

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

PARLIAMENT  
OF KENYA  
LIBRARY



*Paper laid  
for the leader  
of majority party  
Hon. Aden Duale  
on Tuesday 27/10/15  
[Signature]*

**REPORT  
OF  
THE AUDITOR-GENERAL  
ON  
THE FINANCIAL STATEMENTS OF  
CONSTITUENCIES DEVELOPMENT FUND-  
NYATIKE CONSTITUENCY**

**FOR THE YEAR ENDED  
30 JUNE 2014**





## OFFICE OF THE AUDITOR-GENERAL

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

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Constituencies Development Fund - Nyatike Constituency set out on pages 6 to 20, which comprise the statement of financial assets and liabilities as at 30 June 2014, and the statement of receipts and payments, statement of comparison of budget and actual amount and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, 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**

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), 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 the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining 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 risks 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, 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 adverse audit opinion.

### **Basis for Adverse Opinion**

#### **1. Transfers from the CDF Board**

Records available from the CDF Board revealed that Kshs.118,603,244 was disbursed to the Constituency in the year under review, while the financial statements shows a total of kshs.77,091,377 leading to a variance of Kshs.41,511,867, which management explains was an AIE received in the year under review, but belonged to the year 2012/13. However in view of the IPSAS cash basis reporting framework, the same should have been included in the statement of receipts and payments for the year under review.

Consequently, the receipts reported for the year under review and the related expenditures are understated in the financial statements.

#### **2. Unsupported Balances**

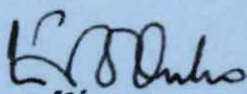
Included in the statement of financial assets and liabilities is fund balance brought forward from the year 2012/2013 of Kshs.22,190,355 and a prior year adjustment of and Kshs.(20,156,406). Although, management has indicated that details and explanations of the balances have been disclosed in Notes 16 and 17, these have not been included in the financial statements. In the circumstances, the balances brought forward and the accuracy of comparative figures could not be confirmed.

#### **3. Outstanding Imprest**

The cash and cash equivalents figure of Kshs.15,913,610 as at 30 June 2014 includes outstanding imprests totalling Kshs.3,703,500 which had not been surrendered by 30 June 2014. Management therefore contravened the existing regulations on issuance and accountability of imprests.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Nyatike Constituency Development Fund 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 does not comply with the Constituencies Development Fund Act, 2013.



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

**Nairobi**

**29 September 2015**



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**CONSTITUENCIES DEVELOPMENT FUND – NYATIKE**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2014**

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

**CONSTITUENCIES DEVELOPMENT FUND –NYATIKE CONSTITUENCY**  
**Reports and Financial Statements**  
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## **I. KEY CONSTITUENCY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Constituencies Development Fund (CDF) was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013. The CDF Act 2013 aligns the Fund with the Constitution of Kenya 2010 and the Public Finance Management Act 2012 that lay emphasis on citizen participation in public finance management and decision making, transparency and accountability together with equity in public resource utilization. The overall management of the Fund is the responsibility of the Constituencies Development Fund Board.

### **(b) Key Management**

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

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

### **(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chief Executive Officer	<b>Yusuf Mbuno</b>
2.	Fund Account Manager	<b>Silverius Wakoli</b>
3.	District Accountant	<b>Augustine Otieno Guda</b>

### **(d) Fiduciary Oversight Arrangements**

<b>No.</b>	<b>Name</b>	<b>Designation</b>
1.	<i>Julius Langi</i>	<b>Chairman</b>
2.	Basil Otieno	Member
3.	John Nyangres	Member
4.	William Odhil	Member
5.	Ann Amamo	Member
6.	Joseph Otuoma	Member
7.	Olga Achieng'	Member
8.	Beatrice Omiti	Member
9.	Fund Account Manager	Ex-Official
10.	Member of Parliament - Nyatike	Patron
11.	Deputy County Commissioner	National Government Official

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**(e) Entity Headquarters**

P.O. Box 1  
MACALDER.

