

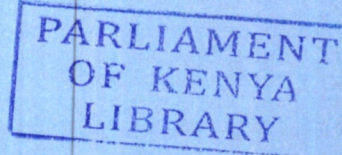
REPUBLIC OF KENYA



*Paper laid by the
Hon Adu Duda
m/f
Thursday 20.6.2018*

OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND -
BUTERE CONSTITUENCY

FOR THE YEAR ENDED
30 JUNE 2016

30TH JUNE 2016




CONSTITUENCIES DEVELOPMENT FUND – BUTERE CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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

Prepared By:

Chairman – Fredrick Benson Kasamani Signature.....  Date 15TH-08-2016

Fund Account Manager Collins Obuya Signature.....  Date 15TH-08-2016

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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The Constituencies Development Fund (CDF) was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013.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 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 Constituencies Development Fund Board.

(b) Key Management

The *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 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Yusuf Mbuno
2.	Fund Account Manager	Collins Obuya
3.	Sub county National Accountant	Andrew Anyal

(d) Fiduciary Oversight Arrangements

List the CDFC as gazetted

- 1) **Mr. Fredrick Kasamani – Chairman**
- 2) **The Deputy County Commissioner – Butere**
- 3) **Mr Collins Obuya – F.A.M -Butere**
- 4) **Mrs.Berrinah.Nthenya – Member**
- 5) **Mr.AurtherMuleshe – Member**
- 6) **Mr. James S. Khabeko – Member**
- 7) **Mrs.FenikeMuhonja – Member**
- 8) **Mrs. Naftali Otuya – Member**
- 9) **Mis Alice Ngache – Member**

(c) Entity Headquarters

P.O. Box 326-50101, Butere
Opposite DC'S Office, Shiatsala Butere Road,
Butere, Kenya

(f) Entity Contacts

Mobile: 0721-901620

E-mail: cdfbutere@gmail.com

(g) Entity Bankers

905 Mumias, branch
A/C No.01120068114200
Box . Kenya

(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, Ken

II. STATEMENT OF CONSTITUENCY 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 by the Public Sector Accounting Standards Board of Kenya from time to time.

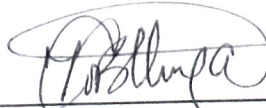
The Fund Account Manager in charge of the Butere *CDF* is responsible for the preparation and presentation of the Constituency's financial statements, which give a true and fair view of the state of affairs of the Constituency as at the end of the financial year ended on June 30, 2014. This responsibility 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 constituency; (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 constituency; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Fund Account Manager in charge of the Butere *CDF* accepts responsibility for the Constituency'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) and relevant legal framework of the Government of Kenya. The Fund Account Manager is of the opinion that the Butere *CDF* financial statements give a true and fair view of the state of Constituency's transactions during the financial year ended June 30, 2015, and of the Constituency's financial position as at that date. The Fund Account Manager in charge of the Butere *CDF* further confirms the completeness of the accounting records maintained for the Constituency, which have been relied upon in the preparation of the Constituency financial statements as well as the adequacy of the systems of internal financial control.

The Fund Account Manager in charge of the Butere *CDF* confirms that the entity has complied fully with applicable Government Regulations and that the Constituency'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 Fund Account Manager 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.



Chairman - CDFC



Fund Account Manager



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-BUTERE CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Government Constituencies Development Fund-Butere Constituency set out on pages 5 to 15, which comprise the statement of financial assets as at 30 June 2016, and the statement of receipts and payments, 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 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.

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 (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 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 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. 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 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 audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects the financial position of National Government Constituencies Development Fund-Butere Constituency as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting (Cash Basis) and comply with the National Government Constituencies Development Fund Act, 2015.

