

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

PAPER LAID
By Hon. A. DUALE, MP (Lom)
On TUESDAY, March 28, 2017
Mmw
(Pm)



REPORT

OF

THE AUDITOR-GENERAL

ON

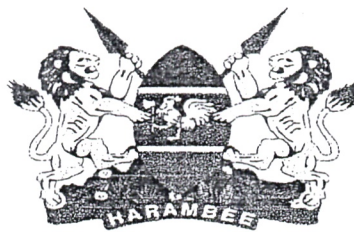
THE FINANCIAL STATEMENTS OF

CONSTITUENCIES DEVELOPMENT FUND

SOUTH MUGIRANGO CONSTITUENCY

FOR THE YEAR ENDED

30 JUNE 2015



CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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

CONSTITUENCY DEVELOPMENT FUND – SOUTH MUGIRANGO CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2015

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I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT

(a) Background information

The *Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013. The *Constituencies Development Fund* is represented by the Cabinet Secretary for Devolution and Planning, who is responsible for the general policy and strategic direction of the *Constituencies Development Fund*. The objective of the fund is to ensure that a specific portion of the national annual budget is devoted to the constituencies for purposes of infrastructural development, wealth creation and in the fight against poverty at the constituency level.

(b) Key Management

The *South Constituency's* day-to-day management is under the following key organs:

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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E Holder	Francis Ogutu Onyango
3.	Accountant	Andrew Otieno Anyal

(d) Fiduciary Oversight Arrangements

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

(e) South Mugirango Cdf Headquarters

P.O. Box 991-40200 Kisii
Cdf Office Complex
Off Rongo Etago Road
Kisii, Kenya

CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2015

(f) South Mugirango Cdf Contacts

Telephone: (254) XXXXXXXXX
E-mail: cdfsouthmugirango@cdf.go.ke
website: www.cdf.go.ke

(g) South Mugirango CDF Banker

Bank Name: Cooperative Bank
Branch: Rongo
Account Name: South Mugirango Cdf
Account Number: 01120018205600
Address: 991- 40200, Kisii

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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

It is my pleasure to present to you SOUTH MUGIRANGO CDF's annual report and financial statements for the financial year 2014/2015. In the year under review, we are pleased with our overall performance which aligns very well with our vision and also our proven track record of consistent delivery and value for money.

The actual amounts utilised by the constituency in its various expense items were more than 50% of its budget performance, however the target should be 100% if funds are availed in time during the financial year.

Key achievements for the CDF

- By providing funds directly to each constituency for fighting poverty, CDF assists in ironing out regional imbalances due to patronage.
- CDF has been able to open rural access roads (feeder roads) thus contributing to economic growth.
- Through the Health Sector CDF has made it possible for the public to easily access health facilities
- Water projects have been implemented to enhance access to clean and reliable water.
- In the education sector, CDF funding of schools has assisted in increasing student enrolment, the CDF bursary has helped retain in schools students from low income families.

Emerging issues related to the CDF

Entrenching CDF Act in the new constitutional dispensation, since it is facing a lot of legal challenges, hence Members of Parliament should enact legislations which do not contravene the constitution in order to protect the CDF.

Implementation challenges and recommended way forward

- Late disbursement of funds, lead to rise in project costs due to factors like inflation due to time value of money and also the public do not get the value of the funds in time, a good case is in late bursary awards, to remedy this, funds should be released by CDF Board in time.
- Frequent development forums and awareness forums should be held to intuit the public with information concerning the development initiatives, from various funding agencies and stakeholders and CDF, County Government and other development stakeholders plan together to avoid duplication of projects
- Lack of a simple but standardized practical curriculum for training PMC's in order to enhance their capacity to implement the projects, hence a PMC training manual should be operationalised.

ZERA OMWANDO NCDFC Chairperson.....

