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Paper laid
By Hon Aden Duale,
Leader of Majority
on Thurs 1/10/15

KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**FINANCIAL STATEMENTS OF
CONSTITUENCIES DEVELOPMENT
FUND BOARD**

**FOR THE YEAR ENDED
30 JUNE 2014**



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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Constituencies Development Fund Board set out on pages 1 to 13, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, the statement of comparison of budget and actual amounts and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) accrual basis and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing (ISA). 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 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 Board's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Non-Current Assets

The non-current assets increased by Kshs.23,935,208.00 from Kshs.88,567,026.00 in 2012/2013 to Kshs.112,502,234.00 in 2013/2014. The Board did not update the Fixed Assets Register (FAR) and was yet to utilize the acquired FAR software whose current status was not confirmed.

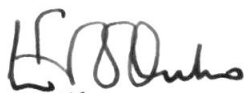
Further, log books for five motor vehicles acquired during the year at a cost of Kshs.33,304,671.00 vide payment voucher number 1050 dated 30 June 2014 were not provided for audit verification. No reason has been given for failure to update the Fixed Assets Register and provide the log books for audit verification.

2. Economic Stimulus Programme (ESP) Accrued Payments

The financial statements reflect a figure of Kshs.14,917,200.00 under current liabilities as accrued ESP allowances to SPMCs and CPTCs as at 30 June 2014. According to note 15 to the previous year's financial statements, these are allowances owed to Stimulus Project Management Committees (SPMCs) and Constituency Project Tender Committees (CPTCs) under Economic Stimulus Programme (ESP). The supporting schedule showing the dates when the allowances started accruing and other details of the committee members owed the allowances has not been provided. No reason has been given for failure to provide supporting documents.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board 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 (IPSAS) accrual basis and comply with the Constituencies Development Fund Act, 2013.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 June 2015



CONSTITUENCIES DEVELOPMENT FUND BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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I. KEY CDF INFORMATION AND MANAGEMENT

(a) Background information

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

The Funds overall management is the responsibility of the CDF Board. While the supervision and coordination is done by Ministry of Devolution and planning.

The operation of the Fund under CDF Act 2013 has faced scrutiny of the Constitution Implementation Commission (CIC), Commission of Revenue Allocation (CRA) and other stakeholders who have raised concerns on the possible inconsistency of certain sections of the Act with the Constitution. Nonetheless, the National Assembly Select Committee (NASC) on CDF have seized the opportunity and made amendments to the Act to address any possible inconsistencies and improve the management of the Fund.

The Board is now in the process of aligning the operations of the Fund with new Act and the Constitution, developing regulations, revision of the strategic plan and structural adjustments. These changes will definitely require more resources for the Board to effectively fulfill its mandate.

(b) Principal Activities

As outlined in the CDF Act 2013 the Board's core mandate and responsibilities include:

- to ensure timely and efficient disbursement of funds to every constituency;
- to ensure efficient management of the Fund;
- to receive and discuss annual reports and returns from the constituencies;
- ensure the compilation of proper records, returns and reports from the constituencies;

- receive and address complaints and disputes and take any appropriate action;
- consider project proposals submitted from various constituencies in accordance with the Act, approve for funding those projects proposals that are consistent with this Act and send funds to the respective constituency fund account of the approved projects;
- Perform such other duties as the Board may deem necessary from time to time for the proper management of the Fund.

The Board will provide strategic direction in the management, use and accountability of monies drawn from the Fund. The Board therefore aspires to the following Vision, Mission and Core Values in meeting its mandate.

VISION

To be the leading institution in the efficient and effective management of devolved funds in Africa.

MISSION

To provide leadership and policy direction in the optimal utilization of devolved funds for equitable development and poverty reduction at the community level.

CORE VALUES

- Transparency and Accountability - Committed to conducting all operations above board, open to scrutiny and beyond reproach
- Professionalism and Integrity - Acting at all times with Honesty, fairness and professionalism
- Passion for Results – All our activities are focused on achievement of results for all those we serve
- Neutrality and Timeliness – We treat all those we serve equally and in a timely manner
- Excellence in service delivery – We strive to not only meet but exceed the expectations of those we serve

- Advocate for participatory approaches – We will actively promote inclusive approaches to development at the community level
- Collaboration and team work – A strong commitment to teamwork within the Board and collaboration with our partners in realization of the Fund’s objectives
- Commitment to welfare of our staff – We will ensure that the Board is seen as a great place to work by looking after the welfare of our staff

KEY STRATEGIC OBJECTIVES

The Boards’ Strategic are:

- Devolve funds to Constituency levels in order to reduce inequalities in access to public services and income opportunities
- Strengthen policy, coordination and supervision of service delivery
- Open up opportunities for rural development, and
- Mobilize resources for rural development

STRATEGIC GOALS

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

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

STRATEGIC PROGRAMMES

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

- Review the strategic plan to be in line with CDF Act 2013 and the constitution of Kenya 2010
- Reduce turnaround time for project approval
- Leverage ICT to improve efficiency
- Harness dynamic capabilities at the Board
- Develop capacities at the County level by establishing CDF County offices
- Enhance sharing of information and communication with stakeholders through public awareness campaigns.

