

REPUBLIC OF KENYA

*Paper laid
By Hon A. Sule - Majority
Leader on Thurs 16/10/14
[Signature]*



KENYA NATIONAL AUDIT OFFICE



REPORT OF
THE
AUDITOR-GENERAL



ON

THE FINANCIAL STATEMENTS OF
CONSTITUENCIES DEVELOPMENT FUND
BOARD FOR THE YEAR ENDED
30 JUNE 2013

**CONSTITUENCIES DEVELOPMENT
FUND BOARD**

**SECRETARIAT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

SUBMITTED ON 30TH SEPTEMBER 2013

CONSTITUENCIES DEVELOPMENT FUND BOARD

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CONSTITUENCIES DEVELOPMENT FUND BOARD

INSTITUTIONAL INFORMATION

FUND DETAILS

REGISTERED OFFICE

Harambee Plaza Building
10th Floor
Telephone No. 223 0015119-27
Harambee Plaza Building Highway Junction
P.O. Box 45682 - 00100

NAIROBI

BANKERS

Kenya Commercial Bank Ltd
Kipande House
Kenyatta Avenue
P.O. Box 30012 - 00100

NAIROBI

AUDITORS

Auditor General
P.O. Box 30084-00100

NAIROBI

LAWYERS

Attorney General of the Republic of Kenya
P.O. Box 400112-00200

NAIROBI

CONSTITUENCIES DEVELOPMENT FUND BOARD

INTRODUCTION

Background

The Constituencies Development Fund (CDF) was set up under the CDF Act 2003 now repealed by the CDF Act 2013. The CDF Act 2013 aligns the Fund with the Constitution of Kenya 2010 and the Public Finance Management Act 2012 that lay emphasis on citizen participation in public finance management and decision making, transparency and accountability together with equity in public resource utilization.

The overall management of the Fund is the responsibility of the CDF Board. The new government elected on March 2013 under His Excellency President Uhuru Kenyatta placed CDF under the supervision and coordination of the Ministry of Devolution and Planning.

The operation of the Fund under CDF Act 2013 has faced scrutiny of the Constitution Implementation Commission (CIC), Commission of Revenue Allocation (CRA) and other stakeholders who have raised concerns on the possible inconsistency of certain sections of the Act with the Constitution. Nonetheless, the National Assembly Select Committee (NASC) on CDF have seized the opportunity and made amendments to the Act to address any possible inconsistencies and improve the management of the Fund.

The Board is now in the process of aligning the operations of the Fund with new Act and the Constitution, developing regulations, revision of the strategic plan and structural adjustments. These changes will definitely require more resources for the Board to effectively fulfill its mandate.

CONSTITUENCIES DEVELOPMENT FUND BOARD

THE BOARDS' CORE MANDATE

As outlined in the CDF Act 2013 the Board's core mandate and responsibilities include:

- to ensure timely and efficient disbursement of funds to every constituency;
- to ensure efficient management of the Fund;
- to receive and discuss annual reports and returns from the constituencies;
- ensure the compilation of proper records, returns and reports from the constituencies;
- receive and address complaints and disputes and take any appropriate action;
- consider project proposals submitted from various constituencies in accordance with the Act, approve for funding those projects proposals that are consistent with this Act and send funds to the respective constituency fund account of the approved projects;
- perform such other duties as the Board may deem necessary from time to time for the proper management of the Fund.

The Board will provide strategic direction in the management, use and accountability of monies drawn from the Fund. The Board therefore aspires to the following Vision, Mission and Core Values in meeting its mandate.

VISION

To be the leading institution in the efficient and effective management of devolved funds in Africa.

MISSION

To provide leadership and policy direction in the optimal utilization of devolved funds for equitable development and poverty reduction at the community level.

CONSTITUENCIES DEVELOPMENT FUND BOARD

CORE VALUES

- Transparency and Accountability - Committed to conducting all operations above board, open to scrutiny and beyond reproach
- Professionalism and Integrity - Acting at all times with Honesty, fairness and professionalism
- Passion for Results – All our activities are focused on achievement of results for all those we serve
- Neutrality and Timeliness – We treat all those we serve equally and in a timely manner
- Excellence in service delivery – We strive to not only meet but exceed the expectations of those we serve
- Advocate for participatory approaches – We will actively promote inclusive approaches to development at the community level
- Collaboration and team work – A strong commitment to teamwork within the Board and collaboration with our partners in realization of the Fund's objectives
- Commitment to welfare of our staff – We will ensure that the Board is seen as a great place to work by looking after the welfare of our staff