Other Matter

1. Budget Performance

The Fund approved budget receipts were Kshs.153,678,614 including Kshs.32,277,218 being un-utilized cash balance brought forward from 2014/2015. However, actual receipts for the year under review totalled Kshs.142,751,324 resulting to an underfunding of Kshs.10,927,290 as analyzed below:

Details	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from CDF Board	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	92.9
Proceeds from Sale of Assets				-	-	
Other Receipts	-			-	-	
Total	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	92.9
Payments						
Compensation of Employees	2,724,960	-	2,724,960	1,802,600	922,360	66.2
Use of goods		2,086,745	10,029,937			100

and services	7,943,192			10,029,937	-	
Transfers to Other Government Units	39,250,000	19,200,000	58,450,000	58,450,000	-	100
Other grants and transfers	71,180,270	10,190,473	81,370,743	72,468,787	8,901,956	89.1
Acquisition of Assets	302,974	300,000	602,974	-	602,974	0
Other Payments		500,000	500,000		500,000	0
Total	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	92.9

Further, the Fund underspent on compensation of employees by Kshs.922,360 or 66.2%. Other grants and transfers by Kshs.8,901,956 or 89.1% and did not acquire any asset during the year despite having a budget of Kshs.602,974 for acquisition of assets.

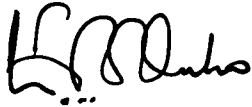
Consequently, the Fund did not operate within the approved budget and therefore the financial operations negatively impacted delivery of prompt services to the constituents.

2. Projects Implementation and Management

The CDF was to implement a total of 92. However, analysis of the project implementation indicates that 75 of the projects were completed and 17 were ongoing as at the time of audit in January 2017 as analyzed below.

Sector/Status	Ongoing		Completed	
	No	Value Kshs.	No	Value Kshs.
Administration	1	1,312,623	8	9,916,152
Agriculture			4	1,600,000
Education	13	11,150,000	34	60,052,974
Emergency			1	5,767,647
Environment			2	1,400,000
Health	1	5,000,000	2	4,200,000
Market			9	3,200,000
Road	2	4,800,000	8	5,400,000
Security			6	6,100,000
Sports			1	2,000,000
Total	17	22,262,623	75	99,636,621

In view of the foregoing, the Fund did not deliver the expected services to the constituents and did not therefore achieve its development objectives.



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

Nairobi

8 May 2018

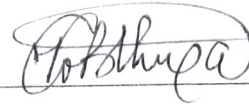
I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016	2014-2015
		Kshs	Kshs
RECEIPTS (a)			
Transfers from CDF board-AIEs' Received	1	121,401,396	114,974,444.00
TOTAL RECEIPTS		121,401,396	114,974,444.00
PAYMENTS (b)			
Compensation of employees	2	1,628,700	1,408,795.00
Use of goods and services	3	9,572,937	7,676,559.75
Committee Expenses	4	457,000	3,552,279.00
Transfers to Other Government Units	5	57,550,000	26,343,457.00
Other grants and transfers	6	73,368,787	57,821,207.00
Social Security Benefits	7	173,900	30,400.00
Acquisition of Assets(outstanding imprest)	8		370,000.00
TOTAL PAYMENTS		142,751,324	97,202,697.75
SURPLUS/DEFICIT (a-b)		(21,349,928)	17,771,746.25

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 19th 08, 2016 and signed by



Chairman - CDFC



Fund Account Manager

II. STATEMENT OF FINANCIAL ASSETS

	Note	2015-2016 Kshs	2014-2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances (as per the cash book)	9	10,927,290	32,277,218.
TOTAL FINANCIAL ASSETS		<u>10,927,290</u>	<u>32,277,218</u>
 REPRESENTED BY			
Fund balance b/fwd 1st July...	10	32,277,218	14,505,472
Surplus/Deficit for the year		(21,349,928)	17771746.25
Prior year adjustments	11		
NET LIABILITIES		<u>10,927,290</u>	<u>32277218.0</u>

CHAIRMAN CDFC.....