KEY STRATEGIC PRIORITIES

- Improve the implementation, Monitoring and Evaluation projects
- Come up with strategies to develop and turnaround for under-performing Constituencies
- Ensure timely availability and disbursement of Funds to Constituencies
- Develop and implement guidelines for project implementation that are in line with existing procurement laws and regulations

Develop sound financial controls in line with Finance management Act of 2012 and in compliance with Kenya National Audit Requirements.

(c) Key Management

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

- CDF Board

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

No.	Designation	Name
1.	Ag.Chief Executive Officer	Yusuf Mbuno

(d) Fiduciary Oversight Arrangements

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

(e) Registered office

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

(f) Contacts

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

Website: www.cdf.go.ke

(g) CDFBankers

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

Kenya Commercial Bank Ltd

Kipande House

Kenyatta Avenue

P.O. Box 30012 - 0010

NAIROBI

Co-operative Bank of Kenya

Cannon House

Parliament Road

P.O. Box 5772-00200

Independent Auditors

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

(h) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS



Boniface Lookale

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



Joseph Mukui



Mumbi Mahinda

Dr Jane N Kabugi

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



David Koross

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

Hillary James Nyaanga

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

Xavier Maina Nyamu

Mr Nyamu is a teacher

Odongo Mark Okeyo

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

RosaliaShidaNyalie

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

Kioko Rose Mbula

Rose holds a Bachelor of Development studies from Mt Kenya University



Yusuf Mbuno
Ag. Chief Executive Officer

III. MANAGEMENT TEAM

1.	Yusuf Mbuno	Chief Executive Officer
2.	Simon Ndweka	Corporation Secretary
3.	VenazioGachara	Finance
4.	Alice Wachira	Audit
5.	Anne Thumbi	Human Resource
6.	Brenda onyino	Communication
7.	Jack odhoch	Ict
8.	ShafeeYaqub	Procurement
9.	Elizabeth Twili	Projects

IV. CHAIRMAN'S STATEMENT

The Board has the responsibility of preparing financial statements that give a true and fair view of the state of affairs of the Fund at the end of the financial year and also the Income and Expenditure Statement for the same period. The Constituencies Development Fund Act 2013 requires that the Directors do ensure that proper books of accounts and records are maintained which disclose with reasonable accuracy at any time the financial position of the Fund and ensure that the financial statements comply with the establishing Act. They are also responsible for safeguarding the assets of the Fund and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors regularly meet to monitor the Fund's financial performance. Specific review of management performance and operational issues are undertaken through Committees, which make suitable recommendations to the Board of Directors.

Nothing has come to the attention of the Directors to indicate that the Constituencies Development Fund will not remain as a going concern for at least the next twelve months



.....
Joseph Mukui
Board Director

Date. 08/06/2015

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Constituencies Development Fund has been allocated a total of Kshs.137.7 billion from 2003/2004 to 2013/2014 financial year as the statutory allocation out of which Kshs.4.506 billion was allocation for running the Board secretariat and the balance of Kshs.131.194 billion is allocation for disbursement to constituencies. The Board has disbursed a total of Kshs.124.414 billion to the constituencies since the inception of the Fund for funding various projects as provided for in the CDF Act.

The 2.5% of the Government Ordinary Revenue allocation to CDF in 2014/2015 was **Kshs.32.97billion**. The Board received a total of Kshs**22.374 billion** in 2013/2014 financial year including arrears of Kshs.5.493 billion for previous years leaving a balance of **Kshs.6.670 billion** to be received in 2014/2015 financial year.

The CDF Board disbursed all the funds received from Treasury during the year except for **Kshs..109.9million** Whichwas still in the CBK account as at 30/6/2014. However, the entire amount has since been disbursed to the constituencies.

The strategic goals of the Board are, to improve governance, capacity building and strengthened linkages and communication. The Board undertook several activities during the year geared towards achieving these goals. Key among these activities is:training of constituency's development committees, the computerization of the Boards activities through development, implementation and training on CDFMIS. When complete, the CDFMIS will improve internal processes, procedures and controls by use of ICT. This will improve efficiency and enhance sharing of information between the Board and its stakeholders.

Similarly, the Board intensified internal and constituency audits by collaborating with the Internal Auditor General to ensure audit of all the290 constituencies. This ensures the Board complies with Public Finance Management Act 2012 on financial management of the Fund and also improves efficiency in utilization of CDF funds.