KEY STRATEGIC OBJECTIVES

The Boards' Strategic are:

- Devolve funds to Constituency levels in order to reduce inequalities in access to public services and income opportunities
- Strengthen policy, coordination and supervision of service delivery
- Open up opportunities for rural development, and
- Mobilize resources for rural development

STRATEGIC GOALS

For the Board to fulfill its mandate to Kenyans, the following key strategic goals are identified and being addressed:

- Improved Governance, Efficiency and Effectiveness
- Capacity Building

CONSTITUENCIES DEVELOPMENT FUND BOARD

- Strengthened Linkages and Communication

STRATEGIC PROGRAMMES

In the Financial year 2013/14, the Board shall enhance on the following programmes:

- Restructure the management of the fund in line with CDF Act 2013 and the constitution of Kenya 2010
- Review the strategic plan to be in line with CDF Act 2013 and the constitution of Kenya 2010
- Reduce turnaround time for project approval
- Leverage ICT to improve efficiency
- Harness dynamic capabilities at the Board
- Develop capacities at the community level by training of (CDFCs, PMCs)
- Enhance sharing of information and communication with stakeholders

KEY STRATEGIC PRIORITIES

- Improve the implementation, Monitoring and Evaluation projects
- Come up with strategies to develop and turnaround for under-performing Constituencies
- Ensure timely availability and disbursement of Funds to Constituencies
- Develop and implement guidelines for project implementation that are in line with existing procurement laws and regulations
- Develop sound financial controls in line with Finance management Act of 2012 and in compliance with Kenya National Audit Requirements
- Develop and implement guidelines for transition between current national assembly and the new National Assembly in line with devolve systems of Governance

CONSTITUENCIES DEVELOPMENT FUND BOARD

BOARD DIRECTORS

	NAME	ORGANIZATION
1	Ms. Jennifer N. Barassa	Kenya National Chamber of Commerce and Industry(Chairperson)
2	Mrs. Rosallia Nyalle	The Institute of Certified Public Accountants of Kenya
3	Mr. Boniface Lokaale	Appointed by the Minister
4	Mr. David Koross	Appointed by the Minister
5	Mr. Xavier Nyamu	Kenya National Union of Teachers
6	Dr. John O. Wamakonjio	Appointed by the Minister
7	Dr. Jane Kabugi	The Kenya Episcopal Conference
8	Major Rose M. Kioko	National Council for Churches of Kenya
9	Mr. Odongo Mark Okeyo	Appointed by the Minister
10	Eng. Hilary Nyaanga	Institute of Engineers of Kenya
12	Ms. Njeri Wachira	Alternate to Hon. Attorney General
13	Mr. Joseph Mukui	Alternate to the Principal Secretary, Ministry of Devolution and Planning
14	Ms. Consolata Munga	Alternate to the Clerk of the National Assembly
15	Dr Charles Onchoke	Alternate to Principal Secretary The National Treasury
16.	Mr. Yusuf Mbuno	Ag. Chief Executive Officer/Secretary

CONSTITUENCIES DEVELOPMENT FUND BOARD

SENIOR SECRETARIAT STAFF

Mr. Yusuf Mbuno	Ag. Chief Executive Officer
Mr. Venazio Gachara	Senior Accountant
Ms. Clara Kimeli	Legal Officer.
Ms. Alice Wachira	Chief Internal Auditor
Mr. Jack O. Odhoch	Senior Information & Communication Technology Officer
Ms. Brenda Onyino	Public Relations Officer
Ms. Anne Thumbi	Senior Human Resource Management Officer.
Mr. John Koveti	Senior Procurement Manager

CONSTITUENCIES DEVELOPMENT FUND BOARD

REPORT BY CHIEF EXECUTIVE OFFICER

The Constituencies Development Fund has been allocated a total of Kshs.113.937 billion from 2003/2004 to 2012/2013 financial year as the statutory allocation out of which Kshs.3.418 billion was 3% allocation for running the Board secretariat and the balance of Kshs.110.519 billion is allocation for disbursement to constituencies. The Board has disbursed a total of Kshs.104.536 billion to the constituencies since the inception of the Fund for funding various projects as provided for in the CDF Act.