NCDFC

[Signature]

30/June/2015

CDFC

III. STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES

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

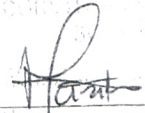
The Accounting Officer in charge of the *SOUTH MUGIRANGO CDF* is responsible for the preparation and presentation of the *CDF's* financial statements, which give a true and fair view of the state of affairs of the *CDF* for and as at the end of the financial year (period) ended on June 30, 2015. This 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 *CDF*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *CDF*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

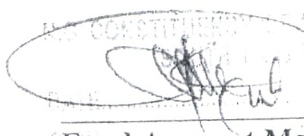
The Accounting Officer in charge of the *SOUTH MUGIRANGO CDF* accepts responsibility for the *CDF's* financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *CDF's* financial statements give a true and fair view of the state of *CDF's* transactions during the financial year ended June 30, 2015, and of the *CDF's* financial position as at that date. The Accounting Officer charge of the *SOUTH MUGIRANGO CDF* further confirms the completeness of the accounting records maintained for the *CDF*, which have been relied upon in the preparation of the *CDF's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *CDF's* financial statements were approved and signed by the Accounting Officer on 30th June 2015.


Chairman - CDFC


Fund Account Manager

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON CONSTITUENCIES DEVELOPMENT FUND - SOUTH MUGIRANGO CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Constituencies Development Fund - South Mugirango Constituency set out on pages 5 to 18, which comprise the statement of financial assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 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 Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 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 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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

Constituencies Development Fund - South Mugirango Constituency – Annual Report and Financial Statements for the year ended 30 June 2015

judgement, 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Summary Statement of Appropriation

The summary statement of appropriation indicates the current year's final budget figures for total receipts and total payments as Kshs.144,114,763. However, records from the National Government Constituency Development Fund Board indicates that the final approved budget for the year 2014/2015 was Kshs.119,890,426. The accuracy of the Summary statement of appropriation could not therefore be confirmed.

2. Implementation of Projects

Contrary to the provisions of the CDF Act which requires that all projects under the Act be implemented through Project Management Committees (PMCs) with the assistance of relevant Government departments, it was observed that there were some projects funded by the CDF being implemented by the Constituency Development Fund Committee (CDFC) as shown below:

Project	Amount paid (Kshs)
Ndonyo and Mumia primary schools play grounds	5,090,950
Omogwa dispensary - staff house	1,480,479
Nyakeiboreire dispensary - staff house	982,810
Suguta Dispensary - staff house	988,231
Nyamue water project	750,000
Nyaronyo water project	998,813
Ichuni Nyakembene project	906,070
Nyagentonkono water project	1,192,500
Nyamondo water project	1,283,700
Ekioge water project	2,600,000
Total	16,273,553

Management has not explained why the above projects were implemented by the CDFC in contravention of the law.

3. Unauthorized Re-allocation of Funds

A review of the accounting records of South Mugirango CDF indicated that payments for the purchase of furniture and the Nyamokomba water projects exceeded the approved allocations for the year under review. The CDF used funds from other budget items as shown below:

	Approved allocation (Kshs)	Actual payment (Kshs)	Over – payment (Kshs)	Re-allocation from
Maronga Secondary – completion of 3 classrooms	0	300,000	300,000	Emergency vote
St. Mary's Nyabigenga Secondary – construction of one classroom	500,000	1,000,000	500,000	Emergency vote

The re-allocations were done without approval from the CDF board. The use of emergency funds did not also meet the thresholds set for urgent and unforeseen need for expenditure since these were ongoing projects. The use of funds therefore contravened the provisions of the CDF Act 2013.

4. Inadequate Project Implementation Documents

The South Mugirango Constituency Development Fund committee disbursed a total of Kshs.23,772,493 in the form of Transfers to Other Government Units during the year under review as reflected in the statement of receipts and payments. These funds were administered through Project Management Committees (PMCs) spread throughout the constituency.