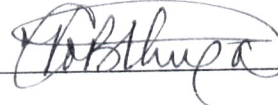
FUNDS MANAGER.....

III CASHFLOW STATEMENT

		2015 - 2016	2014 - 2015
Receipts for operating income(a)			
Transfers from CDF Board	1	121,401,396	114,974,444
Payments for operating expenses(b)			
Compensation of Employees	2	1,628,700	1,408,795
Use of goods and services	3	9,572,937	7,676,559.75
Committee Expenses	4	457,000	3,552,279
Transfers to Other Government Units	5	57,550,000	26,343,457
Other grants and transfers	6	73,368,787	57,821,207
Social Security Benefits	7	173,900	30400
Adjusted for:			
Adjustments during the year		142,751,324	96,832,697.75
Net cash flow from operating activities(c=a-b)		(21,349,928)	18,141746.25
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets(outstanding imprest)	8	0	370,000
Net cash flows from Investing Activities		(21,349,928)	
NET INCREASE IN CASH AND CASH EQUIVALENT			17,771,746.25
Cash and cash equivalent at BEGINNING of the year	10	32,277,218.	14,505,472
Cash and cash equivalent at END of the year	11	10,927,290	32,277,218.



Chairman - CDFC



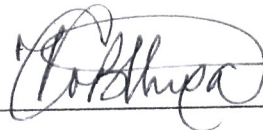
Fund Account Manager

APPROPRIATION ACCOUNT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from CDF Board	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	93%
Proceeds from Sale of Assets						
Other Receipts						
PAYMENTS						
Compensation of Employees	2,558,800	0	2558800	1,628,700	0	100%
Use of goods and services	6,069,108		9,572,937	9,572,937	0	100%
Committee Expenses	1,874,084			457,000	0	100%
Transfers to Other Government Units	39,250,000	18,700,000		57,550,000		
Other grants and transfers	71,180,270	12,777,218		73,368,787		
Social Security Benefits	166,160	0	173,900	173,900	0	100%
Acquisition of Assets	302,974	300000		0		
Other Payments		500,000				
TOTALS	121,401,396	32,277,218	153,678,614	142,751,324	10,927,290	93%



Chairman - CDFC



Fund Account Manager

VI. SIGNIFICANT ACCOUNTING POLICIES

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

a) **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 and relevant legal framework of the Government of Kenya. 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 Constituency and all values are rounded to the nearest thousand (Kshs'000). 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 Constituency.

b) **Recognition of revenue and expenses**

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

c) **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 revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

d) **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. For the purposes of these financial 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) **Receivables and payables**

Receivables are funds due to the Constituency at the end of the financial year from the CDF Board and other sources but not yet received while payables are funds due to other parties at the end of the financial year but not yet paid. As receivables and payables do not involve the receipt or 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 Constituency at the end of the year. When the receivables or payables are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

f) **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 Constituency'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 Constituency's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

g) **Comparative figures**

This is the first year the Constituency is preparing financial statements and hence we do not have comparative figures.

h) **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, 2014.

I. NOTES TO THE FINANCIAL STATEMENTS

GFS
CODES

**1 TRANSFERS FROM
OTHER GOVERNMENT
AGENCIES**

Description		2015 - 2016	2014 - 2015
		Kshs	Kshs
1330407 Normal Allocation	AIE NO...	10,000,000	7,300,000.00
	AIE NO.....	10,000,000	21,443,611.00
	AIE NO..	20,000,000	14,246,166.60
	AIE NO..	20,000,000	14,497,444.00
	AIE NO..	30,000,000	28,743,611.40
	AIE NO..	31,401,396	28,743,611.00
1330408 Conditional grants	AIE NO... AIE NO...		
1330409 Receipt from other Constituency			
TOTAL		121,401,396	114,974,444.00
2 COMPENSATION OF EMPLOYEES			
Description		2015 - 2016	2015- 2016
		Kshs	Kshs
2110201 Basic wages of contractual employees		0	1,408,795.00
Total		0	1,408,795.00
3 USE OF GOODS AND SERVICES			