The 2.5% of the Government Ordinary Revenue allocation to CDF in 2012/2013 was **Kshs.21.763 billion**. The Board received a total of Kshs **22.622 billion** in 2012/2013 financial year including arrears of Kshs.6.842 billion for previous years leaving a balance of **Kshs.5.983 billion** to be received in 2013/2014 financial year.

The CDF Board disbursed all the funds received from Treasury during the year except for **Kshs.5.805 billion** which were still in the CBK account as at 30/6/2013. However, the entire amount has since been disbursed to the constituencies.

The strategic goals of the Board are, to improve governance, capacity building and strengthened linkages and communication. The Board undertook several activities during the year geared towards achieving these goals. Key among these activities are the computerization of the Boards activities through development and implementation CDFMIS which is in progress. When complete, the CDFMIS will improve internal processes, procedures and controls by use of ICT to improve efficiency and enhance sharing of information between the Board and its stakeholders.

During the year, the Board working with the Parliamentary Committee on CDF completed the exercise of amending the CDF Act to align the Fund with the

CONSTITUENCIES DEVELOPMENT FUND BOARD

Constitution resulting in the repeal of CDF Act 2003 and enactment of CDF Act 2013.

Similarly, the Board intensified internal and constituency audits by collaborating with the Internal Auditor General to ensure audit of all 210 constituencies. This ensures the Board complies with Public Finance Management Act 2012 on financial management of the Fund and also improves efficiency in utilization of CDF funds. The Board also enhanced the monitoring and evaluation of projects and handling of complaints from various stakeholders for prudent management of the Fund.

The Board actively participated in trade shows and exhibitions in Nakuru, Kisumu, Mombasa, Nairobi, Kitale, Nyeri and Kakamega and Media education campaigns to promote achievements and image of the Fund.

The Board undertook various trainings including various Fund Account Managers Workshops, ICT and ISO workshops, HIV/Aids, gender mainstreaming and disability training, corporate governance and audit risk for Board Members. These activities were undertaken with a view to enhance efficiency and effectiveness in the management of CDF.

Finally, this year's financial statements have been separated into the Board Secretariat and Constituencies financial statements to reflect the 3% and 97% separate allocations respectively in line with CDF Act 2013. Therefore this set is the Secretariat Financial Statements for 2012/2013 financial year.



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Yusuf Mbuno

Ag. Chief Executive Officer

Date..... 07/04/2014

CONSTITUENCIES DEVELOPMENT FUND BOARD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board has the responsibility of preparing financial statements that give a true and fair view of the state of affairs of the Fund at the end of the financial year and also the Income and Expenditure Statement for the same period. The Constituencies Development Fund 2013 requires that the Directors do ensure that proper books of accounts and records are maintained which disclose with reasonable accuracy at any time the financial position of the Fund and ensure that the financial statements comply with the establishing Act. They are also responsible for safeguarding the assets of the Fund and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors regularly meet to monitor the Fund's financial performance. Specific review of management performance and operational issues are undertaken through Committees, which make suitable recommendations to the Board of Directors.

Nothing has come to the attention of the Directors to indicate that the Constituencies Development Fund will not remain as a going concern for at least the next twelve months from the date of this statement.



David Koros

Director

Date.....

7/4/14

CONSTITUENCIES DEVELOPMENT FUND BOARD

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

The Public Financial Management Act, 2012 Section 84 requires the administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the fund for each financial year and submit not later than three months after the end of each financial year to the Auditor-General.

I accept responsibility for the maintenance of accounting records which may be relied upon in preparation of the financial statements, as well as adequate systems of internal control.

I further accept responsibility for the attached annual accounts, which have been prepared in conformity with Treasury directions and appropriate Government Financial Regulations and Procedures.

I am of the opinion that the attached Appropriations and other Financial Statements present fairly the financial state of affairs of the Constituencies Development Fund as at 30th June 2013.



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Yusuf Mbuno

Ag. Chief Executive Officer

Date 01/04/2014

REPUBLIC OF KENYA



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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON CONSTITUENCIES DEVELOPMENT FUND BOARD FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Constituencies Development Fund Board set out on pages 13 to 22, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in fund and statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain

reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Classifications of Non Current Assets

During the year, the Board acquired computer equipment at a cost of Kshs. 24,927,158.00. Included in the figure is software acquired at a cost of Kshs. 3,500,258.39 which was classified as tangible assets instead of intangible assets in the statement of financial position as analyzed below;

Date	PV. NO.	Amount (Kshs)
01.11.12	279	386,600.00
21.06.13	18819	558,445.39
29.06.13	989	2,057,483.00
29.06.13	932	<u>497,730.00</u>
Total		<u>3,500,258.39</u>

Further the Tangible Assets are supposed to be depreciated while the Non Tangible Assets are amortized over the economic useful life of the asset using approved rates as defined in the institutions policies. However all the assets were depreciated at the rate of 30% on reducing balance and no policy appear to be in place for both depreciation and amortization.

