

REPUBLIC OF KENYA

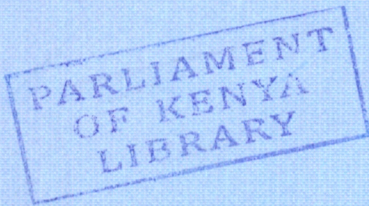


OFFICE OF THE AUDITOR-GENERAL



*Paper Laid on the
Table of the
House by the
Leader of the
Majority Party on
Thursday.*

REPORT

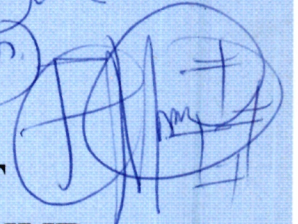


OF

*8th June 2017.
(P.M.)*

THE AUDITOR-GENERAL

ON



**THE FINANCIAL STATEMENTS OF
CONSTITUENCIES DEVELOPMENT FUND
BOARD**

**FOR THE YEAR ENDED
30 JUNE 2015**



CONSTITUENCIES DEVELOPMENT FUND BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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I. KEY CDF 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The Constituencies Development Fund (CDF) was set up under the CDF Act 2003 now repealed by the CDF Act 2013.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 Funds overall management is the responsibility of the CDF Board. While the supervision and coordination is done by 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.

(b) Principal Activities

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.

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

- Improved Governance, Efficiency and Effectiveness
- Capacity Building
- Strengthened Linkages and Communication

STRATEGIC PROGRAMMES

In the Financial year 2014/2015, the Board shall enhance on the following programmes:

- 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
- Enhance sharing of information and communication with stakeholders through public awareness campaigns.

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.

(c) Key Management

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

- CDF Board

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.	Ag.Chief Executive Officer	Yusuf Mbuno

(d) Fiduciary Oversight Arrangements

- Finance and Administration Committee of the Board
- Audit and Risk Management Committee of the Board

(e) Registered office

CDF headquarters
Harambee Plaza Building
10th Floor
Telephone No. 2230015/19/27
Haille Sellasie/Uhuru Highway Junction.
P.O. Box 46682 - 00100
NAIROBI

(f) Contacts

Telephone: (020) 2230015/9, 2230027
E-mail: info@cdf.go.ke
Website: www.cdf.go.ke

(g) CDF Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Kenya Commercial Bank Ltd
Kipande House
Kenyatta Avenue
P.O. Box 30012 - 0010
NAIROBI

Co-operative Bank of Kenya
Cannon House
Parliament Road
P.O. Box 5772-00200

Independent Auditors

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

(h) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS



1. **Hon Elias Mbau** – Board Chair (Appointed on 01.01.2015)

Hon Mbau holds a Masters degree in Economics and Public Finance



2. **Boniface Lookale** (Appointment lapsed on 9th April, 2015)

Mr Lookale holds a Bachelor of Arts degree in Anthropology. Lookale has worked in a number of community projects including being a project officer with Vertinaires Sans frontieres –Germany.



3. **Joseph Mukui** – Alternate Director to the Principal Secretary, State Department of Planning, Ministry of Devolution and Planning



4. **Mumbi Mahinda**, Alternate Director to the Attorney General

An Advocate of the High Court of Kenya

5. **Dr Jane N Kabugi** – (Appointment lapsed on September 08, 2014)

Dr. Jane N Kabugi has a specialty in Gender and development and social development. She is also an expert in Behaviour Change Communication, HIV/AIDS, Gender and Development, child right issues, OVCS and Project Monitoring and Evaluation. Dr Jane has worked for National and International Agencies including Trocaire, Caritas Kenya, Caritas Nairobi, UNFPA, KNCHR, Child line Kenya, UNICEF, BMZ, AMREF, Inter-Religious Council of Kenya. She has extensive research and community project support experience for educational and social sector programs. Jane is a holder of Ph.D in Religious Studies from University of Nairobi; Master of arts in Gender and Development (Nairobi) and a Bachelor of Education from Moi University



6. **David Koross** – (Appointment lapsed on September 08, 2014)

Mr Koross is a graduate of Economics from university of Nairobi and a holder of Executive MBA from Moi University. He has served as a Head of Client Relationship and Client Relationship Manager at Stanbic Bank. He has also served as Senior Compliance officer at Retirement Benefits Authority David is currently the Chief Executive Officer of LAPFUND

7. **Hillary James Nyaanga** – (Appointment lapsed on September 08, 2014)

Mr. Nyaanga is a Civil /Structural Engineer and registered consulting engineer with engineer's registration of Kenya and institute of Engineers of Kenya. Nyaanga is a graduate of Bachelor of Science Civil Engineering.