The Board also enhanced the monitoring and evaluation of projects and handling of complaints from various stakeholders for prudent management of the Fund.

The Board actively participated in trade shows and exhibitions in Nakuru, Kisumu, Mombasa, Nairobi, Kitale, Nyeri and Kakamega and Media education campaigns to promote achievements and image of the Fund.

The Board undertook various trainings including various Fund Account Managers Workshops, ICT and ISO workshops, HIV/Aids, gender mainstreaming and disability training, corporate governance and audit risk for Board Members. These activities were undertaken with a view to enhance efficiency and effectiveness in the management of CDF.

Finally, this year the Board has prepared financial statement for the secretariat based on 5% of the allocation and separate 290 financial statements for the constituencies on the remaining 95%.



.....
Yusuf Mbuno

Ag. Chief Executive Officer

Date: 8/6/2015.....

VI. CORPORATE GOVERNANCE STATEMENT

Objective

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

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

The Board's principal responsibilities include:

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

Board Committees and their functions

a) Finance & Administration Committee

Functions

- Review the Board's annual budget before submission and after approval by the Treasury;

- Review periodic operational budgets and financial statements;
- Monitor the continuing efficacy of accounting and internal control;
- Compliance with the Government financial management regulations;
- Review the annual procurement plans;
- Monitor and appraise the performance of senior management, review of all human resource policies, determining the remuneration of senior management and other staff.
- The above responsibilities shall not prevent the committee from carrying out any other tasks that are reasonably within its mandate.
- All review and recommendations by this committee will be submitted to the Board for final approval.

b) Audit & Risk Management Committee

Functions

- Monitor the implementation of the risk management policy framework;
- Monitoring and ensuring timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors;
- Overseeing continuing efficacy of accounting and internal control standards, policies and practices
- Monitoring performance of key internal audit staff against approved performance contracts.
- The above responsibilities shall not prevent the committee from carrying out any other tasks that are reasonably within its mandate.
- All review and recommendations by this committee will be submitted to the Board for adoption.

c) Projects Technical Committee

- To advise the Board and CDFCs on actual execution of projects (implementation) as regard to technical and related requirements.
- To advice on supervision of projects and the indicators to look for during supervision.
- To undertake technical inspection on projects as directed by the Board.

- To provide guidance on projects co-funded by several donors.
- To carry out Benchmarking on projects.
- To liaise with stakeholders and partners on capacity building.
- Any other technical matter referred to the Projects Technical Committee by the Board

Members of Board Committees

Finance & Administration Committee

- | | |
|------------------------|--------|
| 1. Dr. John Wamakonjio | Chair |
| 2. Joseph Mukui | Member |
| 3. Dr. Jane Kabugi | Member |
| 4. David Koross | Member |
| 5. Dr. Charles Onchoke | Member |

Audit & Risk Management Committee

- | | |
|-------------------------|--------|
| 1. RosaliaNyalle | Chair |
| 2. Xavier Nyamu | Member |
| 3. Boniface Lokale | Member |
| 4. Eng. Hillary Nyaanga | Member |

Projects Technical Committee

- | | |
|-------------------------------|--------|
| 1. Dr. Jane Kabugi | Chair |
| 2. Major Rose Mbula | Member |
| 3. Dr. Charles Onchoke | Member |
| 4. David Koross | Member |
| 5. Boniface Lokaale | Member |
| 6. Mukui | Member |
| 7. Eng. Hillary James Nyaanga | Member |

Number of meetings held in financial year 2013/2014

Finance & Administration Committee	-
Audit & Risk Management Committee	-
Technical Committee	-
Special Board meetings	-
Regular Board meetings	-

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

In line with this, the CDF Board focuses on:

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

- Promoting environmental awareness among its employees by encouraging them to work in an environmentally responsible manner.
- Continually assessing the environmental impact of all its operations.

To achieve the 2014/2015 objectives, the CDFB carried out various environmentally sustainable activities in Mathare, Kathiani, Rabai, Gem, Gilgil, Kuresoi South, Kuresoi North, Rongai, Bahati, Nakuru Town East, Nakuru Town West, Mavoko, Machakos, Naivasha, Subukia, Molo and Njoro constituency. The activities included; Developing and implementing environmental awareness creation programmes, waste management that included procuring of the waste segregation, created awareness on measures to mitigate against water, air, noise and other forms of pollution, plant and support tree planting initiatives where a total 6,160 different species of seedlings were planted.