2. Fixed Assets Register

The Board does not have an updated fixed assets register showing details such as description of assets, location, date of acquisition and

depreciation/amortization. The Board contracted a local consultancy firm for development of computerized asset register as per the agreement signed between the Board and the consultant on 23 January 2013 at a contract price of Kshs.29,859,400.00. The firm was to provide a consolidated report for all regions including fixed asset physical verification report, fixed assets tagging report, fixed asset verification list and Fixed Asset Management System (FAMS). The contract period was to expire after four months. However, the register was not in place by 10 January 2014 although the Board had paid Kshs.11,943,760.00 or 40% the contract price. Further, three (3) log books for the three motor vehicles acquired during the year at a cost of Kshs.17,412,000.00 were not provided for audit.

In the absence of the register and ownership documents, it was not possible to confirm the ownership, existence, security, and eventual use of the Board assets.

3. Prepayments and Owings

The statement reflects prepayments and owings balance of Kshs.28,287,535.00 as at 30 June 2013. As reported in the previous year, included in the figure is Kshs.650,000.00 relating to 2012 and earlier years owed by hospitals. Deposit receipts and statement of accounts from the institutions was not provided. The Board has not indicated the efforts it is making to recover the money from the hospitals.

Institution	Amount (Kshs)
Kenyatta National Hospital	250,000.00
Mater Hospital	300,000.00
Gertrude Children's Hospital	<u>100,000.00</u>
Total	<u>650,000.00</u>

It was not possible to confirm the existence of these balances as at 30 June 2013.

4. Cash and Cash Equivalent

(i) Bank reconciliation

As reported in the previous year, there were unexplained payments reflected as outstanding items in the bank reconciliation for the month of June 2012 of Kshs.13,391,130.45. The management in the response to the Auditor-General report indicated that these were fraudulent payments made and the board reported the incident to the relevant institutions. The fraud spilled to the financial year 2012/2013 and further fraudulent withdrawals of Kshs.26,170,836.55 were made as follows;

Date	Amount (Kshs)
02/07/2013	9,369,193.95
05/07/2013	5,534,718.30
30/07/2013	<u>11,266,924.30</u>
TOTAL	<u>26,170,836.55</u>

The issue was investigated by Banking Fraud Investigation Unit (BFIU) and a criminal case is pending in court. However, no provision for the loss of cash has been made in the financial statements. Under the circumstances, it is not possible to confirm whether the cash and cash equivalents of Kshs.6,316,201,113.00 were correctly stated as at 30 June 2013.

(ii) Fixed Deposits

The statement reflects Kshs.6,316,201,113.00 under cash and cash equivalent out of which an amount of Kshs.200,000,000.00, Kshs.100,000,000.00 and Kshs.100,000,000.00 relates to Fixed Deposits invested in Chase Bank, Family Bank and African Bank Corporation respectively. However, authority from Treasury to invest the amount in these banks was not provided in accordance with Treasury instructions vide Circular Letter Ref.No.14/98.

5. Accrued Economic Stimulus Programme (ESP) Allowances

The statement reflects a figure of Kshs.14,917,200.00 as accrued ESP allowances to SPMCs and CPTCs as at 30 June 2013. Although the schedule showing the dates when the allowances started accruing and other details was provided for audit, the action the Board is taking or intend to take in order to clear the liabilities has not been indicated.

6. Income - Interest Earned

The Board invested funds in Short Term Deposits in various banks during the year. However, control ledger/account and investment register to show the movement of individual transactions relating to Fixed Deposits invested and interest earned are not maintained. In the circumstances it was therefore not possible to confirm the interest income earned from the investments by the Board.

