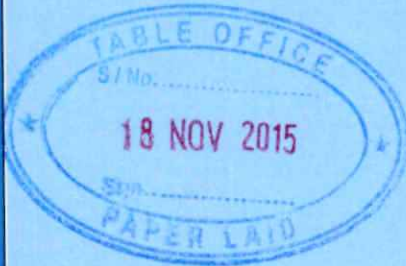


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
CONSTITUENCIES DEVELOPMENT FUND -
RONGAI CONSTITUENCY

FOR THE YEAR ENDED
30 JUNE 2014

Paper Laid
By Hon. Kato Ole Mwa
(Majority Whip) on Wed
18.11.2015 (pm)



REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON CONSTITUENCIES DEVELOPMENT FUND- RONGAI CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Constituencies Development Fund - Rongai Constituency set out on pages 4 to 14 which comprise the statement of financial assets and liabilities as at 30 June 2014, the statement of receipts and payments, statement of cash flows, summary statement of appropriation, for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 this audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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. The audit was conducted in accordance with International Standards on Auditing. Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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. Cash and Cash Equivalents

Included in the cash and cash equivalents balance of Kshs.39,439,520 as at 30 June 2014 are stale cheques amounting Kshs.1,790,321.95 which had not been written back in the cashbook. Although it has been explained the stale cheques were replaced, no evidence in form of certified cashbook has been provided for audit.

In the circumstances, it has not been possible to ascertain the accuracy and completeness of the cash and cash equivalents balance of Kshs.39, 439,520 as at 30 June 2014.

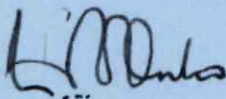
2. Unaccounted for Expenditure

An expenditure of Kshs.4,482,759 was incurred by the Constituency Development Fund Committee (CDFC) in construction of prefabricated staff houses under health sector. However, no expenditure returns were produced for audit verification and it was therefore not possible to confirm the implementation of the project. Further, it was not explained why the projects were implemented by the CDFC instead of Project Management Committee contrary to Section 31(1) of the CDF Act, 2013 which requires projects to be implemented by the PMC's.

In the circumstances, the propriety of the expenditure of Kshs.4,482,759, could not be confirmed.

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 - Rongai Constituency as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Public Finance Management Act, 2012 and Constituencies Development Fund Act, 2013.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

09 September 2015



CONSTITUENCIES DEVELOPMENT FUND –RONGAI

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2014

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

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

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CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
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I. KEY INFORMATION AND MANAGEMENT OF RONGAI CDF

(a) Background information

The Constituency Development Fund was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013. The CDF Act 2013 aligns the fund with the Kenyan constitution of 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 utilisation. The overall management of the fund is the responsibility of the Constituencies Development Fund Board.

Key Management

The management of Rongai CDF's day to day management is under the following key organs:

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

(b) Fiduciary Management

The key fiduciary management personnel who held office during the financial year ended 30th June 2014 are as follows:

| | Designation | Name |
|---|-------------------------|-------------------|
| 1 | Chief Executive Officer | Mr. Yusuf Mbuno |
| 2 | Fund Account Manager | Ms Beatrice Bowen |
| 3 | District Accountant | Mr. John Lelei |

(c) Fiduciary Oversight Arrangements

List of CDFC as gazetted

| No. | Name | Category | ID NO. | CONTACT |
|------------|---------------------|------------------------------------|---------------|----------------|
| 1 | Hon. Kipruto Moi | Member of Parliament | 21369530 | 0726399144 |
| 2 | Mr. Richard Moindi | Chairman CDFC | 9814099 | 0722315479 |
| 3 | Ms Doreen Mutai | Secretary CDFC | 27433849 | 0728593296 |
| 4 | Mr. Nderitu Kimondo | Treasurer CDFC | 7878637 | 0723836781 |
| 5 | Ondoro Osoro | Member CDFC | 8443671 | 0723587713 |
| 6 | Hannah Ngingi | Member CDFC | 21759905 | 0725590200 |
| 7 | Simon Rotich | Member CDFC-Person with Disability | 24387132 | 0726309446 |
| 8 | Jemima Nyagithi | Member CDFC | 12784284 | 0711986040 |
| 9 | Samuel Loriko | Member CDFC | 1054828 | 0722962613 |
| 10 | Mr. David Kosgei | Deputy County Commissioner | 70626449 | 0722334191 |
| 11 | Ms Beatrice Bowen | Fund Account Manager | 25228703 | 0724240609 |

