

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
CONSTITUENCIES DEVELOPMENT FUND  
NORTH HERRING CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE 2015**



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**CONSTITUENCY DEVELOPMENT FUND- NORTH HOKR CONSTITUENCY**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

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

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

1418

**CONSTITUENCY DEVELOPMENT FUND –NORTH HERR CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015**

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**I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Constituencies Development Fund (CDF) was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013.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

**(b) Key Management**

The North Horr 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 30<sup>th</sup> June 2015 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Accounting Officer	<b>Yusuf Mbuno</b>
2.	A.I.E holder	<b>Mamo E Michael</b>
3.	Accountant	<b>Boniface Mugambi</b>

**(d) Fiduciary Oversight Arrangements**

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

Gobba Boru	Chairman CDFC
Denge Bonaya	Secretary CDFC
Hoko Funacha	Member
Barako Guracha	Member
Shuke Adano	Member
Talaso Abduba	Member
Ali Adano	Member
Marie Ode	Member
Mamo Michael	Fund Accounts Manager
North Horr Sub-County Commissioner (National Gov’t Rep)	

**(e) Entity Headquarters**

**Provide box and physical address of the constituency CDF office**

P.O. Box 162- 60500  
MARSABIT-KENYA

**(f) Entity Contacts**

**Provide telephone number and email of the constituency CDF Office**

Telephone: (254) 720257990  
E-mail: ywako@cdf.go.ke  
Website:

**(g) Entity Bankers**

Constituency CDF Main Banker

Bank: Kenya Commercial Bank  
Branch: Marsabit  
A/c No: 1102641855

**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**

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

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

North Horr Constituency is one of the largest Constituency in Kenya located at Marsabit County with a population of 75,198 as per 1999 census, Estimated number of poor people 58, 581, constituency poverty Headcount 77.90, contribution to national poverty 0.33% and total allocation of Kshs **115,454,708** in the financial year 2015/2016.

Since inception CDF North Horr have started and fully funded six new secondary schools with all infrastructural developments, it has also started various new dispensaries and health centres that are distributed across the constituency.

CDF North Horr owns four land cruisers GKA 925T station at North Horr ward, GKA 087V station at Turbi/Bubisa ward, GKA 088V station at Dukana ward and GKB 957G for office use as the rest of the vehicles are station on the border towns to help the community.

CDF North Horr have assisted needy students to attain education through bursary, in the financial year 2014/2015 CDF North Horr paid all the first term fees to the needy students joining form one in the month of February to motivate the parents to take their kids to school as there was persistent drought also CDF North Horr bursary committee gave special consideration to students joining Teaching and Medical Training Colleges so as to enable the constituency get professionals in above field where many have abandon.

The major implementation challenge is the vastness of the constituency thus making project cost high and also monitoring and evaluation vote not enough to cater for the expenses.

Also the Administration and Recurrent votes are not enough due to high fuel consumption by the vehicles and the maintenance cost.

In future the formulae dividing the constituency allocation should be review to consider the geographical coverage so as to enable vast constituencies get enough resources for efficient and effective implementation of projects.



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Gobba Boru  
**Chairman - CDFC**

### **III. STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES**

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

The Accounting Officer in charge of the North Horr CDF is responsible for the preparation and presentation of the CDF's financial statements, which give a true and fair view of the state of affairs of the CDF for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the CDF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the CDF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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


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

#### **Approval of the financial statements**

The CDF's financial statements were approved and signed by the Accounting Officer on 17/9/ 2015.



Gobba Boru  
**Chairman - CDFC**



Mamo E. Michael  
**Fund Account Manager**



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON CONSTITUENCIES DEVELOPMENT FUND-NORTH HARR CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2015

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Constituencies Development Fund - North Horr Constituency set out on pages 5 to 14, which comprise statement of assets and liabilities as at 30 June 2015, and the statement of receipts and payments, statement of cash flows, statement of comparative budget and actuals 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 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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(2) of the Public Audit Act, 2003.

#### Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

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*Report of the Auditor-General on Constituencies Development Fund-North Horr Constituency for the year ended 30 June 2015*

considers internal controls 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.**

#### **1.0 Accuracy and Completeness of the Financial Statements**

The following differences were noted between the comparative balances for 2014/2015 and the certified balances for 2013/2014.

<b>Item</b>	<b>Balance as per Financial Statement 2014/2015 (Kshs.)</b>	<b>2013/2014 certified balance (Kshs.)</b>	<b>Variance (Kshs.)</b>
Transfer to other Government Units	45,971,804 (Note 5)	52,471,493	6,499,689
Other Grants and Transfers	38,932,909 (Note 6)	32,433,220	6,499,689
Other Payments	8,228,760 (Note 8)	8,258,760	30,000

Further, the comparative balance of Kshs.106,028, in respect of total receipts differs with the certified/audited balance of Kshs.108,277,903 for 2013/2014 by an unexplained variance of Kshs.2,249,636.