During the audit review, disbursements totaling Kshs.13,700,000 made to various PMCs were not adequately supported with complete expenditure returns including cashbooks, bank statements, stores records, minutes, and other relevant accounting documents. The projects are as shown below:

Project	Amount (Kshs.)
Ombiri Secondary	3,000,000
Nyagichenche Secondary	2,000,000
Nyamonaria Secondary	1,500,000
Kiendege Secondary	700,000
Ayora Secondary	700,000
Bogichoncho Primary	500,000
Nyasaba Secondary	2,000,000
St Mary's Nyabigena Girls Secondary	1,000,000
Kiomabundu Deb primary	1,000,000
Marongo Secondary	300,000
Nyakorere PAG Secondary	1,000,000
Total	13,700,000

Consequently, in the absence of the support documents we could not confirm the propriety of the funds disbursed to the PMCs during the year.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Constituencies Development Fund - South Mugirango Constituency as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Constituencies Development Fund Act, 2013.

Other Matters

1. Budget Performance Analysis

The CDF Allocation for South Mugirango Constituency Development Fund was Kshs.119,890,426. The actual and budget figures for the year under review are as shown below:

Receipts				
Item	Actual (a) Kshs.	Budgeted (b) Kshs.	Variance (b-a) Kshs.	Level of Absorption (a/b) %
Transfer from CDF Board	119,890,426	119,890,426	0	

Payments				
Item	Actual (a) Kshs.	Budgeted (b) Kshs.	Variance (b-a) Kshs.	Level of Absorption (a/b) %
Compensation of employees	1,694,704	2,134,800	440,096	79%
Use of Goods and Services	5,097,906	4,059,255	-1,038,651	125%
Committee Expenses	948,000	999,370	51,370	95%
Monitoring and Evaluation	3,097,100	3,434,705	337,605	90%
Primary Schools	7,120,978	25,337,933	18,216,955	28%
Secondary Schools	12,200,000	20,100,000	7,900,000	61%
Health Institutions	4,451,515		-4,451,515	-
Roads	46,606,324	25,824,105	-20,782,219	180%

Water Projects	13,775,744	9,300,000	-4,475,744	148%
Environment	1,016,013	1,000,000	-16,013	102%
Sports	0	1,000,000	1,000,000	-
Bursary Tertiary colleges	17,951,000	17,200,000	-751,000	104%
Security Projects	619,915	3,600,000	2,980,085	17%
Constituency Audit	0	500,000	500,000	-
Emergency	0	5,400,259	5,400,259	-
Total	114,579,199	119,890,427	5,311,228	96%

That CDF South Mugirango spent in excess of budget Kshs.1,038,651 on use of goods and services surpassing budget by 25% with absorption rate of 125%, Kshs.4,451,515 on health institutions which was not budgeted for surpassing budget by 100%, Kshs.20,782,219 in excess of budget on roads surpassing budget by 80% with absorption rate of 180% and Kshs.4,475,744 in excess of budget on water projects surpassing budget by 48% with absorption rate of 148%.

Under-absorption on Secondary Schools projects by Kshs.7,900,000 which is 61% of budget, Primary Schools projects by Kshs.18,216,955 which is 28% of budget and Kshs.2,980,085 Security Projects by which is 17% of budget.

2. Rehabilitation of Ndonyo and Muma Playgrounds

A contract for Kshs.3,999,450 was awarded to Roja Enterprise Ltd on 28 February 2015 in respect of rehabilitation of works at Ndonyo and Muma schools play grounds. The contract was varied upwards by Kshs.1,091,500 to Kshs.5,090,950 (inclusive of taxes) as per valuation of works done certificate no. 2 prepared in May 2015, and approved by the Constituency Roads Office which was 27% above the original contract sum and above the allowable legal contract variation limit of 25%. In addition, the funds spent were over and above the allocation for the year which was Kshs.4,000,000. There are also no documents from the tender committee sanctioning the variation. In the circumstances, the fund was in contravention of the Public Procurement and Disposal Act, 2005.

3. Nyamue Water Project

A contract for Kshs.1,440,000 was awarded to Sasi Construction Co Ltd on 10 June 2014 in respect of rehabilitation of Nyamue Water works. However, on completion and commissioning, all the pipes burst due to the water pressure and using the wrong pipe size. The project is therefore not currently useful to the beneficiaries. Consequently, value for money spent on the project was not realized.