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

RONGAI CONSTITUENCY
P.O. BOX 12848 20100 NAKURU
KAMPI YA MOTO BUILDING
NAKURU/RAVINE ROAD
KENYA

TELEPHONE: (254) 020-39039

ENTITY BANKER

RONGAI CONSTITUENCY MAIN BANKER IS
KENYA COMMERCIAL BANK, NAKURU BRANCH
ACCOUNT NUMBER: 1101849169
P.O. BOX 18 20100 NAKURU

INDEPENDENT AUDITORS

AUDITOR GENERAL
KENYA NATIONAL AUDIT OFFICE
ANIVERSARY TOWERS, UNIVERSITY WAY
P.O BOX 30084 00100 NAIROBI KENYA

PRNCIPAL LEGAL ADVISER

THE ATTORNEY GENERAL
STATE LAW OFFICE
HARAMBEE AVENUE
P.O BOX 40112 00200 NAIROBI KENYA

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
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II. STATEMENT OF RONGAI 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 Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.


The Fund Account Manager in charge of Rongai 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 2013/2014 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

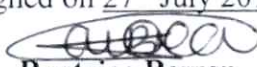
The Fund Account Manager in charge of Rongai CDF accepts responsibility for constituency's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Fund Account Manager is of the opinion that the constituency's financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2014, and of the constituency's financial position as at that date. The Fund Account Manager in charge of Rongai CDF further confirms the completeness of the accounting records maintained for the constituency which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

The Fund Account Manager in charge of Rongai CDF confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Fund Account Manager in charge of Rongai CDF confirms that the 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 Rongai CDF financial statements were approved and signed on 27th July 2015


Richard Moindi
Chairman CDFC


Beatrice Bowen
Fund Account Manager

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

III. REPORT OF THE INDEPENDENT AUDITORS ON THE RONGAI CDF

Auditor General

Date

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

IV. STATEMENT OF RECEIPTS AND PAYMENTS

| | Note | 2013-2014 Kshs |
|--|------|--------------------|
| Cash balance B/F as at 1 st July 2013 | | 820,000 |
| Transfers from CDF Board | 1 | 121,885,000 |
| TOTAL RECEIPTS | | 122,705,000 |
| PAYMENTS | | |
| Compensation of Employees | 2 | 2,158,000 |
| Use of goods and services | 3 | 2,509,000 |
| Committee Expenses | 4 | 2,741,000 |
| Transfer to other Government Units | 5 | 55,245,000 |
| Other Grants and Transfers | 6 | 20,612,000 |
| TOTAL PAYMENTS | | 83,265,000 |
| SURPLUS/DEFICIT | | 39,440,000 |

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 27th July 2015 and signed by:



Richard Moindi
Chairman CDFC



Beatrice Bowen
Fund Accounts Manager

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

V. STATEMENT OF ASSETS

| | Note | 2013-2014 Kshs |
|----------------------------------|------|--------------------------|
| FINANCIAL ASSETS | | |
| Cash and Cash Equivalents | | |
| Bank Balances | 7 | 39,440,000 |
| TOTAL FINANCIAL ASSETS | | <u><u>39,440,000</u></u> |
| REPRESENTED BY | | |
| Surplus/Deficit for the year | | 39,440,000 |
| NET FINANCIAL POSITION | | <u><u>39,440,000</u></u> |

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 27th July 2015 and signed by:



Richard Moindi
Chairman CDFC



Beatrice Bowen
Fund Account Manager

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

VI. STATEMENT OF CASHFLOW

Receipts for operating income

Transfer from CDF Board 1 121,885,000

Payments for operating expenses

Compensation of Employees 2 2,158,000
Use of goods and services 3 2,509,000
Committee Expenses 4 2,741,000
Transfers to Other Government Units 5 55,245,000
Other grants and transfers 6 20,612,000

Net cash flow from operating activities 38,620,000

NET INCREASE IN CASH AND CASH EQUIVALENT 38,620,000

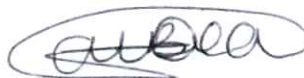
Cash and cash equivalent at BEGINNING of the year 1 820,000

Cash and cash equivalent at END of the year 7 39,440,000

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 27th July 2015 and signed by:



Richard Moindi
Chairman CDFC



Beatrice Bowen
Fund Account Manager

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

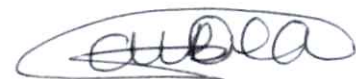
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

| 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 | 72,922,000 | 49,783,000 | 122,705,000 | 83,265,000,000 | 39,440,000 | 68% |
| Payments | | | | | | |
| Compensation of Employees | 2,373,000 | 315,000 | 2,688,000 | 2,158,000 | 530,000 | 80% |
| Use of Goods and Services | 3,241,000 | 1,216,000 | 4,457,000 | 2,509,000 | 1,948,000 | 50% |
| Committee Expenses | 1,128,000 | 3,600,000 | 4,728,000 | 2,741,000 | 1,987,000 | 60% |
| Transfers from Other Government Entities | 32,419,000 | 37,995,000 | 70,414,000 | 55,245,000 | 15,169,000 | 80% |
| Other Grants and Transfers | 31,761,000 | 8,657,000 | 40,418,000 | 20,612,000 | 19,806,000 | 50% |
| TOTALS | 72,922,000 | | 122,705,000 | 83,265,000 | 39,440,000 | |

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 27th July 2015 and signed by:



Richard Moindi
Chairman-CDF



Beatrice Bowen
Fund Account Manager

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

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 *entity* 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 *entity*.

2. 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.

3. 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.

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

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

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.

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 Constituency 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 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.

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, 2014.

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

IX. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM CDF BOARD

| | DESCRIPTION | 2013-2014 |
|-------------------|------------------------|-------------|
| | | Kshs |
| NORMAL ALLOCATION | AIE NO.A711919 | 48,963,000 |
| | AIE NO. A735825 | 34,461,000 |
| | AIE NO. A750057 | 36,461,000 |
| RECEIPT | BALANCE B/F- 1/07/2013 | 820,000 |
| CONDITIONAL GRAND | AIE NO. A709861 | 2,000,000 |
| | TOTAL | 122,705,000 |

2. COMPENSATION OF EMPLOYEES

| | 2013 - 2014 |
|---|------------------|
| | Kshs |
| Basic wages of temporary employees | 794,000 |
| Personal allowances paid as reimbursements | 207,000 |
| Pension and other social security contributions | 20,000 |
| Other personnel payments(Gratuity) | 1,136,000 |
| Total | 2,158,000 |

3. USE OF GOODS AND SERVICES

| | 2013 - 2014 |
|--|------------------|
| | Kshs |
| Utilities, supplies and services | 200,000 |
| Communication, supplies and services | 75,000 |
| Domestic travel and subsistence | 215,000 |
| Printing, advertising and information supplies & services | 56,000 |
| Training expenses | 907,000 |
| Hospitality supplies and services | 156,000 |
| Office and general supplies and services | 407,000 |
| Routine maintenance – vehicles and other transport equipment | 493,000 |
| Total | 2,509,000 |

CONSTITUENCIES DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. COMMITTEE EXPENSES

| | 2013 - 2014 |
|--------------------------|-------------------------|
| | Kshs |
| Other committee Expenses | 1,902,000 |
| Committee Allowances | 839,000 |
| Total | <u>2,741,000</u> |

5. TRANSFER TO OTHER GOVERNMENT ENTITIES

| Description | 2013 - 2014 |
|---|--------------------------|
| | Kshs |
| Transfers to National Government entities | 21,100,000 |
| Secondary Schools | 31,645,000 |
| Primary Schools | 2,500,000 |
| Health Centres | |
| TOTAL | <u>55,245,000</u> |

6. OTHER GRANTS AND OTHER PAYMENTS

| | 2013 - 2014 |
|---|--------------------------|
| | Kshs |
| Scholarships and bursaries | 11,983,000 |
| Emergency (Construction of a classroom) | 345,000 |
| Other capital grants and transfers(Security projects) | 8,284,000 |
| Total | <u>20,612,000</u> |



INSTITUTIONS DEVELOPMENT FUND-RONGAI CONSTITUENCY
Reports and Financial Statements
for the year ended June 30, 2014 (Kshs'000)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. BANK ACCOUNTS

| Name of Bank, Account No. & currency | Amount in bank account currency | 2013 - 2014 Kshs |
|---|------------------------------------|---------------------|
| <i>KENYA COMMERCIAL BANK, ACCOUNT NO 1101849169. & CURRENCY IS KSH.</i> | KSH | 39,440,000 |
| Total | | 39,440,000 |

ANNEX 1.SUMMARY OF FIXED ASSET REGISTER

| Asset class | Historical Cost (Kshs) 2013-2014 |
|--|--|
| Buildings and structures | 16,000,000 |
| Transport equipment | 4,800,000 |
| Office equipment, furniture and fittings | 2,000,000 |
| ICT Equipment, Software and Other ICT Assets | 5,000,000 |
| Total | 27,800,000 |