In the circumstance, the validity, accuracy and completeness of the opening balances reflected in the financial statements as at 30 June 2015 could not be ascertained.

#### **2.0 Cash and Cash Equivalents**

The statement of financial assets and liabilities reflect a cash and cash equivalents balance of Kshs.56,638,494 as at 30 June 2015. However, analysis of the bank reconciliation statement presented for audit revealed that as at 30 June 2015, un-presented cheques totaled to Kshs.2,346,800 while payment in bank not recorded in the cashbook stood at Kshs.37,170.

Further, the sum of Kshs.176,315 was shown under Note 8 (Other Payments), as bank charges. However only Kshs.37,170 was shown in the bank reconciliation statement as bank charges leading to an unexplained variance of Kshs.139,145.

Consequently, the accuracy of the cash and cash equivalents balance of Kshs.56,638,494 as at 30 June 2015 could not be confirmed.

### 3.0 Unsupported Stores

Examination of records presented for audit revealed that a sum of Kshs.485,500 was incurred on purchase of general office supplies. However, receipt of the supplies was not recorded in the respective stores records.

In the circumstance, the propriety of the expenditures totaling to Kshs.485,500 could not be ascertained.

### 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 - North Horr Constituency as at 30 June 2015 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis), the Public Finance Management Act, 2012 and comply with the Constituencies Development Fund Act, 2013.

### Other Matter

#### 1. Budgetary Control and Performance

During the year under review, the approved budget for North Horr Constituency amounted to Kshs.108,938,398.00. The budget was divided into seven (7) categories namely emergency (5%), Sports activities (2%), Monitoring and Evaluation (3%), Environment (2%), Education Bursary (25%), Administration (6%) and Projects (57%). Comparison of budgeted against actual expenditures revealed that the fund attained an absorption rate of 89% as follows:

Sub Head	Budget (Kshs.)	Actual Kshs.)	Budget Utilization Difference (Kshs.)	Absorption Rate
Administration/Recurrent/M&E	9,804,457.00	9,173,382.00	631,075.00	94%
Auditors Fees	500,000.00		500,000.00	0%
Emergency	5,400,259.00	5,770,392.00	(370,133.00)	107%
Sports Activities	2,178,768.00	2,427,000.00	(248,232.00)	111%
Environmental Projects	2,178,768.00	1,710,620.00	468,148.00	79%
Bursary-Secondary Schools	14,727,490.00	15,488,369.00	(760,879.00)	105%
Bursary-Tertiary Schools	11,007,110.00	990,297.00	10,016,813.00	9%
Mocks and Cats	1,500,000.00	1,721,307.00	(221,307.00)	115%
Primary School Projects	33,537,931.00	25,444,483.00	8,093,448.00	76%
Secondary School Projects	18,253,615.00	14,244,674.00	4,008,941.00	78%
Health Projects	2,700,000.00	11,680,100.00	(8,980,100.00)	433%

Water Projects			-	
Road Projects			-	
Acquisition of Assets	7,000,000.00	7,881,000.00	(881,000.00)	
Security Projects	150,000.00		150,000.00	0%
Market Stalls Bus stop sheds			-	
Strategic Planning, Internet websites			-	
<b>Total</b>	<b>108,938,398.00</b>	<b>96,531,624.00</b>	<b>12,406,774.00</b>	<b>89%</b>

As the table shows only Kshs.96,531,624.00 was spent against allocation of Kshs.108,938,398 thus resulting in an absorption rate of 89%. Further, Kshs.650,000 allocated to in audit fees and security projects had not been utilized as at 30 June 2015. Similarly, only Kshs.790,297 (9%) out of a budget of Kshs.11,007,110 was utilized in relation to tertiary schools bursaries allocation as at 30 June 2015 thus resulting in an under-expenditure of Kshs.10,016,813 or 91% of the budget.

In addition to receipts totalling to Kshs. 96,531,624 for the year under review, the Fund received Kshs.51,324,258 which was due in the previous year thus raising total receipts to Kshs.147,855,882. However, the financial statements reflect total receipts amounting to Kshs.146,855,851 resulting into an unexplained difference of Kshs.1,000,001.

Overall, out of the balance of Kshs.147,855,882 received from the CDF Board during the year under review, only Kshs.96,531,624 was utilized thus leaving the balance of Kshs.51,324,258 unspent.

