

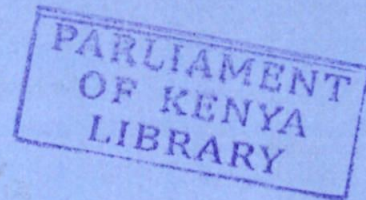
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT



OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
CONSTITUENCIES DEVELOPMENT FUND -
GATANGA CONSTITUENCY**

**FOR THE YEAR ENDED
30 JUNE 2015**





CONSTITUENCY DEVELOPMENT FUND- GATANGA CONSTITUENCY

REPORTS AND FINANCIAL STATEMENTS

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

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

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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The Constituencies Development Fund (CDF) was set up under the CDF Act, 2003 now repealed by the CDF Act, 2013.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 Gatanga 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 30th June 2015 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|--------------------|---------------|
| 1. | Accounting Officer | Yusuf Mbuno |
| 2. | A.I.E holder | Evans Machira |
| 3. | Accountant | James Nderi |

(d) Fiduciary Oversight Arrangements

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

(e) GATANGA CDF Headquarters

P.O. Box 63 -01000 Thika
CDF Gatanga Mabanda Office,
Along Thika-Gatanga Road

(f) GATANGA CDF Contacts

Telephone: (254) 714 884 675
E-mail: cdfgatanga@cdf.go.ke
Website: www.go.ke

(g) GATANGA CDF Bankers

Co-operative Bank of Kenya,
Thika Branch
P.O. Box 1815 – 01000,
Thika

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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

We are pleased to present this review of Gatanga CDF financials in the 2014 financial year where we have seen about 94% of project implementation of our planned budget.

This was a year of accelerating momentum for our Committee, one in which we saw continued growth in effective project implementation by all our PMCs, support from the Gatanga community, and demonstrated the value being created by our focus on improving the livelihood of the Gatanga residents.

Gatanga community remains our highest priority. Throughout the year we worked mainly to improve the education standards and the security of Gatanga through projects that were responsive to the community's needs and requests.

We are still hoping to continue improving the education standards through improving the school's infrastructure and the security of various market centres. We have also adapted to renewable energy in our plans and as so far we have solar-lighted security masts erected in various centres. We are also encouraging the use of non-toxic materials in the renovations of the schools.

Operating in this environment requires a commitment to community service excellence and innovation, areas where we continuously strive to improve.

We are pleased to have again delivered on our financial commitments and to have delivered a 94% overall utilization of funds in this financial year. This has been possible with the support we have received from CDF Board Directors and Management, our Fund Manager, our CDF staff members, various government officers who compliment our work and the community of Gatanga who have continuously challenged us in improving how we utilize the funds to serve them better.

It is also good to note that even with the success noted herein we still continue to face some challenges in project records management by project management committees which is aided by lack of knowledge and experience in handling such paperwork and even though we have continuously tried to improve the situation through training such committees we continue to face the same challenge with each new project.

Finally, I would like to assure CDF Board and Management of my continued support in seeing that the utilization of Kshs.113,339,349 allocated to Gatanga CDF for the financial year 2015/2016.

Sign



CHAIRMAN CDFC

III. STATEMENT OF CDF MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the Gatanga 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 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.

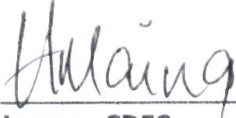
The Accounting Officer in charge of the Gatanga CDF accepts responsibility for the CDF's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The 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 Gatanga 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 Gatanga 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.

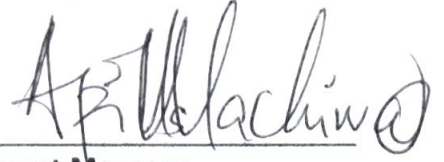
CONSTITUENCY DEVELOPMENT FUND- GATANGA CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2015

Approval of the financial statements

The CDF's financial statements were approved and signed by the Accounting Officer on 12th September 2015.



Chairman - CDFC



Fund Account Manager

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Constituencies Development Fund-Gatanga Constituency set out on pages 6 to 19, which comprise the statement of assets as at 30 June 2015, and the statement of receipts and payments, statement of cash flows and 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 audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 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 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 adverse audit opinion.