8. **Xavier Maina Nyamu** – (Appointment lapsed on September 08, 2014)

9. **Odongo Mark Okeyo** – (Appointment lapsed on September 08, 2014)

Odongo Mark Okeyo holds a MBA in Strategic Management from MOI University, LLB Honors from Aligarh University, Economic and public administration from Punjab University. Mr Okeyo is also an advocate of the High Court and a member of Chartered public secretaries of Kenya. Mr Okeyo served in various positions at Kenya Reinsurance Corporation limited rising from legal officer to Senior Manager Strategy and Business Development

10. Rosalia Shida Nyalle – (Appointment lapsed on September 08, 2014)

Rosalia is a bachelor of Commerce graduate, a certified public accountant of Kenya and a Certified Public Secretaries of Kenya with over 25 years of experience in auditing both internal and external and general accounting and finance.

11. Kioko Rose Mbula – (Appointment lapsed on September 08, 2014)

Rose holds a Bachelor of Development studies from Mt Kenya University

12. Ms. Jennifer N. Baraza - (Appointment lapsed on September 08, 2014)

13. Dr. John Ongenge Wamakonjio – (Appointment lapsed on September 08, 2014)



14. Yusuf Mbuno
Ag. Chief Executive Officer

III. MANAGEMENT TEAM

	NAME	DESIGNATION	ACADEMIC	PROFESSIONAL
1	Yusuf Mbuno	Chief Executive Officer	Master of Arts – Economics Bachelor of Arts –Economics	<ul style="list-style-type: none"> • Certificate in Project Planning & Management
2	Simon Ndweka	Corporation Secretary	Master of Business Administration Bachelor of Laws	<ul style="list-style-type: none"> • CPA K • CPS Final
3	Venazio Gachara	Senior Accountant	Degree Course (ongoing)	<ul style="list-style-type: none"> • CPA K
4	Alice Wachira	Chief Internal Auditor	Master of Business Administration – Finance & Banking	<ul style="list-style-type: none"> • CPA K CPS Final
5	Anne Thumbi	Senior Manager Human Resource	Master of Science – Human Resource Management Bachelor of Science – Communication & PR	<ul style="list-style-type: none"> • Higher Diploma – Human Resource Management • Diploma – Personnel Management
6	Brenda Onyino	Senior Manager Communication	Master of Arts – Communication (ongoing) Bachelor of Arts in Communication – PR & Business Administration	Diploma in Project Management
7	Jack Odhoch	Chief ICT Officer	Master of Science – Information Systems Bachelor of Science	<ul style="list-style-type: none"> • Certified Professional – Oracle • CCNSP • Prince 2 and Web development
8	Shafee Yaqub	Procurement Officer	Msc Procurement & Logistics (Ongoing) Bachelor of Commerce - Finance	<ul style="list-style-type: none"> • CIPS • Diploma – Purchasing & Supply
9	Elizabeth Twili	Program Manager - Coordination	Master of Education – Economics & Education Bachelor of Education – Arts	<ul style="list-style-type: none"> • Diploma in Management – Project Planning

IV. CHAIRMAN'S STATEMENT

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 Act 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



.....
Hon Elias Mbau
Chairman, Board of Directors

Date... 18/05/2017

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Constituencies Development Fund has been allocated a total of Kshs.170.913 billion from 2003/2004 to 2014/2015 financial year as the statutory allocation out of which Kshs.5.1545 billion was allocation for running the Board secretariat and the balance of Kshs.165.76 billion is allocation for disbursement to constituencies. The Board has disbursed a total of Kshs.162.86 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 2014/2015 was **Kshs.33.213 billion**. The Board received a total of Kshs **32.906 billion** in 2014/2014 financial year including arrears of Kshs.4 billion for previous years leaving a balance of **Kshs.6.976 billion** to be received in 2015/2016 financial year.