In the circumstance, the residents of North Horr Constituency did not obtain expected services equivalent to the unspent receipts amounting to Kshs.51,324,258.

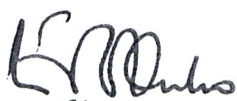
## 2. Project Implementation

During the year under review, Kshs.61,641,546 was allocated to projects in various sectors including Education, Health institutions and Water projects. Review of data on the projects revealed that as at 30 June 2015, forty eight (48) projects costing Kshs.87,581,825 were completed while eleven (11) projects costing Kshs.21,049,241 were on-going as shown below:

Sector	Project Status	Amount Allocated (Kshs.)	Amount Disbursed (Kshs.)	No. of projects
Education	Completed	66,872,000.09	66,412,020.09	32
	Ongoing	19,720,474.09	5,900,000.00	9
	Not started	500,000.00	0.00	1
	<b>Sub Total</b>	<b>87,092,474.18</b>	<b>72,312,020.09</b>	<b>42</b>
Health	Completed	7,982,759.00	7,980,000.00	3
	Ongoing	0.00	0.00	0
	Not started	0.00	0.00	0

	<b>Sub Total</b>	<b>7,982,759.00</b>	<b>7,980,000.00</b>	<b>3</b>
<b>Water</b>	Completed	3,800,000.00	3,800,000.00	1
	Ongoing	0.00	0.00	0
	Not started	0.00	0.00	0
	<b>Sub Total</b>	<b>3,800,000.00</b>	<b>3,800,000.00</b>	<b>1</b>
<b>Security</b>	Completed	0.00	0.00	0
	Ongoing	150,000.00	0.00	1
	Not started	0.00	0.00	0
	<b>Sub Total</b>	<b>150,000.00</b>	<b>0.00</b>	<b>1</b>
<b>Environment</b>	Completed	0.00	0.00	0
	Ongoing	1,178,768.00	0.00	1
	Not started	0.00	0.00	0
	<b>Sub Total</b>	<b>1,178,768.00</b>	<b>0.00</b>	<b>1</b>
<b>Sports</b>	Completed	1,427,045.80	1,427,045.80	11
	Ongoing	0.00	0.00	0
	Not started	0.00	0.00	0
	<b>Sub Total</b>	<b>1,427,045.80</b>	<b>1,427,045.80</b>	<b>11</b>
<b>Other</b>	Completed	7,000,000.00	7,000,000.00	1
	Ongoing	0.00	0.00	0
	Not started	0.00	0.00	0
	<b>Sub Total</b>	<b>7,000,000.00</b>	<b>7,000,000.00</b>	<b>1</b>
	<b>Grand Total</b>	<b>108,631,046.98</b>	<b>92,519,065.89</b>	<b>60</b>

My opinion is not qualified in respect of these matters.



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

**Nairobi**

**10 November 2016**

**CONSTITUENCY DEVELOPMENT FUND- NORTH HORR CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015**

**IV. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2014-2015	2013-2014
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from CDF board-AIEs' Received	<b>1</b>	146,855,881	106,028,267
<b>TOTAL RECEIPTS</b>		<b>146,855,881</b>	<b>106,028,267</b>
<b>PAYMENTS</b>			
Compensation of employees	<b>2</b>	1,718,000	1,392,366
Use of goods and services	<b>3</b>	3,862,567	7,031,828
Committee Expenses	<b>4</b>	3,416,500	376,000
Transfers to Other Government Units	<b>5</b>	51,369,257	52,471,493
Other grants and transfers	<b>6</b>	28,107,985	32,433,220
Acquisition of Assets	<b>7</b>	7,881,000	-
Other Payments	<b>8</b>	176,315	8,258,760
<b>TOTAL PAYMENTS</b>		<b>96,531,624</b>	<b>101,963,667</b>
<b>SURPLUS/DEFICIT</b>		<b>50,324,258</b>	<b>4,064,600</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The **NORTH HORR** CDF financial statements were approved on 17/9/15 and signed by:



Gobba Boru  
**Chairman - CDFC**



Mamo E. Michael  
**Fund Account Manager**

**CONSTITUENCY DEVELOPMENT FUND- NORTH HERR CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015**

**V. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES**

	Note	2014-2015	2013-2014
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	9	56,638,494	6,314,236
<b>TOTAL FINANCIAL ASSETS</b>		<b>56,638,494</b>	<b>6,314,236</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd 1st July...	10	6,314,236	2,249,636
Surplus/Deficit for the year		50,324,258	4,064,600
<b>NET LIABILITIES</b>		<b>56,638,495</b>	<b>6,314,236</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NORTH HERR CDF financial statements were approved on 17/9/15 2015 and signed by:



Gobba Boru  
**Chairman - CDFC**



Mamo E. Michael  
**Fund Account Manager**

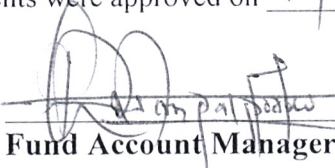
**CONSTITUENCY DEVELOPMENT FUND- NORTH HERR CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015**

**VI. STATEMENT OF CASHFLOW**

	Note	2014 - 2015	2013 - 2014
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating Activities (a)</b>			
Transfers from the CDF Board	1	146,855,881	106,028,267
<b>Total Receipts (a)</b>			
<b>Payments for operating expenses (b)</b>			
Compensation of Employees	2	1,718,000	1,392,366
Use of goods and services	3	3,862,567	7,031,828
Committee Expenses	4	3,416,500	376,000
Transfers to Other Government Units	5	51,369,257	52,471,493
Other grants and transfers	6	28,107,985	32,433,220
Other Payments	8	176,315	8,258,760
<b>Total Payments (b)</b>		<b>88,650,624</b>	<b>101,963,667</b>
Net cash Flow from operating activities (c = a - b)		58,205,258	4,064,600
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Net cash flows from Investing Activities (d)	7	(7,881,000)	0
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Net cash flow from financing activities (e)			
<b>NET INCREASE IN CASH AND CASH EQUIVALENT (f= c+d+e)</b>			
		50,324,258	4,064,600
<b>Cash and cash equivalent at BEGINNING of the year (g)</b>	9	<b>6,314,236</b>	<b>2,249,636</b>
<b>Cash and cash equivalent at END of the year (h=f+g)</b>	10	<b>56,638,494</b>	<b>6,314,236</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The NORTH HERR CDF financial statements were approved on 17/9/15 2015 and signed by:

  
 \_\_\_\_\_  
**Chairman CDFC**

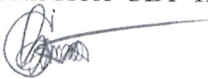
  
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**Fund Account Manager**

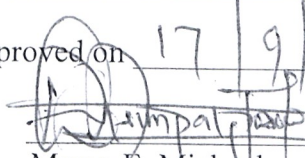
**CONSTITUENCIES DEVELOPMENT FUND – NORTH HERR CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015**

**VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Transfers from CDF Board	108,938,398	37,917,483	146,855,881	146,855,881	0	100
<b>TOTALS</b>	<b>108,938,398</b>	<b>37,917,483</b>	<b>146,855,881</b>	<b>146,855,881</b>	<b>0</b>	<b>100</b>
<b>PAYMENTS</b>						
Compensation of Employees	1,896,000	186,720	2,082,720	1,718,000	364,720	82
Use of goods and services	3,661,257	0	3,661,257	3,862,567	-201,310	105
Committee Expenses	4,228,000	254,958	4,482,958	3,416,500	1,066,458	76
Transfers to Other Government Units	54,491,546	7,522,196	62,013,742	51,369,257	10,644,485	83
Other grants and transfers	36,992,395	2,906,905	39,899,300	28,107,985	11,791,315	70
Social Security Benefits	19,200	0	19,200	0	19,200	0
Acquisition of Assets	7,000,000	1,190,000	8,190,000	7,881,000	309,000	96
Other Payments	650,000	0	650,000	176,314	473,686	27
<b>TOTALS</b>	<b>108,938,398</b>	<b>12,060,780</b>	<b>120,999,179</b>	<b>96,531,624</b>	<b>24,467,554</b>	<b>80</b>

The North Horr CDF financial statements were approved on 17/9/2015 and signed by:

  
 \_\_\_\_\_  
 Gobba Boru  
 Chairman - CDFC

  
 \_\_\_\_\_  
 Mamo E. Michael  
 Fund Account Manager

**VIII. SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Statement of compliance and basis of preparation**

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

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

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

**2. Recognition of revenue and expenses**

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

**3. In-kind contributions**

In-kind contributions are donations that are made to the CDF in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the CDF includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**4. Cash and cash equivalents**

