPAK M/No:


Chairman NGCDF Committee

Name: Bwanadi Mohamed Shee

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

X. Summary Statement of Appropriation for the Year Ended 30th June 2022

Receipts/Payments	Original Budget a	Adjustments b		Final Budget c=a+b	Actual on comparable basis d	Budget utilization difference e=c-d	% of Utilization f=d/c %
		Opening Balance (C/Bk) and AIA	Previous Years' Outstanding disbursements				
	2021/2022			2021/2022	30/06/2022		
Receipts	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfers From NGCDF Board	137,088,879	2,621,205	26,188,879	165,898,963	165,898,963	0	
Totals	137,088,879	2,621,205	26,188,879	165,898,963	165,898,963	0	100%
Payments							
Compensation Of Employees	4,300,000	451,197	0	4,751,197	4,700,700	50,497	98.9%
Use Of Goods and Services	8,036,672	58,885	0	8,095,557	8,095,546	11	100%
Transfers To Other Government Units	55,600,000	2,111,121	5,188,879	62,900,000	62,900,000	0	100%
Other Grants and Transfers	69,152,207	2	21,000,000	90,152,209	90,152,209	0	100%
Totals	137,088,879	2,621,205	26,188,879	165,898,963	165,848,455	50,508	100%

***Funds pending approval are sums not yet approved by the board for utilization and include approved allocations and/or AIA not yet allocated for specific projects.*

Budget was full funded with disbursements for the financial year from the NGCDF Board, Cashbook balances brought forward from previous financial years and Previous year's outstanding disbursements that were received during the financial year. Approved budget for the financial year 2021/2022 was kshs. 137,088,879. Cashbook opening balances brought forward from previous financial year was kshs.2,621,205, while funds that were outstanding for disbursement at the NGCDF Board and were received during the financial year were kshs. 26,188,879.30. Thus the total financial budget available for expending during the year under review was kshs. 165,898,963. Actual on comparable basis is (Receipts) kshs. 165,898,963 which is equivalent of 100% of total financing budget and Total expenditure for the period (Payments) kshs. 165,848,455 being 99% of the total financing budget leaving a closing Cashbook balance of kshs. 50,508.

Lamu East Constituency
 National Government Constituencies Development Fund (NGCDF)
 Annual Report and Financial Statements for The Year Ended June 30, 2022

Reconciliation of Summary Statement of Appropriation to Statement of Assets and Liabilities

Description	Amount
Budget utilization difference totals	50,508
	50,508
Cash and Cash Equivalents at the end of the FY 2021/2022	50,508

The Constituency financial statements were approved on _____ 2023 and signed by:



Fund Account Manager

Name: George Juma Onesmus
 ICPAK M/No:



National Sub-County Accountant

Name: Peter Vucko
 ICPAK M/No:



Chairman NGCDF Committee

Name: Bwanadi Shee Mohammed

Lamu East Constituency
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XI. Budget Execution by Sectors and Projects for the Year Ended 30th June 2022

Programme/Sub-programme	Original Budget 2021/2022 Kshs	Adjustments Opening Balance (C/Bk) and ALA Kshs	Previous Years' Outstanding Disbursements Kshs	Final Budget 2021/2022 Kshs	Actual on comparable basis 30/06/2022 Kshs	Budget utilization difference Kshs
1.0 Administration and Recurrent						
1.1 Compensation of employees	4,300,000	451,197	0	4,751,197	4,700,700	50,497
1.2 Committee allowances	3,000,000	0	0	3,000,000	3,000,000	0
1.3 Use of goods and services	924,672	8,418,41	0	933,090	933,079	11
	8,224,672	459,615	0	8,684,287	8,633,779	50,508
2.0 Monitoring and evaluation						
2.1 Capacity building	1,612,000	467	0	1,612,467	1,612,467	0
2.2 Committee allowances	2,500,000	50,000	0	2,550,000	2,550,000	0
2.3 Use of goods and services	0	0	0	0	0	0
	4,112,000	50,467	0	4,162,467	4,162,467	0
3.0 Emergency						
3.1 Primary Schools						
3.2 Secondary schools						
3.2.1Mbwajumwali Secondary School	1,692,207	1.90	0	1,692,209	1,692,209	0
3.3 Tertiary institutions						
3.4 Security projects						
3.4.1 Kizingitini Police Station	3,400,000	0	0	3,400,000	3,400,000	0
3.4.2 Lamu East Sub-county HQ	1,500,000	0	0	1,500,000	1,500,000	0