The CDF Board disbursed all the funds received from Treasury during the year except for Kshs.213.4 million which was still in the CBK account as at 30/6/2015. 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 is: holding public hearings to review the CDF Act, Trainings of FAMs on preparation of financial statements, cascading of performance contracts to the CDFCs and computerization of the Boards activities through development, implementation and training on CDFMIS. When complete, the CDFMIS will improve internal processes, procedures and controls by use of ICT. This will improve efficiency and enhance sharing of information between the Board and its stakeholders.

Similarly, the Board intensified internal and constituency audits and inspection of constituencies books of accounts. 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, Machakos and Kakamega and public awareness campaigns to promote achievements and image of the Fund.

The Board undertook various trainings including training of Fund Account Managers of project management, 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 the Board has prepared financial statement for the secretariat based on 5% of the allocation and separate 290 financial statements for the constituencies on the remaining 95%.



.....
Yusuf Mbuno

Ag. Chief Executive Officer

Date.....

18/05/2017

VI. CORPORATE GOVERNANCE STATEMENT

Objective

Corporate governance defines the process and structure used to direct and manage business affairs of the company with the aim of enhancing prosperity and corporate accountability.

The Board acknowledges that it is responsible for ensuring the transparency, accountability and integrity of the financial systems and internal system in the organization and hereby confirms that sufficient safeguards have been put in place and are reviewed on a regular basis.

The Board's principal responsibilities include:

- (a) Ensure timely and efficient disbursement of funds to every constituency;
- (b) Ensure efficient management of the Fund;
- (c) Receive and discuss annual reports and returns from the constituencies;
- (d) Ensure the compilation of proper records, returns and reports from the constituencies;
- (e) Receive and address complaints and disputes and take any appropriate action;
- (f) consider project proposals submitted from various constituencies in accordance with the Act, approve for funding those projects proposals that are consistent with the Act and send funds to the respective constituency fund account of the approved projects;
- (g) Perform such other duties as the Board may deem necessary from time to time for the proper management of the Fund.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The CDF Board recognizes its responsibility of being environmentally responsible by complying with all environmental laws at all phases of its activities. The Board is responsible for ensuring that the policy on environmental sustainability is implemented and that the natural and man-made resources are protected through the implementation of proactive environmental programs.

In line with this, the CDF Board focuses on:

- Maintaining good environmental system that is suitable to the nature, scale and environmental impacts of its operations and related activities.

- Making environmental concerns as an integral part of its planning and decision making process by committing sufficient resources in order to implement effective environmental and sustainability programs.
- Providing the necessary training for its employees to ensure that they have enough knowledge and capacity to conduct operations in a manner that is consistent with sound environmental practices while at the same time encouraging employees to be involved in environmental action.
- Avoiding, minimizing and mitigating any adverse environmental impacts caused by its operations.
- Adopting the highest standards in all areas of operations, meeting and exceeding all relevant requirements.
- Assessing its operational activities and identifying areas where it can minimize waste and negative environmental impacts through careful and efficient use of all materials and energy by promoting the use of environmentally friendly technologies.
- Promoting environmental awareness among its employees by encouraging them to work in an environmentally responsible manner.
- Continually assessing the environmental impact of all its operations.

To achieve the 2014/2015 objectives, the CDFB carried out various environmentally sustainable activities in Chesumei, Nandi Hills, Mt. Elgon, Sirisia, Webuye West, Bumula, Kabuchai, Kandara, Maragua Mathioya, Ikolomani and Kisumu East . The activities included; Developing and implementing environmental awareness creation programmes, waste management that included procuring of the waste segregation, created awareness on measures to mitigate against water, air, noise and other forms of pollution, plant and support tree planting initiatives where a total 6,160 different species of seedlings were planted.

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 44 of the Constituencies Development Fund Act, 2013 require the Directors to prepare financial statements in respect of CDF, which give a true and fair view of the state of affairs of the CDF at the end of the financial year/period and the operating results of the CDF for that year/period. The Directors are also required to ensure that the CDF keeps proper accounting records which disclose with reasonable accuracy the financial position of the CDF. The Directors are also responsible for safeguarding the assets of the CDF.

The Directors are 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 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 Directors accept responsibility for the *CDF's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) accrual, and in the manner required by the PFM Act and the State Corporations Act. The Directors are 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, 2014, and of the *CDF's* financial position as at that date. The Directors further confirm 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.