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

**5. Pending bills**

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

**6. Budget**

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

**7. Comparative figures**

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

**8. Subsequent events**

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

**CONSTITUENCIES DEVELOPMENT FUND – NORTH HOKR CONSTITUENCY****Reports and Financial Statements**

For the year ended June 30, 2015

**IX. NOTES TO THE FINANCIAL STATEMENTS****1. TRANSFERS FROM CDF BOARD**

	Description	2014 - 2015	2013 - 2014
		Kshs	Kshs
<b>Normal Allocation</b>			
FY 2013/2014	AIE NO...750259	37,917,483	43,785,502
FY 2014/2015	AIE NO...759602	27,234,600	2,000,000
FY 2014/2015	AIE NO...796633	14,340,760	35,917,485
FY 2014/2015	AIE NO...796852	12,893,840	24,325,280
FY 2014/2015	AIE NO...797248	27,234,600	0
FY 2014/2015	AIE NO...796144	27,234,599	0
<b>TOTAL</b>		<b>146,855,881</b>	<b>106,028,267</b>

**2. COMPENSATION OF EMPLOYEES**

Description	2014 - 2015	2013- 2014
	Kshs	Kshs
Basic wages of contractual employees	1,718,000	1,392,366
<b>Total</b>	<b>1,718,000</b>	<b>1,392,366</b>

**3. USE OF GOODS AND SERVICES**

Description	2014 - 2015	2013 - 2014
	Kshs	Kshs
Utilities, supplies and services	0	210,000
Office rent	350,000	
Training Expenses	0	1,894,900
Office and general supplies and services	485,500	100,000
Fuel ,oil & lubricants	1,870,817	
Routine maintenance – vehicles and other transport equipment	1,156,250	4,826,928
<b>Total</b>	<b>3,862,567</b>	<b>7,031,828</b>

**4. COMMITTEE EXPENSES**

Description	2014 - 2015	2013 – 2014
	Kshs	Kshs
Other committee expenses	1,260,000	376,000
Committee allowance	2,156,500	0
<b>Total</b>	<b>3,416,500</b>	<b>376,000</b>

**CONSTITUENCIES DEVELOPMENT FUND – NORTH HOKR CONSTITUENCY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015**

**5. TRANSFER TO OTHER GOVERNMENT ENTITIES**

<b>Description</b>	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers to primary schools	25,444,483	10,177,557
Transfers to secondary schools	14,244,674	29,347,747
Transfers to Tertiary institutions	0	500,000
Transfers to Health institutions	11,680,100	5,946,500
<b>TOTAL</b>	<b>51,369,257</b>	<b>45,971,804</b>

**6. OTHER GRANTS AND OTHER PAYMENTS**

<b>Description</b>	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Bursary –Secondary	15,488,369	0
Bursary –Tertiary	990,297	32,433,220
Mocks & CAT	1,721,307	0
water	0	3,799,689
Security	0	2,700,000
Sports	2,427,000	0
Environment	1,710,620	0
Emergency Projects (specify)	5,770,392	0
<b>Total</b>	<b>28,107,985</b>	<b>38,932,909</b>

**7. ACQUISITION OF ASSETS**

<b>Description</b>	<b>2014- 2015</b>	<b>2013 - 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Vehicles	7,881,000	0
<b>Total</b>	<b>7,881,000</b>	<b>0</b>

**8. OTHER PAYMENTS**

<b>Description</b>	<b>2014- 2015</b>	<b>2013 – 2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank Charges	176,315	0
Retention	0	7,141,440
Other expenses M & E	0	650,000
Other Expenses –Support	0	437,320
<b>Total</b>	<b>176,315</b>	<b>8,228,760</b>

**9: Bank Balances (cash book bank balance)**

**CONSTITUENCIES DEVELOPMENT FUND – NORTH HERR CONSTITUENCY**

**Reports and Financial Statements**

**For the year ended June 30, 2015**

<b>Name of Bank, Account No. &amp; currency</b>	<b>Account Number</b>	<b>2014 - 2015</b>	<b>2013 - 2014</b>
		<b>Kshs (30/6/2015)</b>	<b>Kshs (30/6/2014)</b>
Kenya Commercial Bank-Marsabit Branch	1102641855	56,638,494	6,314,236
<b>Total</b>		<b>56,638,494</b>	<b>6,314,236</b>

**10. BALANCES BROUGHT FORWARD**

<b>Description</b>	<b>2014 - 2015</b>	<b>2013 - 2014</b>
	<b>Kshs (1/7/2014)</b>	<b>Kshs (1/7/2013)</b>
Bank accounts	6,314,236	2,249,636
<b>Total</b>	<b>6,314,236</b>	<b>2,249,636</b>

**ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER**

<b>Asset class</b>	<b>Historical Cost (Kshs) 2014/15</b>	<b>Historical Cost (Kshs) 2013/14</b>
Motor Vehicle(4 Land Cruisers)	19,281,000	11,400,000
Office equipment, furniture and fittings	107,800	107,800
<b>Total</b>	<b>19,388,800</b>	<b>11,507,800</b>