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Programme/Sub-programme	Original Budget	Adjustments Opening Balance (C/BK) and AIA	Previous Years' Outstanding Disbursements	Final Budget 2021/2022	Actual on comparable basis 30/06/2022	Budget utilization difference
3.4.3 Faza ACC	600,000	0	0	600,000	600,000	0
	7,192,207	1.90	0	7,192,209	7,192,209	0
4.0 Bursary and Social Security						
4.1 Secondary Schools	24,000,000	0	0	24,000,000	24,000,000	0
4.2 Tertiary Institutions	23,000,000	0	0	23,000,000	23,000,000	0
4.3 Social Security	47,000,000	0	0	47,000,000	47,000,000	0
5.0 Sports						
5.1	2,730,000	0	0	2,730,000	2,730,000	0
	2,730,000	0	0	2,730,000	2,730,000	0
6.0 Environment						
6.1 Mbwajumwali Secondary School	700,000	1,700,000	0	2,400,000	2,400,000	0
6.2 Patte Girls Secondary School	700,000	200,000	0	900,000	900,000	0
6.3 Kiangwe Police Post	630,000	0	0	630,000	630,000	0
6.4 Shanga Primary School	700,000	0	0	700,000	700,000	0
	2,730,000	1,900,000	0	4,630,000	4,630,000	0
7.0 Primary Schools Projects (List all the Projects)						
7.1 Mwangawanda primary school	0.00	2,400,000	0	2,400,000	2,400,000	0
7.2 Kiangwe primary school	0.00	500,000	0	500,000	500,000	0
7.3 Mkokoni primary school	0.00	1,000,000	0	1,000,000	1,000,000	0

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Programme/Sub-programme	Original Budget 2021/2022	Adjustments Opening Balance (C/BK) and AIA	Previous Years' Outstanding Disbursements	Final Budget 2021/2022	Actual on comparable basis 30/06/2022	Budget utilization difference
7.4 Kiunga primary school	3,000,000	600,000	0	3,000,000	3,000,000	0
7.5 Mbwajumwali primary school	3,000,000	1,000,000	0	3,000,000	3,000,000	0
7.6 Siyu primary school	3,000,000	300,000	0	3,000,000	3,000,000	0
7.7 Shanga primary school	4,000,000	0	0	4,000,000	4,000,000	0
7.8 Kizingitini Girls primary school	2,400,000	0	0	2,400,000	2,400,000	0
7.9 Kizingitini Girls primary school	3,000,000	0	0	3,000,000	3,000,000	0
8.0 Myabogi primary school	3,000,000	0	0	3,000,000	3,000,000	0
8.1 Faza Boys primary school	3,000,000	0	0	3,000,000	3,000,000	0
8.2 Patte primary school	2,200,000	0	0	2,200,000	2,200,000	0
8.3 Kizingitini Boys primary school	3,000,000	0	0	3,000,000	3,000,000	0
8.4 Tchundwa primary school	3,000,000	0	0	3,000,000	3,000,000	0
8.5 Rasini Girls primary school	3,000,000	0	0	3,000,000	3,000,000	0
8.0 Secondary Schools Projects (List all the Projects)	35,600,000	5,800,000	0	41,400,000	41,400,000	0
8.1 Faza secondary school	2,000,000	1,000,000	0	3,000,000	3,000,000	0
8.2 Mbwajumwali secondary school	2,000,000	500,000	0	2,500,000	2,500,000	0
8.3 Kizingitini secondary school	4,000,000	0	0	4,000,000	4,000,000	0
9.0 Tertiary Institutions Projects (List all the Projects)	8,000,000	1,500,000	0	9,500,000	9,500,000	0
9.1 Lamu East Technical Training Institute	12,000,000	0	0	12,000,000	12,000,000	0