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *CDF's* financial statements, which give a true and fair view of the state of affairs of the *CDF* for and as at the end of the financial year ended on June 30, 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 *CDF*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *CDF*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *CDF's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *CDF's* financial statements give a true and fair view of the state of *CDF's* transactions during the financial year ended June 30, 2014, and of the *CDF's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *CDF*, which have been relied upon in the preparation of the *CDF's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

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



Yusuf Mbuno
Ag. Chief Executive Officer
Director



Joseph Mukui

**IX. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014**

Revenue from non-exchange transactions		2013/2014	2012/2013
Transfers from Devolution	1	34,850,199,752.00	652,890,000.00
		34,850,199,752.00	652,890,000.00
Revenue from exchange transactions			
Finance income-external investments	2	42,188,723.86	50,014,103.00
Other income	3	252,000.00	1,144,000.00
		42,440,723.86	51,158,103.00
Total revenue		34,892,640,475.86	704,048,103.00
Expenses			
Employee costs	4	326,167,124.83	322,889,223.00
Board Expenses	5	47,866,040.00	40,130,196.00
Depreciation and amortization expense	6	36,404,690.78	30,149,235.00
Repairs and maintenance	7	15,241,404.00	6,288,986.00
Contracted services	8	21,335,656.86	75,947,855.00
Grants and subsidies	9	26,981,850,357.80	-
General expenses	10	274,431,819.56	215,462,798.00
Total expenses		27,703,297,093.83	690,868,293.00
Surplus/Deficit for the period		7,189,343,382.03	13,179,810.00

The notes set out on pages 6 to 12 form an integral part of the Financial Statements

X. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

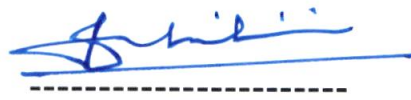
	Note	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	11	878,299,332.17	6,316,201,113.00
Receivables from exchange transactions	12	6,739,516,029.15	6,045,893,589.00
		7,617,815,361.32	12,362,094,702.00
Non-current assets			
Property, plant and equipment	13	102,414,781.01	88,567,026.00
Intangible assets	14	10,087,453.20	-
		112,502,234.21	88,567,026.00
Total assets		7,730,317,595.53	12,450,661,728.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	6,810,898,311.00	11,843,646,098.00
Employee benefit obligation	16b	2,698,403.60	5,686,100.00
		6,813,596,714.60	11,849,332,198.00
Non-current liabilities			
Non-current employee benefit obligation	16a	48,645,300.92	101,276,733.00
		48,645,300.92	101,276,733.00
Total liabilities		6,862,242,015.52	11,950,608,931.00
Net assets		868,075,580.01	500,052,797.00
Reserves			
Accumulated surplus		868,075,580.01	500,052,797.00
Total net assets and liabilities		868,075,580.01	500,052,797.00

The Financial Statements set out on pages 1 to 12 were signed on behalf of the Board of Directors by:



Yusuf Mbuno
Ag. Chief Executive Officer

Date 11th JUNE 2015



Joseph Mukui
Director

Date 11th JUNE 2015

**XII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2014**

	REVENUE RESERVE	REVALUATION RESERVE	CAPITAL RESERVE	TOTAL
	Kshs	Kshs	Kshs	Kshs
At 30.06.2013	500,052,797	-	-	500,052,797
At 01.07.2013	500,052,797	-	-	500,052,797
Surplus for the Year	7,189,343,382.03			7,189,343,382.03
Owings to the constituencies	(6,780,249,394.00)			(6,780,249,394.00) (41,071,205.02)
Staff gratuity Adjustments	(41,117,709.86) 46,504.84			46,504.84
At 30.06.2014	868,075,580.01	-	-	868,075,580.01

XII. STATEMENT OF CASH FLOWS

	2013-2014	2012-2013
	Kshs	Kshs
Surplus for the year	7,189,343,382.03	13,160,110.00
Depreciation	36,404,690.78	30,149,235.00
Cash balance previous year	-5,805,699,752.00	
Cash and interest receivable	-6,674,824,027.40	
Cash from operating activities	-6,264,775,706.59	43,329,345.00
changes in working capital		
disbursement due to constituencies		11,788,199,752.00
Decrease in Trade payables	-24,797,429.00	101,939.00
increase/decrease in gratuity	-93,749,141.00	30,970,056.00
Increase/ decrease in insurance prepayments	-8,364,829.75	-4,908,958.00
Increase/ decrease in staff debtors	4,133,600.55	-12,634,610.00
		3,029,400.00
		-5,979,325,102.00
Net cash flows from operating activities	-5,377,553,505.39	5,825,432,477.00
cashflow from investing activities		
Purchase of Motor vehicle	-33,304,671.00	-17,412,000.00
computers and other IT equipments	-15,058,235.00	-24,527,158.00
Furniture & Fittings	-10,669,343.00	-8,163,125.00
Software (CDFMIS)	-1,307,651.60	
Net cash flows from investing activities	-60,339,900.60	-48,502,283.00
Net increase in cash & cash equivalents	-5,437,901,780.83	5,820,259,539.00
Add cash and cash equivalent	6,316,201,113.00	495,941,576.00
Cash and cash equivalent at the end	878,299,332.17	6,316,201,115.00

XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	ORIGINAL BUDGETS	ADJUSTMENTS	FINAL BUDGETS	ACTUAL AMOUNTS	variance
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Revenues					-
GOK Grants	34,850,199,752.00		34,850,199,752.00	34,850,199,752.00	-
A-I-A	21,000,000.00	-	21,000,000.00	42,440,723.86	21,440,723.86
Total Income	34,871,199,752.00	-	34,871,199,752.00	34,892,640,475.86	
Expenses					-
Employee Cost	837,732,015.00	11,948,800.00	849,680,815.00	326,167,124.83	549,982,267.99
Board Expenses	100,000,000.00	3,000,000.00	103,000,000.00	47,866,040.00	55,133,959.90
General expenses	448,027,918.00	30,789,261.00	478,817,179.00	274,431,819.56	19,728,988.48
Contracted and Other Operating Expenses	22,000,000.00	0.00	22,000,000.00	21,335,657.00	664,343.14
Routine Maintenance	13,825,457.00	0.00	13,825,457.00	15,241,404.00	-2,088,334.00
purchase of Computer Equipment	20,000,000.00	5,000,000.00	25,000,000.00	15,058,235.00	9,941,765.00
Purchase of Furniture and Equipment's	21,000,000.00	0.00	21,000,000.00	10,669,343.00	10,330,657.00
Purchase of motor vehicle	35,000,000.00	0.00	35,000,000.00	33,304,671.00	1,695,329.00
purchase of software	25,000,000.00	2,000,000.00	27,000,000.00	1,307,652.00	25,692,348.40
Refurbishment of building	30,000,000.00	0.00	30,000,000.00	-	30,000,000.00
Grants and Developments	21,973,900,000.00	11,788,199,752.00	33,762,099,752.00	26,981,850,358.00	6,780,249,394.00
Total Expenses	23,528,485,391.00	-	35,367,372,003.00	27,727,185,536.00	7,640,186,467.00
surplus	11,363,710,698.00	-	-475,175,914.00	7,165,010,553.00	

See note j in notes to financial statements for explanation of variances above 10%

NOTES TO THE FINANCIAL STATEMENTS

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

The CDF's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the CDF and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies

a) Revenue recognition

Transfers from other government entities

The receipts/revenue of the Fund consists of at least 2.5% of the total annual ordinary revenue the Government collects in a financial year. Revenue for the secretariat is 5% of the Fund's total allocation and the remaining 95% is disbursed to constituencies to fund various development projects and treated as grants to constituencies.

Revenue is recognized once the National Budget has been approved by Parliament.

Interest income

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

b) Budget information - IPSAS 24

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

c) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

d) Intangible assets – IPSAS 31

Intangible assets consist of computer software(CDFMIS) purchased for use by the CDF Board The Board recognizes Intangible Assets acquired separately at cost less accumulated amortization.

e) Employee benefits – IPSAS 25

Retirement benefit plans

Employees of the Fund's Secretariat are either on secondment from various ministries or are employed on contract terms and therefore accrue pension /gratuity obligations up to the end of their 3 years contract.

f) Comparative figures

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

g) Estimates and assumptions

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

h) Provisions

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

i) Loss of funds in Financial year 2012/2013 – IPSAS 14

Some fraudulent transaction of Ksh 13,391,130.45 and Ksh 26,170,836.55 occurred in the Financial Years 2011/2012 and 2012/2013 through electronic fund transfer to various accounts opened in the names of parties unknown to the Board

The matter was reported to the Banking Fraud Investigating unit of Kenya Police bank and investigations carried out resulting to arrest of some suspects who have since been charged in the court with stealing under C/SEC 275 of the penal code.

However, the Board has since recovered Ksh 7,010,814.85 which has been credited to the Constituencies Development Fund Board Account, Kenya Commercial bank- Kipande House

j) Explanatory notes on Comparison of budget versus actual expenditure

Employee cost - The management proposed a salary increment which was approved by the Board and budgeted for in the Financial year 2012/2013. However at the close of the financial year authority letter for effected the proposed increase had been received from Salaries and Remuneration Commission.

Board Expense- this budget item included Ksh 30, 000,000 meant for establishing CDF County offices. However, at the close of the financial year the policy paper was still under discussion.

Purchase of furniture and computers. The furniture and computer were to be purchased for the county offices that were to be established. These offices were not established as at the close of the Financial Year since the policy paper was still under discussion hence the underutilization.

Refurbishment of building - the Board acquired additional office in 5th floor at Harambee plaza and therefore budgeted for the refurbishment. However, at the close of the year, the lease document had not been received.