Qualified Opinion

In my opinion, except for the effect of the matters described in Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2013, and of its

financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with Constituencies Development Fund Board Act, 2003 (amendment) Act, 2007.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL


Nairobi

24 April 2014

CONSTITUENCIES DEVELOPMENT FUND BOARD

SECRETARIAT'S STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

	NOTE	2013 Kshs	2012 Kshs
Non-Current Assets			
Property, Plant and Equipment	2	88,567,026	70,213,977
Current Assets			
Prepayments	3(a)	28,287,535	23,378,577
Sundry Debtors	3(b)	31,487,150	18,852,540
Receivables	4(a)	5,986,118,904	6,793,802
Cash & Cash Equivalents	4(b)	<u>6,316,201,113</u>	<u>495,941,575</u>
Total Current Asset		12,362,094,702	544,966,494
Current Liabilities			
Accounts payable	5	40,529,146	40,427,207
Disbursements due to constituencies	6	11,788,199,752	
Accrued ESP Allowances to SPMCs & CPTCs	7	14,917,200	14,917,200
Insurance Owings to Deceased employee		<u>5,686,100</u>	<u>2,656,700</u>
Total Current liabilities		11,849,332,198	58,001,107
 NET CURRENT ASSET		 512,762,504	 486,965,387
 Long Term Liabilities			
Gratuity & Pensions	8	<u>101,276,733</u>	<u>70,306,677</u>
Total Long Term liabilities		101,276,733	70,306,677
 NET ASSETS		 <u>500,052,797</u>	 <u>486,872,687</u>
FINANCED BY:			
Fund Balance		500,052,797	486,872,688
TOTAL EQUITY		<u>500,052,797</u>	<u>486,872,688</u>



David Koros

Director

Constituencies Development Fund Board

Date... 07/07/14



Yusuf Mbuno

Ag. Chief Executive Officer

Constituencies Development Fund Board

Date... 07/07/2014

CONSTITUENCIES DEVELOPMENT FUND BOARD

SECRETARIAT'S STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Kshs	2012 Kshs
Income	9	<u>704,048,103</u>	<u>581,037,079</u>
Less: Expenses			
Staff costs	10	239,879,006	269,416,768
Gratuity & Pensions	10	48,713,604	
Administrative costs	11	251,847,714	209,704,475
Board Committees	12	11,197,768	9,715,484
Board expenses	12	28,932,423	22,879,639
Economic Stimulus	13	30,148,238	31,256,721
Depreciation	2	<u>30,149,235</u>	24,193,234
Total Expenditure		<u>690,867,993</u>	<u>567,166,321</u>
Surplus over expenditure		<u>13,180,110</u>	<u>13,870,758</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

SECRETARIAT STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012
	Kshs	Kshs
Surplus for the year	13,180,110	13,870,758
Adjustment for:		
Add (i) Depreciation	30,149,235	24,193,234
(ii) Provision for Gratuity		45,908,372
Cash from Operating Activities	<u>43,329,345</u>	<u>83,972,364</u>
Changes in Working Capital		
Increase in ESP accrued expenses		-
Increase in disbursements due to constituencies	11,788,199,752	-
Decrease in accrued Consultancy services	101,939	35,749,775
Increase in Gratuity & Pension	30,970,056	33,276,646
Increase in prepayments & owings	(4,908,958)	(15,192,252)
Increase in sundry debtors	(12,634,610)	(6,843,366)
Decrease in accrued honoraria		(7,892,896)
Decrease in accrued Leave		(1,537,100)
Increase in receivables	(5,979,325,102)	(6,793,803)
owed to deceased staff from insurance	3,029,400	(2,656,700)
Net Cash flow from operating activities	<u>5,825,432,476</u>	<u>28,110,304</u>
Cash flow from investing activities		
Purchase of motor vehicles	17,412,000	
Purchase of Computer Equipment	24,927,158	(19,364,825)
Purchase of Furniture & office equipment	6,163,125	(7,477,773)
Net cash flow from investing activities	<u>48,502,283</u>	<u>(26,842,598)</u>
Net increase in cash & cash equivalents	5,820,259,538	85,240,070
Cash & Cash Equivalent at start of the year	495,941,576	410,701,506
Cash & Cash Equivalent at end of the year	<u>6,316,201,114</u>	<u>495,941,576</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

SECRETARIAT STATEMENT OF CHANGES IN FUND FOR THE YEAR ENDED 30TH JUNE 2013

Balance as at 30.06.2012	486,872,688
Add: Surplus for the year	13,180,110
Balance as at 30.06.2013	500,052,798

CONSTITUENCIES DEVELOPMENT FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below;

i) Basis of Preparation

The financial statements are prepared in accordance with the requirements of the International Financial Reporting Standards (**IFRS**) promulgated by the International Accounting Standards Board.

ii) The financial statements are prepared under the Historical Cost basis of accounting.

iii) The financial statements are presented in Kenya Shillings (Kshs) and rounded to the nearest shilling.

iv) Revenue Recognition

The receipts/revenue of the Fund consists of at least 2.5% of the total annual ordinary revenue the Government collects in a financial year. Revenue for the secretariat is 3% of the Fund's total allocation and the remaining 97% is disbursed to constituencies to fund various development projects and treated as grants to constituencies.