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Programme/Sub-programme	Original Budget 2021/2022	Adjustments Opening Balance (C/BK) and AIA	Previous Years' Outstanding Disbursements	Final Budget 2021/2022	Actual on comparable basis 30/06/2022	Budget utilization difference
10.0 Security Projects	12,000,000	0	0	12,000,000	12,000,000	0
10.1 Lamu East Sub-county HQ	2,000,000	6,500,000	0	8,500,000	8,500,000	0
10.2 Ndaou Chief Office	0	600,000	0	600,000	600,000	0
10.3 Kirunga Chief Office	500,000	3,000,000	0	3,500,000	3,500,000	0
10.4 Ndaou AP Post	0	3,000,000	0	3,000,000	3,000,000	0
10.5 Siyu Chief Office	500,000	3,000,000	0	3,500,000	3,500,000	0
10.6 Siyu AP Post	500,000	3,000,000	0	3,500,000	3,500,000	0
10.7 Faza DCC	1,000,000	0	0	1,000,000	1,000,000	0
10.8 Kizingitini Chief Office	3,500,000	0	0	3,500,000	3,500,000	0
10.9 Patte Chief Office	500,000	0	0	500,000	500,000	0
10.10 Kizingitini Divisional Office	1,000,000	0	0	1,000,000	1,000,000	0
	9,500,000	19,100,000	0	28,600,000	28,600,000	0
Total	137,088,879	28,810,084	0	165,898,963	165,848,455	50,508

(NB: This statement is a disclosure statement indicating the utilization in the same format as the entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury

La...u East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

STATEMENT OF APPROPRIATION EXTRACT (FOR COMPARISON OF APPROPRIATION STATEMENT PAYMENTS TOTALS AND BUDGET EXECUTION TOTAL)

Receipt/Expense Item	Original Budget a	Opening Balance Cashbook & AIA	Previous Years Outstanding Disbursements b	C = a+b	d	E = c-d	F = d/c %
PAYMENTS							
Compensation of Employees	4,300,000	451,197	0	4,751,197	4,700,700	50,497	
Use of Goods and Services	8,036,672	58,885	0	8,095,557	8,095,546	11	
Transfers to Other Government Units	55,600,000	7,300,000	0	62,900,000	62,900,000	0	
Other Grants and Transfers	69,152,207	21,000,000	0	90,152,209	90,152,209	0	
Total	137,088,879	28,810,084	0	165,898,963	165,848,455	50,508	

XII. 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) payable that include deposits (gratuity and retention).

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 Lamu East 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 recognizes all receipts from the various sources when the event occurs, and the related cash has actually been received by the Entity.

Transfers from the National Government Constituency Development Fund (NG-CDF)

Transfers from the NG-CDF to the constituency are recognized when cash is received in the Constituency account.

Proceeds from Sale of Assets

Proceeds from disposal of assets are recognized as and when cash is received in the constituency account.

Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from sale of tender documents, rent receipts, interest earned on bank balances, hire of Plant/Equipment/Facilities, Unutilized funds from PMCs among others.

Unutilized Funds from PMCs.

All unutilized funds of the Project Management Committee (PMC) are returned to the constituency account. Unutilized funds from PMCs are recognized as other receipts upon return to the constituency account.

External Assistance

External assistance refers to grants and loans received from local, multilateral and bilateral development partners. In the year under review there was no external assistance received.

(Significant Accounting Policies continued)

b) Recognition of payments

The Entity recognizes 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 constituency and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

5. In-kind contributions

In-kind contributions are donations that are made to the constituency 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 constituency 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 various commercial banks at the end of the financial year.

7. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorized 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.