1. Transfers from other governments- Ministry of devolution & Planning

	2014 Shs	2013 Shs
Operational grant		
	23,062,000,000.00	652,890,000.00
Others	11,788,199,752.00	-
Total government grants and subsidies	34,850,199,752.00	652,890,000.00

2. Finance income-investments

	2014 Shs	2013 Shs
Cash investments and fixed deposits	42,188,723.86	50,014,103.00
Total finance income-external investments	42,188,723.86	50,014,103.00

3. Other income

	2014 Shs	2013 Shs
Sale of tender document	252,000.00	1,144,000.00
Total other income	252,000.00	1,144,000.00

4. Employee costs

	2014 Shs	2013 Shs
Employee related costs - salaries and wages	196,943,934.72	164,977,036.00
Employee related costs - contributions to pensions and medical aids	41,117,709.82	48,713,604.00
Housing benefits and allowances	88,105,480.29	74,901,971.00
Employee costs	326,167,124.83	288,592,611

5. Remuneration of Board Directors

	2014 Shs	2013 Shs
Board Allowances		28,932,428.00
	42,005,380.00	
Board Expenses		
	5,860,660.00	11,197,768.00
Total Board Expenses	47,866,040.00	40,130,196.00

6. Depreciation and amortization expense

	2014 Shs	2013 Shs
Property, plant and equipment		
	36,146,038.13	30,149,235.00
Intangible assets	258,652.65	-

Total depreciation and amortization	36,404,690.78	30,149,235.00
7. Repairs and maintenance		
	2014	2013
	Shs	Shs
Equipment	9,806,196.00	4,727,533.00
Vehicles	5,138,574.00	-
Other	296,634.00	1,561,453.00
Total repairs and maintenance	15,241,404.00	6,288,986.00
8. Contracted services		
	2014	2013
	Shs	Shs
consultancy services	21,335,656.86	75,947,855.00
Total contracted services	21,335,656.86	75,947,855.00
9. Grants and subsidies		
	2014	2013
	Shs	Shs
Constituency development	26,981,850,357.80	16,791,309,061.35
Total grants and subsidies	26,981,850,357.80	16,791,309,061.35
10. General expenses		
The following are included in general expenses:		
	2014	2013
	Shs	Shs
Advertising	21,271,011.52	37,496,030.00
Travel, motor car, accommodation, subsistence and other allowances	59,697,104.00	34,296,612.00
Audit fees	1,160,000.00	2,000,000.00
Training and Conference Facility	87,228,548.20	32,308,731.00
Consumables	11,517,357.64	10,101,245.00
Electricity	273,041.00	-
Fuel and oil	5,178,750.00	3,725,967.00
Insurance	51,735,327.87	31,941,089.00
Legal expenses	4,881,534.00	-
Postage	1,058,085.00	-
Printing and stationery	8,233,831.00	7,033,225.00
Hire charges	847,460.00	-
Rental	2,681,978.40	2,973,340.00
Telecommunication	3,356,454.50	7,097,603.00
Other	3,531,188.70	637,330.00
ESP expenses	11,780,147.73	80,148,238.00
Total general expenses	274,431,819.56	340,615,921.00

11. Cash and cash equivalents

	2014	2013
	Shs	Shs
Fixed Deposits	700,721,918.00	400,000,000.00
Current Accounts in other Banks	0	14,277,910.00
Co-operative Bank	29,239,348.24	0
KCB	38,338,671.93	96,223,451.00
CBK	109,999,394.00	5,805,699,752.00
	878,299,332.17	6,316,201,113

12. Receivables

	2014	2013
	Shs	Shs
Current receivables		
Kenyatta National Hospital	250,000.00	250,000.00
Mater Hospital	300,000.00	300,000.00
Getrude children hospital	100,000.00	100,000.00
insurance	36,002,364.75	27,637,535.00
Un-surrendered imprests	27,919,637.00	31,367,150.50
Salary Advance	120,000.00	120,000.00
Receivables from treasury	6,670,250,000.00	5,982,500,000.00
Interest	4,574,027.40	3,618,904.00
Total receivables	6,739,516,029.15	6,045,893,589.50

13. Property, plant and equipment

	Computers & Printers	Furniture & Fittings	Motor Vehicles	Total
<i>Cost or Valuation:</i>	Shs	Shs	Shs	Shs
As at 30th June 2013	101,465,288.75	31,854,705	65,439,078	198,759,071.75
Additions during the year	15,058,235.00	10,669,343	33,304,671	59,032,249.00
Disposal	-	0	0	0.00
Transfer/Adjustments	-			0.00
As at 30th June 2014	116,523,523.75	42,524,048.00	98,743,749.00	257,791,320.75
Depreciation and impairment				0.00

At30 June2013	63,749,943.60	11,768,993	43,711,566	119,230,501.60
Depreciation	18,543,610.32	3,844,382	13,758,046	36,146,038.14
At30 June2014	82,293,553.92	15,613,374.44	57,469,611.38	155,376,539.74
Netbookvalues				
At30 June2014	34,229,969.83	26,910,673.56	41,274,137.62	102,414,781.01
At30 June2013	46,753,799.40	20,085,713	21,727,513	88,567,024.4

14. Intangible assets - software		
Cost		
At1 July2013		9,038,454.25
Additions		<u>1,307,651.60</u>
At30 June2014		10,346,105.85
Amortization and impairment		
At30 June 2014		258,652.65
Netbookvalues		
At30 June2014		10,087,453.20
At30 June 2013		9,038,454.25

This is software (CDFMIS) that the Board is in the process of installing and is expected to be used from 2015/2016.