Basis for Adverse Opinion

1. Variance in Disbursements from the CDF Board

The statement of receipts and payments for the year ended 30 June 2015 reflects receipts amounting to Kshs.98,195,481, while records of disbursements from the CDF Board indicate that a total of Kshs.122,464,258.70 was released to the CDF during the year resulting to a difference of Kshs.24,268,777.70. Further, the summary statement of appropriation reflects actual receipts amount of Kshs.131,913,608 during the year. No reconciliations or explanations were provided for the different figures on receipts reflected in the financial statements.

In the circumstances, it has not been possible to confirm the accuracy of receipts of Kshs.98,195,481.

2. Inaccurate Fund Balances

The trial balance reflects opening fund balance of Kshs.42,192,700 as at 1 July 2014, while the audited closing balance was Kshs.40,680,760 as at 30 June 2014, resulting to unexplained variance of Kshs.1,511,940. No reconciliation was provided for the difference noted.

In the circumstances, the accuracy of the fund balance as at 30 June 2015 could not be confirmed.

3. Other Grants and Payments

The statement of receipts and payments for the year ended 30 June 2015 reflects other grants and payments amounting to Kshs.55,271,300. The balance however, excludes bursaries paid during the year amounting to Kshs.11,540,070 in respect of secondary school bursaries, tertiary institutions bursaries and boda boda training amounting to Kshs.6,356,770, Kshs.2,783,300 and Kshs.2,400,000 respectively.

Consequently, the accuracy of other grants and payments of Kshs.55,271,300 incurred during the year could not be confirmed.

4. Prior Year Adjustment

The statement of assets as at 30 June 2015 and cash flows statement reflects prior year adjustment figure of Kshs.1,511,940. The adjustment was however not supported by journal voucher or explanatory note in the financial statements.

In the circumstances, it has not been possible to justify this adjustment.

5. Cash and Cash Equivalent

The statement of Assets reflects Kshs.8,474,573 cash and cash equivalent balance as at 30 June 2015, comprising of bank balance and outstanding imprests amounting to Kshs.6,683,533 and Kshs.1,791,040 respectively.

However, no schedules or imprest register was provided to support the outstanding imprest. Further, a review of bank reconciliation revealed that included in the bank balances were unrepresented cheques totalling Kshs.16,058,520 out of which cheques amounting to Kshs.1,950,120 were stale and therefore cannot be presented to the bank for payment. No reason was provided for not reversing them in the cashbook.

Consequently, the accuracy of the cash and cash equivalent balance of Kshs.8,474,573 could not be confirmed.

6. Purchase of a Parcel of Land for Karangi Mixed Day School

As previously report in 2013/2014, a sale agreement was entered into between a vendor and Karangi Secondary School by the Land Purchase Committee on 15 August 2011 for purchase of a parcel of land No LOC./16/MBUGITI/2161 measuring approximately 0.84 Hectares for a sum of Kshs.2,000,000. The funding was met by Gatanga CDF.

According to a valuation report from Zancosult Valuers dated 16 August 2011, the parcel was valued at Kshs.2,300,000. However, this valuation report was issued a day after the date of the sale agreement, under unclear circumstances. Further, according to records available, the contract sum of Kshs.2,000,000 was renegotiated in the year 2012 and an amount of Kshs.2,200,000 was agreed upon. It was explained that the increase in purchase price was attributed to the purchaser's default in meeting the original sale agreement. However, the variation of the original agreement was not formalized in writing. The contract also did not provide for any remedy upon default of the contract by either party. Under such circumstances the basis upon which final contract sum of Kshs.2,200,000 was arrived at could not be determined.

In addition, the sale agreement provided that the purchaser shall take possession of parcel of land upon payment of the second installment. However, upon physical verification in February 2016 of the parcel, which neighbors the school, there was no evidence that Karangi Secondary School had taken possession of the land.

The sale agreement further provided that the last installment shall be paid upon obtaining the consent to transfer. However, despite full payment of the contract sum to the vendor as per the payment records, there was no evidence of such consent or transfer of title to Karangi Secondary School.