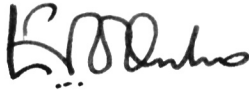
4. Nyakeiboreire Dispensary and Staff House

A contract for Kshs.1,482,810 was awarded to M/s Denamo General Suppliers in August 2014 for construction of a staff house at Nyakeiboreire dispensary. However, despite the project having been completed satisfactorily, the health facility is still not in use one year since completion. Consequently, realization of the project objectives has not been met.

5. Ekioge Water Project extension

A contract for Kshs.2,600,000 was awarded to Ricinams Enterprise Ltd on 19th November 2014 for Ekioge water extension project. Despite having been paid in full the contract sum, the contractor had not constructed five (5) communal water points valued at Kshs.149,925 and there was no indication that the work would be executed. Consequently, funds totaling Kshs.149,925 paid for works not done could not be accounted for.

My opinion is not qualified in respect of these matters.



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

Nairobi

16 January 2017

CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO CONSTITUENCY
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IV. STATEMENT OF RECEIPTS AND PAYMENTS

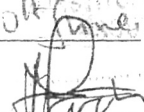
	Note	2014-2015	2013-2014
		Kshs	Kshs
RECEIPTS			
Transfers from CDF board-AIEs' Received	1	119,890,426.00	130,609,107.00
TOTAL RECEIPTS		-	130,609,107.00
PAYMENTS			
Compensation of employees	2	1,506,669.00	-
Use of goods and services	3	2,967,977.00	-
Committee Expenses	4	7,085,150.00	-
Transfers to Other Government Units	5	23,772,492.98	-
Other grants and transfers	6	79,086,982.77	-
Social Security Benefits	7	21,500.00	-
Other Payments	8	138,427.67	-
TOTAL PAYMENTS		114,579,199.42	108,658,299.00
SURPLUS/DEFICIT		5,311,226.58	21,950,808.00


CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO CONSTITUENCY
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V. STATEMENT OF ASSETS

	Note	2014-2015 Kshs	2013-2014 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	10A	32,326,333.89	24,224,336.57
Cash Balances (cash at hand)	10B	-	-
Outstanding Imprests	10C	-	2,790,780.43
TOTAL FINANCIAL ASSETS		<u>32,326,333.89</u>	<u>27,015,117.00</u>
REPRESENTED BY			
Fund balance b/fwd 1st July...	11	27,015,117.0	5,064,299.00
Surplus/Deficit for the year		5,311,226.58	21,950,808.00
Prior year adjustments	12	-	-
NET LIABILITIES		<u>32,326,343.58</u>	<u>27,015,107.00</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The SOUTH MUGIRANGO CDF financial statements were approved on 30th June, 2015 and signed by:


 Chairman - CDFC


 Fund Account Manager

CONSTITUENCY DEVELOPMENT FUND- SOUTH MUGIRANGO CONSTITUENCY
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VI. STATEMENT OF CASHFLOW

Receipts for operating income		2014 – 2015	2013 - 2014
Transfers from CDF Board	1	119,890,426.00	130,609,107.00
Payments for operating expenses			
Compensation of Employees	2	1,506,669.00	1,164,105.00
Use of goods and services	3	2,967,977.00	3,591,170.00
Committee Expenses	4	7,085,150.00	-
Transfers to Other Government Units	5	23,772,492.98	36,384,829.00
Other grants and transfers	6	79,086,982.77	67,518,195.00
Social Security Benefits	7	21,500.00	-
Other Payments	8	138,427.67	-
Adjusted for:			
Adjustments during the year		-	-
		114,579,199.42	
Net cash flow from operating activities		5,311,226.58	108,658,299.00
NET INCREASE IN CASH AND CASH EQUIVALENT		5,311,226.58	-
Cash and cash equivalent at BEGINNING of the year	11	27,015,117.00	5,064,299.00
Cash and cash equivalent at END of the year	12	32,326,343.58	27,015,107.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The SOUTH MUGIRANGO CDF financial statements were approved on 20 June 2015 and signed by:

DATE: 20 June 2015

Chairman CDFC

U.S. CONSTITUENCY DEVELOPMENT FUND
 SOUTH MUGIRANGO

Fund Account Manager
 P.O. Box 101 - 40200, NEEI

For the year ended June 30, 2015

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	119,890,426.00	24,224,337.00	144,114,763.00	114,579,119.42	29,535,643.58	80
Proceeds from Sale of Assets	-			-	-	
Other Receipts	-			-	-	
	119,890,426.00	24,224,337.00	144,114,763.00	114,579,119.42	29,535,643.58	80
PAYMENTS						
Compensation of Employees	2,101,200.00	0	2,101,200.00	1,506,669.00	594,531.00	72
Use of goods and services	4,559,255.00	0	4,559,255.00	2,967,977.00	1,591,278.00	65
Committee Expenses	3,934,075.57	0	3,934,075.57	7,085,150.00	(3,151,074.43)	180
Transfers to Other Government Units	57,637,931.00	0	57,637,931.00	23,772,492.98	33,865,438.02	41
Other grants and transfers	40,724,105.43	24,224,337.00	64,948,442.43	79,086,982.77	(14,138,540.34)	122
Social Security Benefits (NSSF)	12,000.00	0	12,000.00	21,500.00	(9,500.00)	179
NHIF	21,600.00	0	21,600.00		21,600.00	0
ELECTRICITY	5,000,000.00	0	5,000,000.00	-	5,000,000.00	0
EMERGENCY	5,400,259.00	0	5,400,259.00	-	5,400,259.00	0
AUDIT FEE	500,000.00	0	500,000.00	-	500,000.00	0
Other Payments				138,427.67	(138,427.67)	0
TOTALS	119,890,426.00	24,224,337.00	144,114,763.00	114,579,199.42	29,535,563.58	80

a. There is under utilization of funds in transfers to the other governments units since part of the funding had not been granted to the respective projects due to delayed funding from the Cdfboard.

CONSTITUENCIES DEVELOPMENT FUND – SOUTH MUGIRANGO CONSTITUENCY

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- b. The over expenditure in the other grants and transfer are due to funds brought forward and transfers from the emergency and electricity vote heads subsequently resulting in the zero percent on budget utilization on the two vote heads.
- c. The over expenditure on NSSF is due to the increase in the contribution to the fund.
- d. The excess expenditure on committee expenses is a result of amalgamation of Monitoring and evaluation and Office administration which serves the item of committee expenses.

The SOUTH MUGIRANGO CDF financial statements were approved on 30th June 2015 and signed by:



Chairman CDF



Fund Account Manager

VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *CDF* and all values are rounded to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *CDF*.

2. Recognition of revenue and expenses

The *CDF* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *CDF*. In addition, the *CDF* recognises all expenses when the event occurs and the related cash has actually been paid out by the *CDF*.

3. In-kind contributions

In-kind contributions are donations that are made to the *CDF* 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 *CDF* includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial

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statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

5. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the *CDF* at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

6. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *CDF's* budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the *CDF's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

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

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IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description		2014 - 2015	2013 - 2014
Normal Allocation	AIE NO...	Kshs	Kshs
	A 750382	7,300,000.00	130,609,106.50
	A 759532	22,672,606.50	
	A 796644	14,983,563.90	
	A 796872	14,989,043.00	-
	A 796986	29,972,606.50	-
	A 796155	29,972,606.10	
TOTAL		119,890,426.00	130,609,106.50

2. COMPENSATION TO EMPLOYEES

Description	2014 - 2015	2013 - 2014
	Kshs	Kshs
Basic wages of contractual employees	1,506,669.00	1,164,105.00
Basic wages of casual labour	-	-
Personal allowances paid as part of salary	-	-
House allowance	-	-
Transport allowance	-	-
Leave allowance	-	-
Other personnel payments gratuity	-	-
Total	1,506,669.00	1,164,105.00

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3. USE OF GOODS AND SERVICES