(Significant Accounting Policies continued)

8. Accounts Payable

For the purposes of these financial statements, Deposits (gratuity and retention) held on behalf of third parties have been recognized on an accrual basis (as accounts payable). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfillment of obligations by the contractor and to hold deposits on behalf of third parties. Gratuity earned on monthly is held on behalf of the employee and later paid at the end of the contract period. This is an enhancement to the cash accounting policy adopted by National Government Constituencies Development Fund as prescribed by PSASB. 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 are 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 financial 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 Fund

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

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest which is 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 30 June 2021 for the period 1st July 2021 to 30th June 2022 as required by law. Included in the adjustments are Cash book opening balance, AIA generated during the year and constituency allocations not yet disbursed at the beginning of the financial year.

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 2022.

14. Errors

Material prior period errors are 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

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa.

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

XIII. Notes to the Financial Statements

1. Transfers from NGCDF Board

Description	2021-2022	2020-2021
NGCDF BOARD	Kshs	Kshs
AIE NO. 140976	26,188,879	2,000,000
AIE NO. 105393	45,000,000	5,000,000
AIE NO. 105608	23,000,000	9,000,000
AIE NO. 105978	10,000,000	500,000
AIE NO. 128587	16,000,000	12,000,000
AIE NO. 128899	26,000,000	15,000,000
AIE NO. 154096	5,088,879	6,900,000
AIE NO. 895013	12,000,000	8,000,000
		6,000,000
		15,000,000
		6,000,000
		10,000,000
		18,000,000
TOTAL	163,277,758	113,400,000

2. Compensation Of Employees

	2021-2022	2020-2021
	Kshs	Kshs
NGCDFC Basic Staff Salaries	4,149,576	3,785,530
Office Rent	462,000	1,008,639
Employer Contributions Compulsory national social security schemes	89,124	105,003
Total	4,700,700	4,899,172

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Notes To the Financial Statements (Continued)

3. Use Of Goods and Services

	2021-2022	2020-2021
	Kshs	Kshs
Utilities, supplies and services		32,340
Electricity	24,720	17,600
Water & Sewerage charges	28,500	15,000
Office Rent	462,000	0
Communication, Supplies and Services	83,860	20,540
Domestic travel and subsistence	993,100	32,000
Printing, advertising and information supplies & services	529,272	49,400
Training expenses	399,500	1,822,000
Hospitality supplies and services	99,450	25,800
Other committee expenses	1,824,600	2,450,000
Committee allowance	2,936,400	3,045,138
Specialized materials and services	108,608	119,200
Office and general supplies and services	407,946	102,995
Other operating expenses	0	75,000
Fuel, Oil & Lubricants	164,930	100,000
Bank service commission and charges	38,160	0
Routine maintenance – vehicles and other transport equipment	173,500	232,871
Routine maintenance – other assets	283,000	95,810
Total	8,095,546	8,235,694

4. Transfer To Other Government Units

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers To Primary Schools (See Attached List)	41,400,000	22,203,200
Transfers To Secondary Schools (See Attached List)	9,500,000	21,700,000
Transfers To Tertiary Institutions (See Attached List)	12,000,000	0
Total	62,900,000	43,903,200

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Notes To The Financial Statements (Continued)

5. Other Grants and Other transfers

	2021-2022	2020-2021
	Kshs	Kshs
Bursary – secondary schools (see attached list)	24,000,000	22,174,296
Bursary – tertiary institutions (see attached list)	23,000,000.00	25,389,818.00
Social Security programmes (NHIF)	0	1,500,000
Security projects (see attached list)	28,600,000	56,830,000
Sports projects (see attached list)	2,730,000	2,730,000
Environment projects (see attached list)	4,630,000	830,000
Emergency projects (see attached list)	7,192,209	7,192,558
Total	90,152,209	116,646,672

6. Other Payments

	2021-2022	2020-2021
	Kshs	Kshs
Strategic plan	0	0
ICT Hub	0	4,677,027
	00	4,677,027