15. Trade and other payables from exchange transactions

	2014	2013
	Shs	Shs
Trade payables	15,731,717.00	40,529,146.00
Owings to constituencies	6,780,249,394.00	11,788,199,752
ESP accrued payments	14,917,200.00	14,917,200.00
Total trade and other payables	6,810,898,311	11,843,646,098

16a. Gratuity

Balance at the beginning of the year	101,276,733.00
Additional provisions raised	41,117,709.82

	2014 Shs	2013 Shs
Trade payables	15,731,717.00	40,529,146.00
Owings to constituencies	6,780,249,394.00	11,788,199,752
ESP accrued payments	14,917,200.00	14,917,200.00
Total trade and other payables	6,810,898,311	11,843,646,098

16a. Gratuity

Balance at the beginning of the year	101,276,733.00
Additional provisions raised	41,117,709.82
Provision utilized	93,749,141.90
Balance as at 30 June 2014	48,645,300.92

16b	2014	2013
Owings to deceased officer	2,698,403.00	5,686,100

XIV. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
1	<p>Classification of non-current assets/ during the year the Board acquired computer equipment at accost of Ksh 24,927,158. Included in the figure is software acquired at a cost of Ksh 3,500,258.39 which was classified as tangible assets instead of intangible assets in the statement of financial position. Further the tangible assets are supposed to be depreciated while the intangible asset are amortized over the economic useful life of the asset using approved rates as defined in the institution policies. Software acquired at a cost of Ksh 3,500,258.39 was classified as tangible asset</p>	<p>The computer equipment purchased at a cost of Ksh 315,000 and included in intangible assets has been amended in the ledger and is now correctly posted as tangible asset, (purchase of computer).</p> <p>The Board's policy on depreciation is as reflected in the notes to the financial statements note2 (b). The Board has approved finance manual which contains policy on depreciation and amortization of fixed assets.</p> <p>The development of the software begun in the previous year and is currently at final stages of implementation. Previous years' expenditure on the software was classified under computer</p>	Venazio Gachara – Senior Accountant	Resolved. The assets have been separated and software CDFMISis currently being amortized	

Reference No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		<p>equipment and accessories similar to the current year amount of Kshs.3,500,258.40 because the Board had not approved the finance manual. The determination of total amounts spent in the development of the software and restating previous years audited accounts to enable reclassification requires sufficient time and will be done in 2013/2014 financial year. This is software (CDFMIS) that the Board is in the process of installing and is expected to be used from 2013/2014.</p>			
2	<p>Fixed Asset Register/ The board does not have updated Fixed Asset Register showing details such as description of assets, location, date of acquisition and depreciation/amortization. The Board contracted</p>	<p>The Board has an updated manual fixed asset register with all the pertinent information and is available for review. The consultant hired to develop computerized asset register has submitted the reports to the board for management</p>	<p>Abdi Haji Gedi-Ag Administration Officer</p>	<p>Resolved the consultant held one training for the users on the system and the system shall be operationalized from July</p>	<p>2 months</p>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>a local consultancy firm for development of computerized asset register as per the agreement signed between the Board and the consultant on 23rd January 2013 at contract price of Ksh 29,859,400. The firm was to provide a consolidated report for all the regions including fixed assets physical verification report, fixed asset tagging report, fixed asset verification list and Fixed Asset Management System (FAMS). The contract period was to expire after four months. However the register was not in place as at the time of concluding the audit although</p>	<p>review.</p> <p>The logbooks for vehicles are yet to be released by KRA. However, copies of certificates of warranty, registration documents from KRA, Insurance certificates and purchase invoice are herein attached.</p>		<p>2015 after a final user training The management is pursuing the matter with KRA to expedite release of the log books</p>	