**(f) Entity Contacts**

Telephone: (254) 0711901505  
E-mail: [cdfnyatike@cdf.go.ke](mailto:cdfnyatike@cdf.go.ke)  
Website: [www.cdf.go.ke](http://www.cdf.go.ke)

**(g) Entity Bankers**

Constituency CDF main banker:

Co-operative Bank  
Migori Branch  
Account No. 01120077327500

**(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. STATEMENT OF CONSTITUENCY MANAGEMENT RESPONSIBILITIES**

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

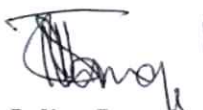
The Fund Account Manager in charge of the Nyatike *CDF* is responsible for the preparation and presentation of the Constituency's financial statements, which give a true and fair view of the state of affairs of the Constituency as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the constituency; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the constituency; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Fund Account Manager in charge of the Nyatike *CDF* accepts responsibility for the Constituency's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Fund Account Manager is of the opinion that the Nyatike *CDF* financial statements give a true and fair view of the state of Constituency's 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 the Nyatike *CDF* further confirms the completeness of the accounting records maintained for the Constituency, which have been relied upon in the preparation of the Constituency financial statements as well as the adequacy of the systems of internal financial control.

The Fund Account Manager in charge of the Nyatike *CDF* confirms that the entity has complied fully with applicable Government Regulations and that the Constituency's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Fund Account Manager confirms that the Constituency's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

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

The Nyatike *CDF* financial statements were approved and signed on 22<sup>nd</sup> September, 2014.

  
**Julius Langi**  
**Chairman - CDFC**

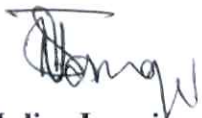
  
**Silverius Wakoli**  
**Fund Account Manager**

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**III. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2013-2014	2012-2013
		Kshs	Kshs
<b>RECEIPTS</b>			
Transfers from CDF board-AIEs' Received	1	77,091,377.00	
Proceeds from Sale of Assets	2	-	
Other Receipts	3	-	
<b>TOTAL RECEIPTS</b>		77,091,377.00	
<b>PAYMENTS</b>			
Compensation to employees	4	390,000.00	
Use of goods and services	5	700,210.40	
Committee Expenses	6	1,205,000.00	
Transfers to Other Government Units	7	10,336,205.00	
Other grants and transfers	8	49,600,000.00	
Acquisition of Assets	10	980,300.00	
<b>TOTAL PAYMENTS</b>		63,211,715.40	
<b>SURPLUS/DEFICIT</b>		13,879,661.60	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nyatike CDF financial statements were approved on 22<sup>nd</sup> September, 2014 and signed by:



**Julius Langi**  
**Chairman - CDFC**





**Silverius Wakoli**  
**Fund Account Manager**

**IV. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30<sup>TH</sup> JUNE, 2014**

	Note	2013-2014 Kshs	2012-2013 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances ( as per the cash book)	12	12,210,110.35	
Outstanding Imprests	14	3,703,500.00	
<b>TOTAL FINANCIAL ASSETS</b>		<b>15,913,610.00</b>	
 <b>REPRESENTED BY</b>			
<b>Fund balance b/fwd 1st July...</b>	16	22,190,355.30	
<b>Surplus/Deficit for the year</b>		13,879,661.60	
<b>Prior year adjustments</b>	17	(20,156,406.55)	
<b>NET LIABILITIES</b>		<b>15,913,610.35</b>	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nyatike CDF financial statements were approved on 22<sup>nd</sup> September, 2014 and signed by:

  
**Julius Langi**  
**Chairman - CDFC**

  
**Silverius Wakoli**  
**Fund Account Manager**

## V: SUMMARY STATEMENT OF APPROPRIATION RECURRENT AND DEVELOPMENT

Revenue/Expense Item	Original Budget	Adjustments (includes reallocations and balances b/f from previous year)	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
Compensation of Employees	726,858.24		726,858.24	390,000.00	336,858.24	54%
Use of goods and services	1,821,000.00		1,821,000.00	700,210.00	1,120,789.60	38%
Committee Expenses	1,987,000.00		1,987,000.00	1,205,000.00	782,000.00	61%
Transfers to Other Government Units	12,088,395.72		12,088,395.72	10,336,205.00	1,752,190.72	86%
Other grants and transfers	57,469,040.72		57,469,040.72	49,600,000.00	7,869,040.72	86%
Acquisition of Assets	1,000,000.00		1,000,000.00	980,300.00	19,700.00	98%
<b>TOTALS</b>	<b>75,092,294.68</b>		<b>75,092,294.68</b>	<b>63,211,715.00</b>	<b>11,880,579.28</b>	<b>84%</b>

The Nyatike CDF financial statements were approved on 22<sup>nd</sup> September, 2014 and signed by:



**Silverius Wakoli**  
**Fund Account Manager**

**Julius Langi**  
**Chairman - CDFC**



## **VI. SIGNIFICANT ACCOUNTING POLICIES**

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

### **a) Statement of compliance and basis of preparation**

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Constituency and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

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

### **b) Recognition of revenue and expenses**

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

### **c) In-kind contributions**

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

### **d) Cash and cash equivalents**

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

## **CONSTITUENCIES DEVELOPMENT FUND –NYATIKE CONSTITUENCY**

### **Reports and Financial Statements**

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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.