7. Cash Book Bank Balance

Name Of Bank, Account No. & Currency	2021-2022	2020-2021
	Kshs	Kshs
7A: Bank Accounts (Cash Book Bank Balance)		
<i>NGCDF Lamu East Constituency Equity Bank A/C NO. 1590261644233.</i>	50,508	2,621,205
Total	50,508	2,621,205

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
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Notes to the Financial Statement (Continued)

8. Balances Brought Forward

	2021-2022 (1 st July 2021)	2020-2021 (1 st July 2020)
	Kshs	Kshs
Bank accounts	2,621,205	67,582,970
Total	2,621,205	67,582,970

[Provide short appropriate explanations as necessary]

17.1: Unutilized Fund (See Annex 1)

	2021-2022	2020-2021
	Kshs	Kshs
Compensation of employees	50,497	489,179
Use of goods and services	11	174,849
Amounts due to other Government entities (see attached list)	0	7,300,000
Amounts due to other grants and other transfers (see attached list)	0	20,884,205
Total	50,508	28,848,233

17.2: PMC account balances (See Annex 3)

	2021-2022	2020-2021
	Kshs	Kshs
PMC account balances (see attached list)	117,801	20,200,374
Total	117,801	20,200,374

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
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Annex 1 – Unutilized Fund

Name	Brief Transaction Description	Outstanding Balance 2021/2022	Outstanding Balance 2020/2021	Comments
Compensation of employees		50,497	451,197	
Use of goods & services		11	58,887	
Sub-Total		50,508	510,084	
Amounts due to other Government entities				
Transfers to primary schools		0	5,800,000	
Transfers to secondary schools		0	1,500,000	
Sub-Total			7,300,000	
Amounts due to other grants and other transfers				
Security projects		0	19,100,000	
Environment projects		0	1,900,000	
Sub-Total				
Grand Total		50,508	28,810,084	

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
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Annex 2 – Summary of Fixed Asset Register

Asset class	Historical Cost b/f 2020/21 (Kshs)	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost 2021/22 (Kshs)
Land, Buildings and Structures	9,805,012	0	0	9,805,012
Transport equipment	9,119,430	0	0	9,119,430
Office equipment, furniture and fittings	1,057,655	0	0	1,057,655
ICT Equipment, Software and Other ICT Assets	797,160	0	0	797,160
Other Machinery and Equipment	62,686	0	0	62,686
Total	20,841,943	0	0	20,841,943

Lamu Constituency
National Government Constituencies Development Fund (NGCDF)
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Annex 3 –PMC Bank Balances As At 30th June 2022