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>the Board had paid Ksh 11,943,760.00 or 40% the contract price. Further three (3) log books for the three motor vehicle acquired during the year at a cost of Ksh 17,412,000.00 were not provided for audit.</p>				
3	<p>The statement reflects prepayments and owings balance of Ksh 28,287,535.00 as at 20 June 2013. As reported in previous year, included in the figure is Ksh 650,000 relating 2012 and earlier years owed by hospitals. Deposit receipts and statements of accounts from the institution were not provided. The Board has not indicated the efforts it is</p>	<p>The Board has been communicating with the hospital in an effort to get the money deposited refunded.(Copies of demand letters to the institutions attached)</p>	<p>Venazio Gachara-Senior Accountant</p>	<p>Partly resolved. The Board received Ksh 100,000 from Gertrude Hospital in December 2014</p>	<p>6 months</p>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>making to recover the money from the hospitals.</p> <p>Kenyatta National Hospital 250,000 Mater Hospital 300,000 Gertrude Hospital 100,000</p>				
4	<p>Cash and Cash equivalents As reported in the previous year, there were unexplained payments/ outstanding in the bank reconciliation for the Month of June 2012 of Ksh 13,391,130.45. The management in the response to the Auditor General's report indicated that these were fraudulent payments made and the Board reported the incident to the relevant institutions. The fraud spilled to the financial year 2012/2013 and</p>	<p>Some fraudulent transaction of Ksh 13,391,130.45 and Ksh 26,170,836.55 occurred in the Financial Years 2011/2012 and 2012/2013 through electronic fund transfer to various accounts opened in the names of parties unknown to the Board</p> <p>The matter was reported to the Banking Fraud Investigating unit of Kenya Police bank and investigations carried out resulting to arrest of some suspects who have since been charged in the court with stealing under C/SEC 275 of the penal code.</p>		<p>Partly resolved Ksh 7,010,814.85 has been recovered at credited back to The Board Secretariat account at KCB- Kipande House The management is still holding meetings with KCB bank to ensure that the remaining cash is recovered</p>	


Reference on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)										
	<p>further fraudulent withdrawals were made as follows:-</p> <table border="0"> <tr> <td>Date</td> <td>Amount (Ksh)</td> </tr> <tr> <td>02/07/2013</td> <td>9,369,193.95</td> </tr> <tr> <td>05/07/2013</td> <td>5,534,718.30</td> </tr> <tr> <td>30/07/2013</td> <td><u>11,266,924.30</u></td> </tr> <tr> <td></td> <td>26,170,836.55</td> </tr> </table> <p>The issue was investigated by Banking Fraud Investigation Unit (BFIU) and a criminal case is pending in court. Forensic audit was carried out by the office of Auditor General and Deloitte and Touche. However the progress/outcome of the investigations were not provided. No provision has for the loss of cash has been made in the financial statements. Under the circumstances, it is not possible to confirm whether the cash and cash equivalents of Kshs</p>	Date	Amount (Ksh)	02/07/2013	9,369,193.95	05/07/2013	5,534,718.30	30/07/2013	<u>11,266,924.30</u>		26,170,836.55	<p>However, the Board has since recovered Ksh 5,609,703.35 which has been credited to the Constituencies Development Fund Board Account, Kenya Commercial bank-Kipande House</p>			
Date	Amount (Ksh)														
02/07/2013	9,369,193.95														
05/07/2013	5,534,718.30														
30/07/2013	<u>11,266,924.30</u>														
	26,170,836.55														

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	6,316,201,113.00 were correctly as at June 2013				
4	<p>Fixed Deposits/ at the close of the Financial Year the Board had Ksh 400,000,000 in fixed deposit accounts. However there was no authority from Treasury to invest</p>	<p>The investment of funds in short term deposit was approved by the Board (Board Minutes attached). The Board has requested for authority for placement of funds on short call deposits as per letter Ref.CDF BOARD/MPD (B)/VOL.1 (004) (herein attached).</p>		<p>Resolved The Board no longer place surplus funds in fixed deposit as per Treasury letter attached</p>	
5	<p>Accrued Economic Stimulus Programme (ESP)/ the statement reflect a figure of Ksh 14,917,200.00 as accrued ESP allowances to SPMCs and CPTCs as at 30th June 2013. Although the schedules showing when the allowances started accruing and other details and the action the Board intend to take to clear the liability has</p>	<p>These were funds to be sent to 62 constituencies for paying allowances to SPMCs and CPTCs. However, these committees were disbanded after the completion of the ESP programme. since the committees to be paid no longer exist</p>	<p>Venazio Gachara – Senior Accountant</p>	<p>Not Resolved / these committee ceased to exist following lapse of the respective committee and subsequent election of new ones after march 2013</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	not been indicated			general election	
6	<p>Income- Interest Earned / The Board invested in short term deposits in various banks during the year. However , control ledger/ account and investment register to show the movement of individual transaction relating to Fixed deposit invested and interest earned are not maintained</p>	<p>The Board has now put in place a fixed deposit register which is up to date</p>	<p>Venazio Gachara- Senior Accountant</p>	<p>Resolved</p>	



Yusuf Mbuno
 Ag.Chief Executive Officer
 Date 08/06/2015



Joseph Mukui
 Director
 Date 08/06/2015

Handwritten text in red ink, possibly a signature or date, enclosed in a faint blue oval.