Revenue is recognized once the National Budget has been approved by Parliament.

v) Retirement Benefits Obligation

Employees of the Fund's Secretariat are either on secondment from various ministries or are employed on contract terms and therefore accrue pension /gratuity obligations up to the end of their 3 years contract.

vi) Taxation

Constituencies Development Fund Board being a non - profit making organization does not pay income tax but REMITTS other taxes i.e. PAYE, VAT and withholding tax.

CONSTITUENCIES DEVELOPMENT FUND BOARD

Notes to the accounts continued

2. Property, Plant and Equipment

(a) Asset Recognition

All property and equipment are recognized at cost less depreciation.

(b) Depreciation

The policy is a full charge at the year of acquisition and no charge during the year of disposal. Depreciation is calculated on a reducing balance basis to write off the assets over their useful economic life.

The applicable rates are as follows:-

•	Computers	30%
•	Furniture, Fixtures and Fittings	12.5%
•	Motor Vehicles	25%
•	Office Equipment	12.5%
•	Building	2.5%
•	Plant & Machinery	37.5%

(c) Property, Plant and Equipment Movement Schedule

	Motor Vehicles (25%)	Computer Equipment (30%)	Furniture, Fittings & General Equipment (12.5%)	TOTAL
	SHS	SHS	SHS	SHS
COST				
1.07.2012	48,027,079	85,576,585	25,691,580	159,295,244
Additions	17,412,000	24,927,158	6,163,125	48,502,283
(Disposals)	-	-	-	-
Total	65,439,079	110,503,743	31,854,705	207,797,527
ACCUMULATED DEPRECIATION				
01.07.12				-
Accumulated depreciation b/f	36,469,061	43,712,601	8,899,605	89,081,267
Charge for the year	7,242,505	20,037,343	2,869,388	30,149,235
Accumulated Depreciation 30.6.13	43,711,566	63,749,944	11,768,993	119,230,502
NBV 30.06.2013	21,727,514	46,753,800	20,085,713	88,567,026
NBV 30.06.2012	11,558,018	41,863,984	16,791,975	70,213,977

CONSTITUENCIES DEVELOPMENT FUND BOARD

Notes to the accounts continued

3. Prepayments and Owings	2013	2012
	Kshs	Kshs
(a) Kenyatta National Hospital	250,000	250,000
Mater Hospital	300,000	300,000
Gertrude Childrens' Hospital	100,000	100,000
Insurance	<u>27,637,535</u>	<u>22,728,577</u>
Total	<u>28,287,535</u>	<u>23,378,577</u>

Payment to the hospitals was deposits to enable the hospitals provide credit facilities to employees before the commencement of group medical cover. The insurance premium is accrued on a pro rata basis to the end of each financial year.

(b) Staff Debtors	2013	2012
Non surrendered imprests	31,367,150	18,562,505
Salary advance	<u>120,000</u>	<u>290,035</u>
	<u>31,487,150</u>	<u>18,852,540</u>

4. (a) Receivables	2013	2012
Interest	3,618,904	6,793,802
Treasury	<u>5,982,500,000</u>	<u>6,841,750,000</u>
	<u>5,986,118,904</u>	<u>6,848,543,802</u>

(b) Cash & Cash Equivalent

	2013	2012
	Kshs	Kshs
Fixed Deposits A/Cs	400,000,000	450,000,000
Current A/Cs in other banks	14,277,910	15,823,304
KCB Account	96,223,451	<u>30,118,270</u>
CBK Account	<u>5,805,699,752</u>	
Total Bank balances	<u>6,316,201,113</u>	<u>495,941,575</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