PMC	Bank	Account number	Bank Balance 2021/2022	Bank Balance 2020/2021
Lamu East Constituency Sports Committee	Equity - Lamu branch	1590276053826	1,122	122
Faza Boys Primary School	Equity - Lamu branch	1590279990866	1,254	910,312
Rasini Girls Primary School	Equity - Lamu branch	1590280025711	775	726,311
Mtangawanda Primary School	Equity - Lamu branch	1590277335980	819	41,485
Patte Primary School	Equity - Lamu branch	1590280789057	770	98,555
Mbwajumwali Primary School	Equity - Lamu branch	1590270950313	1,967	598,607
Kiwayuu Primary School	Equity - Lamu branch	1590276052882	6,639	6,548
Kiungu Primary School	Equity - Lamu branch	1590279941256	1,450	32,218
Myabogi Primary School	Equity - Lamu branch	1590279046908	1,031	27,300
Kizingitini Girls Primary School	Equity - Lamu branch	1590278989477	643	158
Kizingitini Boys Primary School	Equity - Lamu branch	1590278641290	1,901	24,852
Ndau Primary School	Equity - Lamu branch	1590278997012	1,325	28,325
Siyu Primary School	Equity - Lamu branch	1590272702449	1,741	800,199
Shanga Primary School	Equity - Lamu branch	1590277346316	1,189	10,410
Tchundwa Primary School	Equity - Lamu branch	1590264418021	1,626	700,655
Faza ACC Office	Equity - Lamu branch	1590279371557	1,210	17,816
Patte Girls Secondary School	Equity - Lamu branch	1590269212713	0	2,758,684
Faza Secondary School	Equity - Lamu branch	1590279213978	283	19,280
Siyu Secondary School	Equity - Lamu branch	1590264441085	10,942	1,000,454
Mbwajumwali Secondary School	Equity - Lamu branch	1590277458581	977	3,901,846
Tchundwa AP Post	Equity - Lamu branch	1590277313571	7,536	7,536
Tchundwa Chiefs Office	Equity - Lamu branch	159027994453	11,726	36,608
Patte Chiefs Office	Equity - Lamu branch	1590281001477	4,652	2,699,520
Kiangwe AP Post	Equity - Lamu branch	1590279046404	930	0
Ndau Chiefs Office	Equity - Lamu branch	1590279991042	728	771
Kizingitini Divisional Offices	Equity - Lamu branch	1590279974779	1,060	5,503
Mbwajumwali Chiefs Office	Equity - Lamu branch	1590279990463	1,009	36,487
Kiungu Secondary School	Equity - Lamu branch	1590279930737	57	57
Lamu East Covid-19 Response Committee	Equity - Lamu branch	1590280390884	29,520	29,520
Kizingitini Police Station	Equity - Lamu branch	1590279971163	20,366	30,966
Kiwayuu Chiefs Office	Equity - Lamu branch	1590279928343	843	41,630
Lamu East Sub-county Head Quarter	Equity - Lamu branch	1590279971133	1,711	5,607,641
Total			117,801	20,200,374

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Annex 4: 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 and subsequent progress made on the resolution of the issues.

Reference No. On the External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Time Frame: (Put a date when you expect the Issue to be Resolved)	REPORT ON THE FINANCIAL STATEMENTS
	<p>Unsupported Expenditure - Bursary to Secondary and Tertiary Institutions</p> <p>Included in Other Grants and Other Payment balance of Kshs. 116,646,672 reflected under note 7 to the financial statement is payment for bursary-tertiary institution amounting to Kshs.25,389,818. However, payments amounting to Kshs. 14,854,000 was not supported with an acknowledgement receipt from the benefiting institutions and the payments relates to bursaries for students in secondary schools rather than Tertiary Institutions. No proper explanation was provided for the mix-up. Further, included in the other grants and other payments figure of Kshs. 116,646,672 under note 7 to the financial statements is an amount of Kshs.22,174,296 representing funds that were allocated to bursary for Secondary Schools. However, it was noted that an amount of Kshs. 1,400,000 of the funds</p>	<p>Acknowledgement receipts from respective institutions receiving bursaries was hampered by the world healthy regulations that were restricting sharing of tangible materials, movement of people and goods from one place to another due to the spread of the covid19 pandemic. However some receipts were received as emailed copies as attached for evidence.</p>	Resolved	30 June 2022	

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Reference No. On the External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Time Frame: (Put a date when you expect the Issue to be Resolved)
	<p>transferred to the Secondary Schools were not supported by acknowledgement receipts from the befitting institutions. In the circumstance, the propriety of kshs.16,254,000 could not be confirmed and it was not possible to ascertain the institutions received the funds that were disbursed to them</p>			
1.0	<p>Other Matters Budget Control and Performance The summary statement of appropriation reflects final budgeted receipts and actual receipts of Kshs.207,171,849 and Kshs.180,982,970 respectively resulting in a budget shortfall of Kshs.26,188,879 representing 13% of the budget Similarly, the Fund spent Kshs.178,323,616 against an approved budget of Kshs.207,171,849 resulting in an under-expenditure of Kshs.28,848,233 representing 14% of the budget. Details are as shown below:- The under-funding and under performance affected the earmarked activities and may have impacted negatively on service delivery to the residence of Lamu East Constituency. Consequently, the management was in contravention of section 31(2) of the</p>	<p>As at closure of financial year - 30 June 2022, kshs.26,188,879 was still pending at the NGCDF Board head quarters and this delay in disbursements affected the overall budget expenditure. The balance of kshs.2,659,354, being the difference of kshs.(28,848,233 - 26,188,879) was the closing cashbook balance as at 30 June 2021 and was funds for activities in progress. Funds were received in early July 2021 and projects implemented as earlier budgeted.</p>	Resolved	30 June 2022