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

Approval of the financial statements

The CDF financial statements were signed on behalf of the Board by:



Yusuf Mbuno
Ag. Chief Executive Officer



Hon. Elias Mbau
Board Chair

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Constituencies Development Fund Board set out on pages 1 to 14, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts 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 Public Sector Accounting Standards (Accrual 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 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 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. 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 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 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. Trade and Other Payables

The financial statements under current liabilities reflect trade and other payables figure of Kshs.27,745,020 which include an accrued Economic Stimulus Programme allowances brought forward figure of 14,917,200 from financial year 2012/2013 and earlier years. As explained by management, these are allowances owed to the Stimulus Project Management Committees (SPMCs) and Constituency Project Tender Committees (CPTCs) operating under Economic Stimulus Programme (ESP). The amount has not been analysed or supported by documentation.

In the circumstances, it has not been possible to confirm the completeness and validity of the Kshs.14,917,200 payable to Economic Stimulus Programme.

2. Cash and Cash Equivalent

- i. The statement of financial position reflects cash and cash equivalent balance of Kshs.1,196,506,453 which include balances of Kshs.413,706,195 and Kshs.39,997,556 held in Co-operative and Kenya Commercial Banks respectively.

The following items from the reconciliation of the cash book and bank statements have not been adjusted in the accounting records, hence not incorporated in these financial statements.

Bank	Particulars	Amount
KCB	Receipts in bank not in cash book	(5,498,518)
KCB	Payments in bank not in cash book	34,314,751
Co-operative	Payments in bank not in cash book	<u>80,268</u>
	Total	<u>28,896,501</u>

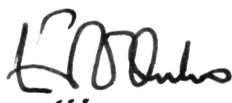
This has resulted in overstatement of bank balances by Kshs.28,896,501 based on the financial records of the Board.

- ii. Management of the Board did not prepare monthly bank reconciliation statements for two banks, Equity and ABC with balances of Kshs.1,566,539 and Kshs.31,837 respectively. It was not possible to ascertain whether all bank transactions and bank balances for the two accounts were fairly stated.
- iii. The Constituencies Development Fund Board (CDFB) invested in call deposits with a balance of Kshs.320,742,209.03 as at 30 June 2015 with Chase Bank which has been put under receivership by the Central Bank of Kenya and therefore the

fair value of the investment cannot be reliably determined. It has not been possible to determine the realizable values of the call deposits with Chase Bank (under receivership) and the extent of impairment.

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 the Constituencies Development Fund Board 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 (Accrual Basis) and comply with the Constituencies Development Fund Act, 2013.



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

Nairobi

12 October 2016

**IX. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015**


Revenue from non-exchange transactions		2014/2015	2013/2014 (restated)
		Kshs	Kshs
GOK grants	3	1,648,500,000	1,088,100,000
Revenue from exchange transactions			
Interest on deposits	4(a)	43,433,589	42,188,724
Other income	4(b)	<u>72,600</u>	<u>252,000</u>
Total revenue		1,692,006,189	1,130,540,724
Expenses			
Employee costs	5	806,536,660	326,167,125
Board Expenses	6	28,673,956	47,866,040
Depreciation and amortization expense	7	36,843,435	36,404,691
Repairs and maintenance	8	6,253,153	15,241,404
Contracted services	9	19,549,138	21,335,657
General expenses	10	<u>411,725,507</u>	<u>274,431,820</u>
Total expenses		1,309,581,848	764,865,279
Surplus/(Deficit for the period)		<u>382,424,341</u>	<u>365,675,445</u>

X. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2015

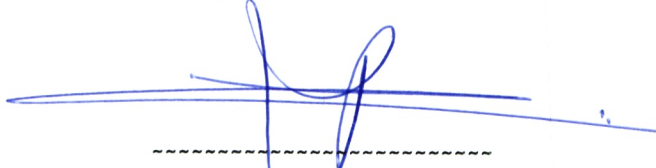
	Note	2014/2015 Kshs	2013-2014 (restated) Kshs
Assets			
Current assets			
Cash and cash equivalents	11(a)	1,196,506,453	768,299,938
Sundry debtors	11(b)	21,188,713	27,919,637
Prepayments	12	<u>52,099,554</u>	<u>41,346,392</u>
		1,269,794,720	837,565,967
Non-current assets			
Property, plant and equipment	13	122,731,289	102,414,782
Intangible assets	14	<u>7,925,984</u>	<u>10,087,453</u>
		130,657,273	112,502,235
Total assets		1,400,451,993	950,068,202
Liabilities			
Current liabilities			
Trade and other payables	15	27,745,020	30,648,917
Employee benefit obligation	16(a)	<u>3,256,800</u>	<u>2,698,403</u>
		31,001,820	33,347,320
Non-current liabilities			
Non-current employee benefit obligation	16(b)	<u>113,863,338</u>	<u>48,645,301</u>
Total liabilities		144,865,158	81,992,621
Net assets		<u>1,255,586,835</u>	<u>868,075,582</u>
Represented by			
Accumulated fund b/f surplus		868,075,580	502,400,136
Prior year adjustments	17	<u>382,424,341</u>	<u>365,675,445</u>
		<u>5,086,914</u>	-
Total net assets and liabilities		<u>1,255,586,835</u>	<u>868,075,582</u>

The financial statements are rounded off to the nearest shilling.

The Financial Statements set out on pages 1 to 13 were signed on behalf of the Board of Directors by:



 Yusuf Mbuno
 Ag.Chief Executive Officer
 Date 18/05/2017



 Hon Elias Mbau
 Board Chair
 Date 18/05/2017

XII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2015

	REVENUE RESERVE Kshs	REVALUATION RESERVE Kshs	CAPITAL RESERVE Kshs	TOTAL Kshs
At 30.06.2014	<u>868,075,580</u>			<u>868,075,580</u>
At 01.07.2014	868,075,580			868,075,580
Surplus for the Year	382,424,341			382,424,341
prior year adjustments	5,086,914			5,086,914
At 30.06.2015	<u>1,255,586,835</u>			<u>1,255,586,835</u>

The financial statements are rounded off to the nearest shilling.

**XII. STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30TH JUNE 2015**

	2014 - 2015	2013 - 2014
	Kshs	Kshs
Surplus for the year	382,424,341	365,675,445
Add (i) Depreciation & Amortization	<u>36,843,435</u>	<u>36,404,691</u>
Cash from Operating Activities	419,267,775	402,080,136
Changes in Working Capital		
Decrease/(Increase) in Prepayments		(37,727,488)
Decrease in Trade and other payables	(2,903,897)	(22,797,429)
increase/(Decrease) in employee benefit obligation	558,397	(2,987,697)
Increase/(decrease) in gratuity obligation	65,218,037	(52,284,093)
Prepayments and Sundry debtors	<u>(4,022,238)</u>	<u>31,855,048</u>
Net Cash flow from operating activities	58,850,299	(83,941,659)
Cash flow from investing activities		
Purchase of motor vehicles		33,304,671
Purchase of Computer Equipment	11,821,915	15,058,235
Purchase of Furniture & office equipment	37,112,915	10,669,343
Purchase of software	<u>976,729</u>	<u>1,307,652</u>
Net cash flow from investing activities	49,911,559	60,339,901
Prior year adjustment		
Net increase in cash & cash equivalents	428,206,515	257,798,576
Cash & Cash Equivalent at start of the year	768,299,938	510,501,362
Cash & Cash Equivalent at end of the year	<u>1,196,506,453</u>	<u>768,299,938</u>

The financial statements are rounded off to the nearest shilling.

CONSTITUENCIES DEVELOPMENT FUND BOARD (SECRETARIAT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE
Revenues					
GOK Grants	1,648,500,000		1,648,500,000	1,648,500,000	0
A-I-A	45,000,000		45,000,000	43,433,589	1,566,411
Total Income	1,693,500,000	0	1,693,500,000	1,691,933,589	1,566,411
Expenses					
Staff costs	1,311,674,015	-89,443,601	1,222,230,414	806,536,660	391,393,754
Board Expenses	53,000,000	-16,500,000	36,500,000	28,673,956	7,826,044
General expenses	806,951,075	38,460,600	845,411,675	411,725,507	446,850,168
Contracted and Other Operating Expenses	103,957,820	65,500,000	169,457,820	19,549,138	149,908,682
Routine Maintenance purchase of Computer Equipment	12,380,999	4,619,001	17,000,000	6,253,153	10,746,847
Purchase of Furniture and Equipment's and Refurbishment of building	10,500,000	0	10,500,000	11,821,915	-1,821,915
Purchase of motor vehicle purchase of software	41,000,000	9,000,000	50,000,000	37,112,915	17,887,085
	10,000,000	-5,000,000	5,000,000	3,724,992	1,275,008
	24,000,000	-6,636,000	17,364,000	976,729	23,023,271
Total Expenses	2,373,463,909	0	2,373,463,909	1,326,374,965	1,047,088,944
surplus	-679,963,909		-679,963,909	365,558,624	