In view of the foregoing, public funds may be lost in case the vendor declines to transfer the parcel of land to Karangi Secondary School.

7. Poor Workmanship of Kiunyu Market Construction

During the year, the CDFC disbursed a total of Kshs.4,999,550 towards the construction of Kiunyu shopping centre market. The contract was awarded to M/s Miwan Construction Co. Ltd. However, no procurement records including award minutes and completion certificate from works officer were made available for audit verification.

Further, a physical verification carried out on the project revealed that, the project work finish was poorly done as evident by non-removal of debris from the site and two gates were hanging loosely when opened as they were not installed properly.

Further, according to the bills of quantities, twenty three (23) stalls were to be constructed and fitted with doors. Each door was to cost Kshs.5,350 totalling Kshs.123,050 for the twenty three (23) stalls. However, no stalls were constructed and hence no doors were fixed. The toilet finishing was also poorly done. The market was deserted with no evidence that it was being utilized.

In the circumstances, the propriety of the expenditure of Kshs.4,999,550 incurred on this project could therefore not be confirmed.

8. Poor Workmanship and Failure to Adhere to Specifications- Mt Olive Primary School

During the year under review, Gatanga CDFC disbursed a total of Kshs.1,500,000 in respect of classrooms renovations at Mt. Olive Primary School.

However, an inspection carried out, revealed that although the project was completed and in use, the flooring, plastering of walls, painting and the roof were poorly done. The floor had visible cracks and the plastering was not complete. Further, according to the bills of quantities, the contractor was to fix five (5) doors, however, only three (3) doors were fixed. No justification was provided for the omission and it was also not clear why the school has not compelled the contractor to complete the works.

In the circumstances, the propriety of the expenditure of Kshs.1,500,000 incurred on this project could not be confirmed.

9. Chomo Primary School Project

Records maintained by the CDF indicate that an amount of Kshs.1,500,000 had been allocated for the renovation of eight (8) classrooms at Chomo primary School. However, expenditure returns and other relevant documents were not provided for audit review. Further, an inspection carried out on the project revealed that the classroom floors and walls had numerous visible cracks, while an undercoat paint appeared to have been applied on the wall instead of three (3) coats as per the bills of quantities. In addition, worn out roofing sheets and fascia boards included in the bills of quantities had not been replaced despite the payment of full contract sum to the contractor. No reason was provided for the poor handling and implementation of this project.

Consequently, the propriety and value for money incurred on this project during the year could not be confirmed.

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 Constituencies Development Fund-Gatanga 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 do not comply with the Public Finance Management Act, 2012 and Constituencies Development Fund Act, 2013.

Other Matter

1. Overall Budget Execution

Review of statement of budget appropriation revealed 70% and 94% overall budget utilization on receipts and expenditure respectively as follows:-

| Item | Budget-Kshs | Actual -Kshs. | Difference-Under Kshs | Actuals % of Budget |
|-------------|-------------|---------------|-----------------------|---------------------|
| Receipts | 140,388,181 | 98,195,481 | 42,192,700 | 70% |
| Expenditure | 140,388,181 | 131,913,608 | 8,474,573 | 94% |

The above analysis, reflects actual receipts of Kshs.98,195,481 against the budgeted amount of Kshs.140,388,181 resulting to a shortfall of Kshs.42,192,700 undisbursed funds from the CDF Board. Further, the CDF incurred an under expenditure of Kshs.8,474,573 or 6% of the approved budget of Kshs.140,388,181. No reason was provided for the undisbursed funds.

2. Under Expenditure on Overall Budget

The CDF recorded an overall 6% under expenditure during the year as follows:-

| Item | Approved Budget (Kshs.) | Actual Expenditure (Kshs.) | Under Expenditure-Kshs. | % Difference |
|---------------------------------------|-------------------------|----------------------------|-------------------------|--------------|
| Compensation of employees | 1,623,194 | 1,595,254 | 27,940 | 2% |
| Use of goods and services | 3,331,581 | 3,287,253 | 44,328 | 1% |
| Committee expenses | 7,350,407 | 7,163,800 | 186,607 | 3% |
| Transfer to other government entities | 67,627,743 | 63,609,829 | 4,017,914 | 6% |
| Other grants and transfers | 57,809,228 | 55,271,300 | 2,537,928 | 4% |
| Social Security benefits | 45,000 | 34,000 | 11,000 | 24% |
| Acquisition of assets | 1,089,089 | 952,172 | 136,917 | 13% |
| Adjustments | 1,511,940 | 0 | 1,511,940 | 100% |
| TOTAL | 140,388,182 | 131,913,608 | 8,474,574 | 6% |