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Reference No. On the External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Time Frame: (Put a date when you expect the Issue to be Resolved)
	<p>Public Finance Management Regulations, 2015 which states that the Accounting Officer is responsible, in particular for ensuring that -</p> <p>a) All services which can be reasonably foreseen are included in the estimates and that they are within the capacity of her or his national government entity during the financial year,</p> <p>b) The estimates have been prepared are complete and accurate as possible</p>			
2.0	<p>Project Implementation Status</p> <p>Analysis of the project implementation status for the year under review indicated that the Fund had planned/budgeted to execute fifty-one (51) projects with a total allocation of Kshs.80,522,206. However, only two (2) projects were completed, thirty-two (32) projects with total allocation of Kshs.56,222,206 were ongoing while seventeen (17) projects with total allocation of Kshs.23,300,000 had not been started. In addition, 3 rollover projects amounting to Kshs.21,000,000 remained incomplete as at April, 2022. See Appendix 1.</p>	<p>The delay in implementation of projects was compounded by late disbursements from the NGCDF Board secretariat, bureaucratic tendering processes and the impact of Covid19 pandemic that temporarily halted all sorts of operations in offices as offices were operating in online mode due to World Health Organization advisories of minimal movement, social distancing and limited sharing of any</p>	<p>Resolved</p>	<p>30 June 2022</p>

Lannu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Reference No. On the External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Time Frame: (Put a date when you expect the Issue to be Resolved)
	<p>The delay in completing projects may have impacted negatively on service delivery to the residents of Lannu East Constituency and value for money may not be realized from the projects.</p> <p>Consequently, the Fund was in breach of Section 11(1) of National Government Constituencies Development Regulations 2015 that states that the functions of a Constituency Committee shall be (j)to ensure that all projects receive adequate funding and are completed within three years; (m)monitor the implementation of projects in accordance with the monitoring and evaluation framework prescribed by the Board; (n)ensure that project reports are prepared and submitted to the Board.</p>	<p>sort of tangible commodities. However, projects have since been implemented to completion as evidenced by attached updated Project Implementation status report and project photos of respective projects</p>		

Lamu East Constituency
National Government Constituencies Development Fund (NGCDF)
Annual Report and Financial Statements for The Year Ended June 30, 2022

Reference No. On the External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Time Frame: (Put a date when you expect the Issue to be Resolved)
3.0	<p>Project Verification</p> <p>Six (6) projects with an allocation of Kshs. 31,600,000 were verified in the month of April, 2022 and the following anomalies were noted.</p> <p>In view of the above the constituents of Lamu East might not be receiving the intended benefits from the projects. Consequently, the Fund was in breach of Section 11(1) of National Government Constituencies Development Regulations 2015 that states that the functions of a Constituency Committee shall be (j) to ensure that all projects receive adequate funding and are completed within three years; (m) monitor the implementation of projects in accordance with the monitoring and evaluation framework prescribed by the Board; (n) ensure that project reports are prepared and submitted to the Board;</p>	<p>The delay in implementation of projects was compounded by late disbursements from the NGCDF Board secretariat, bureaucratic tendering processes and the impact of Covid19 pandemic that temporarily halted all sorts of operations in offices as offices were operating in online mode due to World Health Organization advisories of minimal movement, social distancing and limited sharing of any sort of tangible commodities. However, projects have since been implemented to completion and labeled as evidenced by attached updated Project Implementation status report and project photos of respective projects</p>	Resolved	30 June 2022
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
1.0	<p>Emergency Projects</p> <p>The statement of receipts and payments reported other grants and transfers of Kshs. 116,646,672 and as reported under note 7 to the financial statements. Included</p>			