Description	2014 - 2015 Kshs	2013 - 2014 Kshs
Office rent	156,000.00	-
Communication, supplies and services	410,260.00	-
Domestic travel and subsistence	573,600.00	-
Training expenses	1,473,500.00	-
Hospitality supplies and services	553,500.00	-
Office and general supplies and services	362,489.44	-
Fuel ,oil & lubricants	725,960.00	-
Routine maintenance – vehicles and other transport equipment	843,597.00	-
Total	5,097,906.44	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. COMMITTEE EXPENSES

Description	2014 - 2015 Ksh	2013 - 2014 Ksh
Other committee expenses	3,097,100.00	1,202,457
Committee allowance	948,000.00	2,388,713
TOTAL	4,045,100.00	3,591,170.00

5. TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2014 - 2015 Ksh	2013 - 2014 Kshs
Transfers to primary schools	7,120,977.50	12,500,000.00

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Transfers to secondary schools	12,200,000.00	17,100,000.00
Transfers to Health institutions	4,451,515.48	6,784,829.00
TOTAL	23,772,492.98	36,384,829.00

6. OTHER GRANTS AND OTHER PAYMENTS

Description	2014 - 2015 Kshs	2013 - 2014 Kshs
Bursary -Tertiary	17,951,000.00	25,310,000.00
Water	13,775,743.80	11,448,446.00
Roads	46,606,323.67	29,959,749.00
Environment	1,016,013.00	-
Office renovation	619,915.30	-
Social security	-	800,000.00
Total	79,968,996.00	67,518,195.00

7. SOCIAL SECURITY BENEFITS

	2014 - 2015 Ksh	2013 - 2014 Kshs
Employer contribution to NSSF	23,500.00	-
Total	23,500.00	-

8. OTHER PAYMENTS

	2014 - 2015 Ksh	2013 - 2014 Kshs
NHIF		
KRA (PAYE)	21,260.00	-
	143,275.00	-
TOTAL	164,535.00	-

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10A. Bank Accounts (cash book bank balance)

Name of Bank, Account No. & currency	Account Number	2014 - 2015	2013 - 2014
		Ksh (30/6/2015)	Ksh (30/6/2014)
Cooperative Bank, Rongo Branch A/C no.01120018205600		32,326,334	24,224,336.57
Total		32,326,334	24,224,336.57

11. BALANCES BROUGHT FORWARD

	2014 - 2015	2013 - 2014
	Ksh	Ksh
	(1/7/2014)	(1/7/2013)
Bank accounts	32,326,334	24,224,337
Imprests		2,790,780.00
Total	32,326,334	27,015,117

12. OTHER IMPORTANT DISCLOSURES

12.1: OTHER PENDING PAYABLES (See Annex 1)

	Ksh	Kshs
Amounts due to other Government entities (see attached list)	23,137,931.00	-
Amounts due to other grants and other transfers (see attached list)	4,600,000.00	-
Audit fee	500,000.00	-
	28,237,931.00	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANNEX 1 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
					2015	2014	
		a	B	C	d=a-c		
Amounts due to other Government entities							
Primary schools	construction of school infrastructure	20,337,931.00		6,000,000.00	14,337,931.00	0	
Secondary schools	construction of school infrastructure	20,100,000.00		13,000,000.00	8,800,000.00	0	
Sub-Total		40,437,931.00		19,000,000.00	23,137,931.00	0	
Amounts due to other grants and other transfers				0			
Security	construction of chiefs offices infrastructure	3,600,000.00		0	3,600,000.00		
Environment	tree planting exercise in various school	1,000,000.00		0	1,000,000.00		
Sub-Total		4,600,000.00			4,600,000.00		
Others (specify)							
Audit fee	audit fee	500,000.00			500,000.00		
Grand Total		45,537,931.00		19,000,000.00	28,237,931.00	0	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2014/15	Historical Cost (Kshs) 2013/14
Land		NIL
Buildings and structures	7,281,179.00	7,281,179.00
Transport equipment	4,378,363.00	4,378,363.00
Office equipment, furniture and fittings	81,180.00	81,180.00
ICT Equipment, Software and Other ICT Assets	280,067.00	280,067.00
Other assets (cutlery)	10,274.00	10,274.00
Total	12,031,063.00	12,031,063.00