The financial statements are rounded off to the nearest shilling.
Refer to note 18 for explanatory notes on material variances

NOTES TO THE FINANCIAL STATEMENTS

Following discussions we held with the Public Sector Accounting Standards Board, the CDF Board has prepared two separate statements for the Board Secretariat (5% allocation) and the Fund Account at Central Bank of Kenya (CBK). Consequently, the comparative figures for financial year 2013/2014 Board Secretariat financial statements have been restated to reflect the new system of presentation. In effect, the Board Secretariat (5% allocation) financial statements together with the financials statements of each of the 290 constituencies (95% allocation) constitute mirror statements for the CBK Fund account financial statements.

1. Statement of compliance and basis of preparation – IPSAS 1

The CDF's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the CDF and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

Transfers from other government entities

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 5% of the Fund's total allocation and the remaining 95% 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.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the CDF. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or CDF differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Reducing balance method is used in calculating depreciation using the following rates:

	Asset category	Rate of depreciation/amortisation
1.	Motor vehicles	25%
2.	Computers equipment	30%
3.	Furniture, Fittings and general equipment	12.5%
4.	Intangible assets	30%

d) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

e) Employee benefits – IPSAS 25

Retirement benefit plans

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. The pension obligations for staff seconded from various ministries are remitted monthly to the ministries while gratuity provisions are made for staff on contract.

f) Comparative figures

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

g) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The CDF based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the CDF. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

h) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date

i) Related Party Disclosures – IPSAS 20

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related

party entity and another entity are subject to common control. The following are related party transactions that took place during the year:

Related party	Number	Nature	Transaction type	Amount (KShs)	Balances as at 30 th June 2015 (KShs)
Board members	13	Governing body	Allowances	23,237,730	Nil
Senior management	9	Employees	Remuneration	33,617,481	Nil
Constituencies	290	Sub-entities	Funds transferred	32,806,614,560	7,190,188,084.

NB: the amounts disclosed under constituencies as a related party are recognised in separate Central Bank of Kenya (CBK) Fund Account financial statements for the year ended 30th June 2015

j) Risk Management Policies – IPSAS 30

This standard requires disclosure of information about the nature and extent of risks arising from financial instruments which includes qualitative and monetary disclosures about exposure to each class of risk and how those risks are managed separately for liquidity, credit and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Board held in various banks call deposits of Kshs KShs.738,226,675 as at 30th June 2015 which exposes the Fund to credit risk. The Board's investment policy requires that the call deposits be held in commercial banks that meet all the Central Bank of Kenya regulatory requirements. We carry out regular financial appraisals of the banks to evaluate their strength.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Board had payables of KShs.12,827,820 to suppliers, KShs.14,917,200 to constituencies and KShs.113,863,338 provision for gratuity for employees as at 30th June 2015. As per government financial procedures and regulations, the Board do not enter into financial commitments for which funds have not been received. Further, stringent vote control procedures ensure funds committed for a particular purpose whose obligation has materialised are not utilized for any other purpose.

(k) Outstanding Imprest

Outstanding imprests at year end are recognized as sundry debtors. Imprest is managed as per government financial regulations and procedures.