#### **e) Receivables and payables**

Receivables are funds due to the Constituency at the end of the financial year from the CDF Board and other sources but not yet received while payables are funds due to other parties at the end of the financial year but not yet paid. As receivables and payables do not involve the receipt or payment of cash in the reporting period, they are recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the Constituency at the end of the year. When the receivables or payables are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

#### **f) Budget**

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

#### **g) Comparative figures**

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

#### **h) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

**CONSTITUENCIES DEVELOPMENT FUND –NYATIKE CONSTITUENCY**  
**Reports and Financial Statements**  
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**VII. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM CDF BOARD**

	<b>Description</b>	<b>2013 - 2014</b>	<b>2012 - 2013</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Normal Allocation</b>	AIE NO...A735523	28,836,000.00	Nil
	AIE NO...A750065	46,255,377.00	Nil
	AIE NO...A709929	2,000,000.00	Nil
	<b>TOTAL</b>	<b>77,091,377.00</b>	<b>Nil</b>

**2. COMPENSATION OF EMPLOYEES**

	<b>2013 - 2014</b>	<b>2012 - 2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic wages of temporary employees	390,000.00	Nil
<b>Total</b>	<b>390,000.00</b>	<b>Nil</b>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**3. USE OF GOODS AND SERVICES**

	<b>2013 - 2014</b>	<b>2012 - 2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Communication, supplies and services	22,500.00	Nil
Office and general supplies and services	102,000.00	Nil
Fuel, Lubricants	350,700.00	Nil
Routine maintenance – vehicles and other transport equipment	160,010.40	Nil
<b>Total</b>	<b>700,210.40</b>	<b>Nil</b>

**4.**

**CDF COMMITTEE EXPENSES**

<b>Description</b>	<b>2013 - 2014</b>	<b>2012 - 2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Committee allowance	1,205,000.00	Nil
<b>Total</b>	<b>1,205,000.00</b>	<b>Nil</b>

**5. TRANSFER TO OTHER GOVERNMENT ENTITIES**

<b>Description</b>	<b>2013 - 2014</b>	<b>2012 - 2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfer to Primary Schools	2,853,446.00	Nil
Transfer to Secondary Schools	2,200,000.00	Nil
Transfer to Health Institutions	5,282,759.00	
<b>TOTAL</b>	<b>10,336,205.00</b>	<b>Nil</b>

**6. OTHER GRANTS AND OTHER PAYMENTS**

	<b>2013 - 2014</b>	<b>2012 - 2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Scholarships and other educational benefits	4,000,000.00	Nil
Other capital grants and transfers	45,600,000.00	Nil
<b>Total</b>	<b>49,600,000.00</b>	<b>Nil</b>

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**10. ACQUISITION OF ASSETS**

**Non Financial Assets**

	<b>2013 - 2014</b>	<b>2012 - 2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Refurbishment of Buildings	980,300.00	Nil
<b>Total</b>	<u>980,300.00</u>	<u>Nil</u>

**11. Bank Balances (cash book bank balance)**

Name of Bank, Account No. & currency	Amount in bank account currency	Exc rate	2013 - 2014	2012 - 2013
			Kshs	Kshs
<i>Co-operative Bank, A/C No. 01120077327500 (KSH)</i>			12,210,110.35	N
<b>Total</b>			<u>12,210,110.35</u>	

**12. OUTSTANDING IMPRESTS**

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<b>Total</b>	<b>3,703,500.00</b>	<b>0.00</b>	<u><b>3,703,500.00</b></u>

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**For the year ended June 30, 2014**

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**13. BALANCES BROUGHT FORWARD**

	<b>2013 - 2014</b>	<b>2012 - 2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	22,190,535.30	-
<b>Total</b>	<b>22,190,535.30</b>	<b>-</b>