

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid by  
Leader of Majority Party  
Tuesday 20/9/2016*

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
CONSTITUENCIES DEVELOPMENT FUND  
KONOIN CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE 2015**





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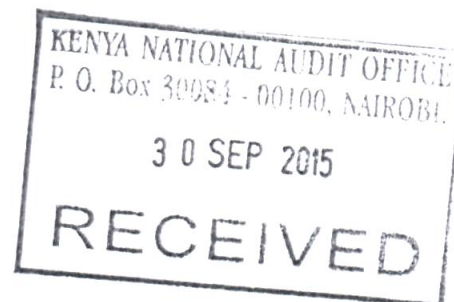
CONSTITUENCY DEVELOPMENT FUND  
KONONIN CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2015

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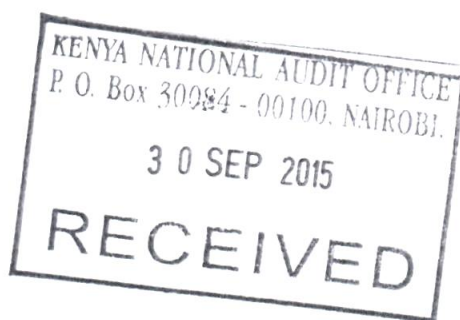
Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector  
Accounting Standards (IPSAS)



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

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**CONSTITUENCY DEVELOPMENT FUND- KONOIN 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The *Constituencies Development Fund (CDF)* was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013.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*.

**(b) Key Management**

The Konoin 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**

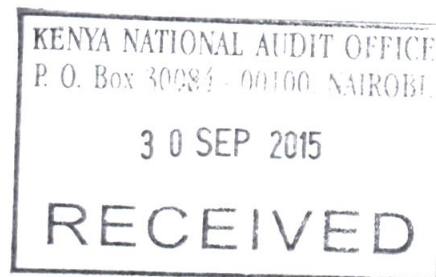
The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2015 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Accounting Officer	Yusuf Mbuno
2.	A.I.E holder	Laboso Chepngeno
3.	Accountant	John C. Ngeno

**(d) Fiduciary Oversight Arrangements**

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

**(e) KONOIN CDF Headquarters**  
P.O. Box 64 MOGOGOSIEK  
Sub County Commissioner ;  
Mogogosiek Building  
KONOIN



**(f) KONOIN Cdf Bankers**

KENYA COMMERCIAL BANK  
Litein branch  
A/c number 1105583376  
P.o.box 64  
Mogogosiek

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

The Konoin Constituency Development Fund in the financial year 2014/15 was allocated kshs 110,932,946 one hundred and ten million nine hundred thirty two thousand nine hundred forty six shillings by the cdf board. During the financial year kshs 55,466,474 was disbursed to the constituency by end of June 2015. This left a balance of kshs 55,466,474 as funds due to the constituency from the cdf board to fund the various projects as per our budget. Our budget therefore has been funded 50%. In the year ended transfers to other government entities took kshs 62,484,759 accounting for 89% of its allocation. Other grants took kshs 27,613,756 accounting for 79% of its allocation. This total accounted the funds available of kshs 157,223,833. The cdfc was able to disburse the funds to the project management committees as soon as the funds were available. The projects implemented by the pmcs are at various stages of completion. The bursary for the financial year has been paid over 100% of its allocation as at end of the financial year.

The project management committee is the model used in the constituency for the implementation of projects. In the year ended most of the projects reported inadequacy of funds allocated for the completion of their projects this could be attributed to inadequate allocations and /or increasing costs for the various projects materials and labour. Cases of misappropriation may also not be ruled out.

For the year ended some of the projects on budget had not received funds due to the delay of release of funds by the cdf board. The board should try to release funds in two instalments of 50% each before end of the financial year to enable the cdf implement its projects as budgeted within the financial year.

We look forward to better performance in the next financial year 2015/16.