3 Revenue from non-exchange transactions

GOK Grants

	2014/2015 KES	2013/2014 KES
Secretariat Allocation	1,648,500,000	1,088,100,000
Constituencies Allocation		
Total	1,648,500,000	1,088,100,000

4 Revenue from Exchange Transactions

	2014/2015 KShs	2013/2014 KShs
(a) Interest on deposits	43,433,589	42,188,720
(b) Tenders	12,000	252,000
miscellaneous receipts	60,600	72,600
Total	43,506,189	42,440,720

5 Employee Costs

Personnel Emoluments	316,323,854	196,943,900
Other Personal. Emoluments.	388,741,864	88,105,480
Temporary Employees	3,524,068	
Leave Allowance	4,622,000	
NSSF paid by employer	553,400	
Gratuity & Pensions	92,771,473	41,117,710
Total	806,536,660	326,167,120

6 Board Expenses

Allowances	23,237,730	42,005,380
Other Expenses	5,436,225	5,860,660
Total	28,673,955	47,866,040

7 Depreciation and amortization

Depreciation	33,446,584	36,146,030
Amortization	3,396,850	258,650
Total	36,843,435	36,404,680

8 Repairs and Maintenance

Equipment	643,947	9,806,190
Vehicles	4,392,606	5,138,570
Others	1,216,600	296,630
Total	6,253,153	15,241,400

9 Contracted Services

General Ledger Payments	15,679,138	21,335,650
Add payables (Statistical Research)	3,870,000	
Total	19,549,138	21,335,650

10 General Expenses

	2014/2015 KShs	2013/2014 KShs
Telephone, Electricity, internet & courier	5,920,838	4,687,581
travel cost	19,737,060	59,697,104
DSA	66,311,147	
Publishing and Printing	12,463,230	8,233,831
Newspapers	1,036,025	
Adverting, awareness and publicity	25,669,404	21,271,012
Trade shows and exhibitions	9,430,155	
rent	8,045,424	2,681,978
Training expenses	154,274,431	87,228,548
Catering Services	15,043,030	
insurance	53,185,549	51,735,328
General Office Suppliers	19,509,644	15,048,546
Fuel, Oils & Lubricants	6,124,012	5,178,750
Medical, Cleaning, membership, legal, parking	14,975,557	6,888,994
ESP expenses		11,780,148
Total	411,725,507	274,431,820

11(a)	Cash and cash equivalent		
	Call deposits	738,226,675	700,721,918
	Current accounts in other banks	4,576,027	
	Coop Bank	413,706,195	29,239,348
	KCB	39,997,556	38,338,672
	Total	1,196,506,453	768,299,938
(b)	Sundry debtors		
	Un-surrendered imprest	21,188,713	27,919,637

NB: CBK balance is not reported in the secretariat accounts but instead will be reported in the Constituencies consolidated accounts

12 Prepayments

	2014/2015 KShs	2013/2014 KShs
Kenyatta National Hospital	250,000	250,000
Mater Hospital	300,000	300,000
Getrude Childrens' Hospital		100,000
Insurance	51,549,554	36,002,360
Interest		4,574,020
Salary Advance		120,000
Total	52,099,554	41,346,380

13. Property, Plant and Equipment

	Motor Vehicles (25%) SHS	Computer Equipment (30%) SHS	Furniture, Fittings & General Equipment (12.5%) SHS	TOTAL SHS
1.07.2014	98,743,749	116,523,524	42,524,048	257,791,321
Additions	3,724,992	11,821,915	37,112,915	52,659,822
(Disposals)	-	-	-	-
Total	102,468,741	128,345,439	79,636,963	310,451,143
ACCUMULATED DEPRECIATION				-
01.07.14 Accumulated depreciation b/f	58,400,858	80,254,784	15,617,628	154,273,270
Charge for the year	11,016,971	14,427,196	8,002,417	33,446,584
Accumulated Depreciation 30.6.15	69,417,829	94,681,980	23,620,045	187,719,854
NBV 30.06.2015	33,050,912	33,663,458	56,016,918	122,731,289
NBV 30.06.2014	41,274,138	26,910,674	34,229,970	102,414,781

15. Intangible Assets

	Intangible assets KShs
1.07.2014	10,346,106
Additions	976,729
(Disposals)	-
Total	11,322,835
ACCUMULATED DEPRECIATION	
01.07.14 Accumulated depreciation b/f	-
Charge for the year	3,396,850
Accumulated Depreciation 30.6.15	3,396,850
NBV 30.06.2015	7,925,984
NBV 30.06.2014	10,087,453