	Description	2015 - 2016	2014 - 2015
		Kshs	Kshs
2210100	Utilities, supplies and services	190,450	717312.60
2210200	Communication, supplies and services	192,000	306,000
2210300	Domestic travel and subsistence	4,062,037	605,750.00
2210500	Printing, advertising and information supplies & services	20000	119,970.00
2210700	Training expenses	543,000	937,500.00
2210800	Hospitality supplies and services	443,250	1,762,704.90
2211000	Specialised materials and services	1015400	459,300.00
2211100	Office and general supplies and services	1,404,900	538,371.00
2211200	Fuel ,oil & lubricants	420,000	450,000.00
2211300	Other operating expenses	381,500	734,735.00
2220100	Routine maintenance – vehicles and other transport equipment	900,400	148,050.00
2220200	Routine maintenance – other assets	0	896,866.25
	Total	9,572,937	7,676,559.75
2210800	4 COMMITTEE EXPENSES		
	Description	2015 - 2016	2014 - 2015
		Kshs	Kshs
2210802	Other committee expenses	0	2,752,279.00
2210809	Committee allowance	457000	800,000.00
	TOTAL	457000	3,552,279.00
2630200	5 TRANSFER TO OTHER GOVERNMENT ENTITIES		
	Description	2015 - 2016	2014 - 2015
		Kshs	Kshs
2630204	Transfers to primary schools	36,450,000	11,100,000.00
2630205	Transfers to secondary schools	11,600,000	8,200,000.00

2630206	Transfers to Tertiary institutions		0	700,000.00
2630207	Transfers to Health institutions		9,500,000	6,343,457.00
	TOTAL		57,550,000	26,343,457.00
2640000	6 OTHER GRANTS AND OTHER PAYMENTS			
	Description		2015 - 2016	2014 - 2015
			Kshs	Kshs
2640101	Bursary -Secondary		7,847,926	4,510,824.00
2640102	Bursary -Tertiary		4,000,000	2,475,486.00
2640104	Bursary-Special schools		100,000	1,058,404.00
2640105	Mocks & CAT		1,350,000	1,457,050.00
2640504	water		2,000,000	1,000,000.00
2640506	Electricity projects		5861.30	410,353.00
2640501	Community resource		900,000	100,000.00
2640507	Security		7,280,000	6,790,000.00
2640508	Roads		40,730,000	26,400,000.00
2640509	Sports		1,750,000	2,571,650.00
2640510	Environment		2,300,000	1,533,440.00
2640200	Emergency Projects (specify)		5,105,000	6,026,000.00
2640203	Constituency office		0	1,988,000.00
2640520	Market sheds and arrestors		0	1,500,000.00
4	Total		73,368,787	57,821,207.00
2120000	7 SOCIAL SECURITY BENEFITS			
			2015 - 2016	2014 - 2015
			Kshs	Kshs
2120101	Employer contribution to NSSF		173,900	30,400
	Total			30,400
3100000	8 ACQUISITION OF ASSETS			370,000
	9A: Bank Balances (cash book bank balance)			

Name of Bank, Account No. & currency	Account Number	2015 - 2016	2014 - 2015	
		Kshs (30/6/2015)	Kshs (30/6/2014)	
<i>Cooperative Bank, MUMIAS Branch A/C no.</i>	01120068114200	10,927,290	32,277,218.00	
<i>Outstanding imprest</i>				
Total		10,927,290	32,277,218.00	

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset Class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Land	400,000	400,000
Buildings and structures	10,205,707.50	10,205,707.50
Transport equipment	340,800	340,800
Office equipment, furniture and fittings	537,000	537,000
ICT Equipment, Software and Other ICT Assets	313690	163,540
Total	11,797,198	11,647,048