Erick Chepkwony  
CHAIRMAN CDFC

## **CONSTITUENCY DEVELOPMENT FUND- KONOIN CONSTITUENCY**

### **Reports and Financial Statements**

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

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#### **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 **Konoin 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 **Konoin 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 **Konoin 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 **Konoin 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 **Konoin CDF's** financial statements were approved and signed by the Accounting Officer on 15.09 2015.



Erick Chepkwony  
Chairman Cdfc



Chepngeno Laboso  
Fund Account Manager



## OFFICE OF THE AUDITOR-GENERAL

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

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Constituencies Development Fund – Konoin Constituency set out on pages 5 to 36, which comprise the statement of assets as at 30 June 2015, and the statement of receipts and payments, 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 the audit.

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

Management is responsible for the preparation and fair representation 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 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 provision of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

#### **1.0 Inaccuracy of Comparative Balances**

The comparative figures reported in the statement of receipts and payments, statement of assets, statement of cash flow and notes to the financial statements had differences as shown in the table below:-

<b>Item</b>	<b>Comparative Balance reported in Financial Statement for 2014/2015 (Kshs)</b>	<b>Balance per Audited Financial Statements for 2013/2014 (Kshs)</b>	<b>Variance (Kshs)</b>
Transfer from CDF Board (Receipts)	76,081,591	76,071,933	9,658
Compensation of Employees	570,000	722,985.	(152,985)
Use of goods and services	2,503,630	1,516,298	987,332
Committee Expenses	2,059,000	2,798,588	(739,588)
Transfer to other Govt. units	54,130,000	53,930,000	200,000
Social security benefits	8,200	10,200	(2,000)
Surplus/deficit for the year	(119,089)	908,138	789,049
Net financial position	6,178,484	6,488,240	(309,756)

No adjustment had been raised to restate the figure

Under the circumstances, the financial statements as presented, contravene section 81 (3) of the Public Finance Management Act, 2012 which states that the financial statements prepared by a government entity shall conform to relevant accounting standards as prescribed by the Public Sector Accounting Standards Board (PSASB) of Kenya.

## **2.0 Bursary**

The statement of receipts and payments reflects an expenditure Kshs.27,613,756 in respect of other grants and other payments. Included in this amount, is a sum of Kshs.15,104,000 spent on bursary funding. The bursary funding included Kshs.1,223,000 paid for students in private colleges and universities. However, no evidence was provided to show that the process of identifying the beneficiaries was transparent, so as to ensure that funds benefitted only the needy students. Therefore, the propriety of the bursary expenditure of Kshs.15,104,000 charged to other grants and other payments for the year ended 30 June 2015 could not be confirmed.

## **3.0 Unaccounted for Expenditure on Emergency Projects**

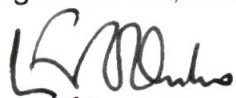
The statement of receipts and payments reflects an expenditure Kshs.27,613,756 in respect of other grants and other payments. Included in this amount, is a sum of Kshs.5,213,448 spent on emergency projects. The funds were remitted to schools, social setups and Chiefs' offices. However, no returns were made to the CDF Committee to account for the funds as required by section 12(5) of the CDF Act 2013. Therefore, the propriety of the expenditure of Kshs.5,213,448 charged to other grants and other payments for the year ended 30 June 2015 could not be confirmed.

## **4.0 Net Surplus**

The statement of assets as at 30 June 2015 reflected a net financial position of Kshs.11,061,512. The figure represents a surplus balance brought forward of Kshs.6,178,484, a surplus for the year 2014/2015 of Kshs.4,710,362 and a prior year adjustment of Kshs.172,666. Note 14 to the financial statements indicated that the prior year adjustment represented bank account balances. However, no details of the bank accounts were provided for verification. Therefore, the accuracy of the balance of net financial position of Kshs.11,061,512 in the statement of assets as at 30 June 2015 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 – Konoin Constituency as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Constituencies Development Fund Act, 2013 and the Public Finance Management Act, 2012.



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

**Nairobi**

**01 September 2016**