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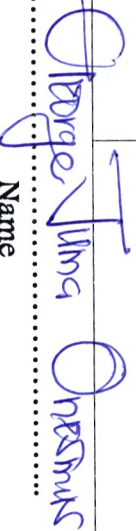
Reference No. On the External Audit Report	Issue / Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Time Frame: (Put a date when you expect the Issue to be Resolved)
	<p>in the expenditure is Kshs. 7,192,558 in respect to emergency expenses. However, the following anomalies were noted:-</p> <ol style="list-style-type: none"> 1. Four (4) projects amounting to Kshs.5,692,558 were not of emergency nature, that is, urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the public interest of the constituents) contrary to Section 8(3) of The National Government Constituencies Development Fund Act, 2015. See appendix II. 2. The utilization of the emergency reserve was not reported to the Board within thirty days of the occurrence of the emergency, in the format prescribed by the Board. <p>Consequently, the Fund was in breach of Section 8(3) of The National Government Constituencies Development Fund Act, 2015 that states that Emergency shall be construed to mean an urgent, unforeseen need for expenditure for which it is in the opinion of the committee that it cannot be delayed until the next financial year without harming the</p>	<p>In the spirit of the law as provided for by the Act, delaying the implementation of the project would have resulted in more damage as some roofs had been blown off and the long rain season was looming thus forcing the committee to consider the projects for emergency funding as reported and requested by the respective project management committees as evidenced by minutes and requisitions from the project management committee deliberations received by the NGCDF Committee for action</p>	<p>Resolved</p>	<p>30 June 2022</p>

Lastu East Constituency
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Reference No. On the External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Time Frame: (Put a date when you expect the Issue to be Resolved)
1.0	<p>Lack of Ownership Documents and Incomplete Fixed Assets Register</p> <p>Annex 4 of the financial statements reflects a summary of fixed assets register with an historical amount of Kshs.20,841,943 as at 30 June, 2021. However, a review of the fixed assets register and other supporting documentations maintained by the Fund indicated the following anomalies:-</p> <ol style="list-style-type: none"> i. Parcel of Land that houses the Fund's building and owned by the Lastu East Constituency has no ownership documents i.e. title deeds ii. As per the asset register, the Fund owns two boats which were not functional at the time of audit. Ownership documents for the two boats were also not provided for audit review. iii. The asset register did not indicate serial numbers of most of the assets owned by the Fund. In addition, the assets were not tagged and could thus not be clearly identified. <p>Consequently, the accuracy, ownership and authenticity of reported assets could</p>	<p>Land ownership in the constituency is largely communal with no title deeds but where the office is built is a public land housing all government offices. The Motorboat owned by the constituency is one and the second funding was for the purchase of the motorboat machinery and engine.</p> <p>Assets are being serialized hence forth with Assets tags as recommended by the audit</p>	Resolved	30 June 2022

Iarnu East Constituency
National Government Constituencies Development Fund (NGCDF)
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Reference No. On the External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Time Frame: (Put a date when you expect the Issue to be Resolved)
2.0	<p>Lack of IT Policy and Disaster Recovery Plan</p> <p>A review of the Information and Communication Technology (ICT) of the Fund revealed that it did not have an IT Policy, Data Recovery Plan (DRP) and IT security policy which are vital in effective and efficient management of the entity's IT resources.</p> <p>Further, the Fund did not have an IT steering committee, which is important in performing the oversight function and formulation of policies to ensure that IT department functions are properly in place to assist in the achievement of organizational objectives in an efficient, economic and effective manner.</p> <p>Further, the fund did not have periodic IT reports, which are supposed to assess the status of implementation of IT systems and suggest corrective measures.</p>	<p>IT Committee to be established as recommended by audit and prepare Data Recovery Plan for implementation</p>	Not Resolved	30 June 2023


 Name
 Fund Account Manager.