Notes to the accounts continued

5. Accounts Payable

		Kshs
CDF	Henry Smith & Partners	1,797,386
	Earge Limited	17,915,640
	Naikuni Ngaa & Miencha Co.	650,064
	Audit Fees	2,000,000
ESP	Autosys	3,300,000
	Sokonet	4,124,196
	African Heat	3,384,000
	Strategis	2,668,560
	PSRM	<u>4,689,300</u>
		<u>40,529,146</u>

6. Disbursements due to constituencies

	2013 Kshs.	2012 Kshs.
CBK Account Balance	5,805,699,752	627,648,813
Receivable from Treasury	<u>5,982,500,000</u>	<u>6,841,750,000</u>
	<u>11,788,199,752</u>	<u>7,469,398,813</u>

7. Accrued ESP allowance

The amount of Kshs.14,917,200 are amounts owed to Stimulus Project Management Committees (SPMCs) and Constituency Project Tender Committees (CPTCs) under Economic Stimulus Program (ESP).

8. Gratuity and Pensions

The Board employees are hired either on contract or on secondment from various government ministries. Those on contract are entitled to gratuity at 31% of basic salary while those on secondment are paid pension in accordance with their terms of employment in the parent ministry. The amount of Kshs.101,276,733 therefore is the accumulated provision for gratuity and pensions outstanding as at 30th June 2013.

9. Income	2013 Kshs	2012 Kshs
(i) 3% of Total Allocation	652,890,000	526,671,000
(ii) Sale of Tender	1,144,000	944,000
(iii) Interest earned	<u>50,014,103</u>	<u>53,422,079</u>
Total Income	<u>704,048,103</u>	<u>581,037,079</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

10. Staff Costs	2013	2012
	Kshs	Kshs
Personnel Emoluments	164,977,036	157,628,988
Other Personal Emoluments.	71,534,645	63,569,277
Temporary Employees	793,217	1,311,245
Leave allowance	1,275,144	234,800
NSSF paid by employer	<u>1,298,965</u>	<u>505,200</u>
	239,879,006	233,349,510
Gratuity & Pensions	<u>48,713,604</u>	<u>46,167,258</u>
Total	<u>288,592,611</u>	<u>269,416,768</u>

11. Administrative Costs	2013	2012
	Kshs	Kshs
Comm. Supp. & Services	7,097,603	5,849,967
Domestic Travel. & Subsistence	27,628,655	22,865,156
Foreign travel & Subsistence	6,667,957	9,323,698
Print. Advert. & Information	37,496,030	19,781,073
Rental of produced assets	2,973,340	4,635,741
Training	32,308,731	19,268,837
Hospitality Supplies & Services	10,101,245	6,979,988
Purchase of specialised Material	636,130	71,870
Office & General Supplies	7,033,225	5,689,087
Fuel, oils & Lubricants	3,725,967	3,336,480
Other operating costs	75,947,855	103,428,853
Routine Maintenance-Motor Vehicles	4,727,533	2,823,082
Routine Maintenance -other assets	1,561,153	2,594,379
Electricity & Water	1200	-
Audit fees	<u>2,000,000</u>	-

CONSTITUENCIES DEVELOPMENT FUND BOARD

Insurance	31,941,089	27,249,498
	251,847,714	233,897,709
Depreciation	30,149,235	24,193,234
Total	<u>279,996,949</u>	<u>209,704,175</u>

12. Board Expenses

	2013 Kshs	2012 Kshs
Board committees and conferences	11,197,768	9,715,484
Board expenses	<u>26,922,428</u>	<u>22,879,639</u>
	<u>40,130,196</u>	<u>32,595,123</u>

13. Economic Stimulus Programme

	2013 Kshs	2012 Kshs
Basic Salaries-Temporary	78,607	640,000
Telephone	150,354	266,070
Staff accommodation	6,874,977	1,038,430
Facilitation to CPTCs, SPMCs	54,686,212	23,432,030
Consultancy	18,166,056	-
General office supplies	192,032	150,223
Fuel and lubricants	-	1,481,969
Staff Honoraria	-	4,248,000
	<u>80,148,238</u>	<u>31,256,722</u>

14. FRAUDULENT TRANSACTION

Some fraudulent transaction of Ksh 13,391,130.45 and Ksh 26,170,836.55 occurred in the Financial Years 2011/2012 and 2012/2013 through electronic fund transfer to various accounts opened in the names of parties unknown to the Board

The matter was reported to the Banking Fraud Investigating unit of Kenya Police bank and investigations carried out resulting to arrest of some suspects who have since been charged in the court with stealing under C/SEC 275 of the penal code.