15	Trade and other payables		2014/2015	2013/2014
			KShs	KShs
	Accounts Payable		12,827,820	15,731,717
	Accrued-ESP		14,917,200	14,917,200
	Total		27,745,020	30,648,917
16(a)	Current employee benefit obligation			
	Owing to deceased staff			2,698,403
	Leave allowance		3,256,800	
	Total		3,256,800	2,698,403
16(b)	Gratuity & Pensions			
	Balance at the beginning of year		48,645,301	101,276,733
	Additional provisions raised		92,771,473	41,117,710
	Provisions utilized		27,553,436	93,749,142
	Balance at end of year		113,863,338	48,645,301

17. Prior Year Adjustments

The amount of KShs.5,086,914 is explained as follows:

- i. Amount payable to Toyota Kenya of KShs.3,724,992 in 2013/2014 FY for accessories to Motor Vehicles acquired in that year was erroneously not included as part of cost of acquisition of the vehicles in that year. Hence additions to motor vehicles in FY 2013/2014 was understated by the same amount
- ii. Errors in accumulated depreciation and amortization brought forward (Kshs.1,361,922)

The error was detected due to the automation of the fixed asset register

ACCUMULATED DEPRECIATION					
	Motor Vehicles	Computer Equipment	Furniture, Fittings & General Equipment	Intangible assets	Total
01.07.14 Accumulated depreciation b/f	57,469,611	82,293,554	15,613,374	258,653	155,635,192
NBV 30.06.2014	41,274,138	26,910,674	34,229,970	10,087,453	112,502,234
Adjusted Accumulated depreciation b/f	58,400,858	80,254,784	15,617,628	-	154,273,270
Adjusted Charge for the year	11,016,971	14,427,196	8,002,417	3,396,850	36,843,435
Adjusted Accumulated depreciation c/f	69,417,829	94,681,980	23,620,045	3,396,850	191,116,705
Difference in Accumulated depreciation b/f	(931,247)	2,038,770	(4,254)	258,653	1,361,922

18) Statement of Comparison of Budget and Actual Amounts

Employee cost – The Board could not fill the critical vacant position budgeted for due to freezing of employment by the National government.

Board Expenses- the Board could not utilize the entire budgeted amount due to delay in appointing the Board of Directors.

General Expenses- the Board could not undertake most of the budgeted activities due to urgency of work on public hearing on review of CDF Act 2013 which was declared unconstitutional. The activities will be implemented in 2015/2016 financial year.

Contracted services –The Board could not undertake major consultancy services budgeted for on Monitoring and Evaluation framework; system audit and Development of scheme of service as their development are based on the Act which was being reviewed and amended. The activities will be implemented once the amended Act is approved.

Purchase of furniture and computers- the delay in signing the lease document for the new office space acquired delayed the completion of the refurbishment of the space. The Board could not therefore purchase the budgeted furniture and computer equipment.

Purchase of software - The operationalization of CDFMIS to continue in Financial Year 2015/2016

19) Contingent liability – IPSAS 19

Some fraudulent transaction of Kshs 13,391,130 and Kshs 26,170,836 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.

However, the bank (KCB) initiated fraud recovery measures where to date Kshs.5.6 million has been credited back to the account while Kshs.1.4 million bounced back to the account. The resultant loss is Kshs.32 million

The recognition of this contingent loss is dependent upon the outcome of the proceedings in court and/or on-going discussions with KCB bank arising from breach of their duty of care.

I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Non-Current Assets The Board assets increased from Ksh 88,567,026 to Ksh 112,502,234 asset register was not updated. Fixed Management System (FAMS) acquired was yet to be utilized. Log books for five motor vehicles acquired during the year at a cost of Ksh 33,304,671 was not availed</p>	<p>The manual fixed asset register is updated The consultant hired to develop FAM has submitted the reports and training have been done. The software will be operationalized in F/Y 2015/2016</p>	<p>Abdi Haji Gedi – Administration officer</p>	resolved	
2	<p>Accrued Economic Stimulus Programme (ESP) Supporting schedule showing accrued gratuity of Ksh 14,917,200.00 was not availed.</p>	<p>These were funds to be sent to 62 constituencies for paying allowances to SPMCs and CPTCs. However, these committees were disbanded after the completion of the ESP programme. The Management intends to clear these liability in Financial Year 2015/2016 through a resolution of the Board and approval by the National Treasury since the committees to be paid no longer exist</p>	<p>Venazio Gachara – Senior Accountant</p>	To be resolved in 2015/2016	