From the analysis above, there was no over expenditure during the year under review. However, no explanation was provided for the under expenditure noted in all items. The

underutilization of the funds may have impacted negatively on the delivery of service to the citizens of Gatanga.

3. Development Projects Implementation

Review of the statement of appropriation revealed 94% and 96% budget utilization of other grants and transfers to government entities respectively as shown below:-

| Description | Approved Projects | Budget | Actual Expenditure | No. of projects Implemented | Not Implemented | Actual as % of budget |
|---------------------------------|-------------------|--------------------|--------------------|-----------------------------|-----------------|-----------------------|
| Other Grants | 40 | 67,627,743 | 63,609,829 | 38 | 2 | 94 |
| Transfer to government entities | 17 | 57,809,228 | 55,271,300 | 17 | 0 | 96 |
| Total | 57 | 125,436,971 | 118,881,129 | 55 | 2 | 95 |

i. From the above analysis, the CDF had budgeted to implement forty (40) projects under other grants and transfers. However, thirty eight (38) projects were implemented and out of this number ten (10) were incomplete, while two (2) projects remained unimplemented as at the time of this audit.

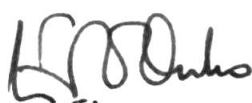
ii. Out of the fifty five (55) projects implemented in 2014/2015 financial year, twenty five (25) were approved in 2013/2014 through authorized re-allocation on previous years funding but were received towards the end of 2013/2014 financial year.

iii. According to CDF records, funds allocated to implement 27 approved projects had not been received from the CDF Board. Delay in disbursement of funds may jeopardize the implementation of projects and service delivery to the residents of Gatanga.

4.0 Delayed Reallocation of Funds

A review of 2013/2014 CDF budget revealed that an amount of Kshs.2,500,000 was set aside for the purchase of medical equipment for six (6) health centres within the constituency. However, these projects had not been initiated as at the time of audit in February 2016, fourteen (14) months after the closure the financial year and were reported in the project implementation status as still awaiting reallocation of funds. No reason was provided for the failure to utilize the funds for the intended purpose.

My opinion is not qualified in respect of these matters.



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

Nairobi

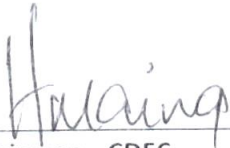
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CONSTITUENCY DEVELOPMENT FUND- GATANGA CONSTITUENCY
Reports and Financial Statements
For the year ended June 30, 2015

IV. STATEMENT OF RECEIPTS AND PAYMENTS

| | Note | 2014-2015 Kshs | 2013-2014 Kshs |
|--|------|---------------------|--------------------|
| RECEIPTS | | | |
| Transfers from Other Government Entities | 1 | 98,195,481 | 112,738,929 |
| Proceeds from Sale of Assets | 2 | - | - |
| Other Receipts | 3 | - | - |
| TOTAL RECEIPTS | | 98,195,481 | 112,738,929 |
| PAYMENTS | | | |
| Compensation of Employees | 4 | 1,595,254 | 1,780,665 |
| Use of goods and services | 5 | 3,287,253 | 5,861,435 |
| Committee Expenses | 6 | 7,163,800 | 5,399,687 |
| Transfers to Other Government Units | 7 | 63,609,829 | 28,898,090 |
| Other grants and transfers | 8 | 55,271,300 | 20,165,507 |
| Social Security Benefits | 9 | 34,000 | - |
| Acquisition of Assets | 10 | 952,172 | 9,952,785 |
| Other Payments | 11 | - | - |
| TOTAL PAYMENTS | | 131,913,608 | 72,058,169 |
| SURPLUS/DEFICIT | | (33,718,127) | 40,680,760 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Gatanga CDF financial statements were approved on 12th September 2015 and signed by:


 Chairman - CDFC


 Fund Account Manager

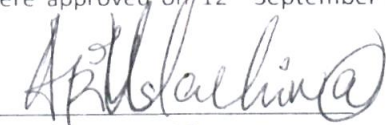
CONSTITUENCY DEVELOPMENT FUND- GATANGA CONSTITUENCY
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V. STATEMENT OF ASSETS

| | Note | 2014-2015 Kshs | 2013-2014 Kshs |
|----------------------------------|------|-------------------|-------------------|
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances (as per cash book) | 12A | 6,683,533 | 40,680,760 |
| Cash Balances (cash at hand) | 12B | - | - |
| Outstanding Imprests | 12C | 1,791,040 | - |
| TOTAL FINANCIAL ASSETS | | 8,474,573 | 40,680,760 |
| REPRESENTED BY | | | |
| Fund balance b/fwd | 13 | 40,680,760 | - |
| Surplus/Deficit for the year | | (33,718,127) | 40,680,760 |
| Prior year adjustments | 14 | 1,511,940 | - |
| NET FINANCIAL POSITION | | 8,474,573 | 40,680,760 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Gatanga CDF financial statements were approved on 12th September 2015 and signed by:


 Chairman - CDFC


 Fund Account Manager

CONSTITUENCY DEVELOPMENT FUND- GATANGA CONSTITUENCY
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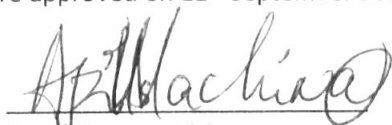
VI. STATEMENT OF CASHFLOW

| | | <u>2014 - 2015</u> | <u>2013 - 2014</u> |
|---|----|---------------------|--------------------|
| Receipts for operating income | | | |
| Transfers from CDF Board | 1 | 98,195,481 | 112,738,929 |
| Other Receipts | 3 | - | - |
| Payments for operating expenses | | | |
| Compensation of Employees | 4 | 1,595,254 | 1,780,665 |
| Use of goods and services | 5 | 3,287,253 | 5,861,435 |
| Committee Expenses | 6 | 7,163,800 | 5,399,687 |
| Transfers to Other Government Units | 7 | 63,609,829 | 28,898,090 |
| Other grants and transfers | 8 | 55,271,300 | 20,165,507 |
| Social Security Benefits | 9 | 34,000 | - |
| Other Payments | 11 | - | - |
| Adjusted for: | | | |
| Adjustments during the year | | 1,511,940 | - |
| Net cash flow from operating activities | | (31,254,015) | 50,633,545 |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale of Assets | 2 | - | - |
| Acquisition of Assets | 10 | (952,172) | (9,952,785) |
| Net cash flows from Investing Activities | | (952,172) | (9,952,785) |
| | | | 40,680,760 |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | (32,206,187) | |
| Cash and cash equivalent at BEGINNING of the year | 15 | 40,680,960 | - |
| Cash and cash equivalent at END of the year | 16 | 8,474,573 | 40,680,960 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Gatanga CDF financial statements were approved on 12th September 2015 and signed by:



 Chairman CDFC

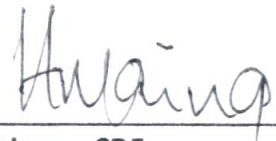


 Fund Account Manager

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

| Receipt/Expense Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % Of Utilization |
|-------------------------------------|-------------------|-------------------|--------------------|----------------------------|-------------------------------|------------------|
| | a | b | c=a+b | d | e=c-d | f=d/c % |
| RECEIPTS | | | | 98,195,481 | | |
| Transfers from CDF Board | 98,195,481 | 42,192,700 | 140,388,181 | 131,913,608 | 8,474,573 | 94 |
| Proceeds from Sale of Assets | 0 | 0 | | | | |
| Other Receipts | 0 | 0 | | | | |
| TOTAL | 98,195,481 | 42,192,700 | 140,388,181 | 131,913,608 | 8,474,573 | 94 |
| PAYMENTS | | | | | | |
| Compensation of Employees | 1,202,694 | 420,500 | 1,623,194 | 1,595,254 | 27,940 | 98 |
| Use of goods and services | 2,396,131 | 935,450 | 3,331,581 | 3,287,253 | 44,328 | 99 |
| Committee Expenses | 523,830 | 6,824,577 | 7,350,407 | 7,163,800 | 186,607 | 97 |
| Transfers to Other Government Units | 50,929,493 | 16,698,250 | 67,627,743 | 63,609,829 | 4,017,914 | 94 |
| Other grants and transfers | 42,052,245 | 15,756,983 | 57,809,228 | 55,271,300 | 2,537,928 | 96 |
| Social Security Benefits | | 45,000 | 45,000 | 34,000 | 11,000 | 76 |
| Acquisition of Assets | 1,089,089 | | 1,089,089 | 952,172 | 136,917 | 87 |
| Prior Year Adjustments | | 1,511,940 | 1,511,940 | - | 1,511,940 | |
| TOTALS | 98,195,481 | 42,192,700 | 140,388,181 | 131,913,608 | 8,474,573 | 94 |

The Gatanga CDF financial statements were approved on 12th September 2015 and signed by:


 Chairman CDF


 Fund Account Manager

VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

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

2. Recognition of revenue and expenses

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

3. In-kind contributions

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

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions that were not surrendered or accounted for at the end of the financial year.

CONSTITUENCIES DEVELOPMENT FUND – GATANGA CONSTITUENCY
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SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Pending bills

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

6. Budget

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

7. Comparative figures

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

8. Subsequent events

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

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

IX. NOTES TO THE FINANCIAL STATEMENTS

1.1.1.1.1.1.1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Description | 2014 - 2015 | 2013 - 2014 |
|--------------|-------------------|--------------------|
| | Kshs | Kshs |
| | 44,716,591 | 18,759,262 |
| | 7,000,000 | 2,000,000 |
| CDF Board | 25,000,000 | 27,811,061 |
| | 21,478,890 | 46,898,156 |
| | - | 17,270,450 |
| | - | - |
| | - | - |
| | - | - |
| | - | - |
| TOTAL | 98,195,481 | 112,738,929 |

1.1.1.1.1.1.2 PROCEEDS FROM SALE OF ASSETS

| | 2014 - 2015 | 2013 - 2014 |
|--|-------------|-------------|
| | Kshs | Kshs |
| Receipts from sale of Buildings | | |
| Receipts from the Sale of Vehicles and Transport Equipment | - | - |
| Receipts from sale of office and general equipment | - | - |
| Receipts from the Sale Plant Machinery and Equipment | - | - |
| Total | - | - |

CONSTITUENCIES DEVELOPMENT FUND – GATANGA CONSTITUENCY
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 For the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.3 OTHER RECEIPTS

| | 2014 - 2015 Kshs | 2013 - 2014 Kshs |
|---|---------------------|---------------------|
| Interest Received | - | - |
| Rents | - | - |
| Receipts from Sale of tender documents | - | - |
| Other Receipts Not Classified Elsewhere | - | - |
| Total | - | - |

1.1.1.1.1.1.4 COMPENSATION OF EMPLOYEES

| | 2014 - 2015 Kshs | 2013 - 2014 Kshs |
|--|---------------------|---------------------|
| Basic wages of contractual employees | 1,595,254 | 1,703,500 |
| Basic wages of casual labour | - | - |
| Personal allowances paid as part of salary | - | - |
| House allowance | - | - |
| Transport allowance | - | - |
| Leave allowance | - | - |
| Gratuity | - | - |
| Other personnel payments | - | 77,165 |
| Total | 1,595,254 | 1,780,665 |

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.5 USE OF GOODS AND SERVICES

| | 2014 - 2015 | 2013 – 2014 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Utilities, supplies and services | - | 1,810,000 |
| Communication, supplies and services | 128,760 | 1,027,440 |
| Domestic travel and subsistence | - | - |
| Printing, advertising and information supplies & services | - | 348,795 |
| Insurance Costs | 84,000 | - |
| Training expenses | - | - |
| Hospitality supplies and services | - | 2,675,200 |
| Fuel & other lubricants | 400,000 | - |
| Specialized materials and services | 2,310,000 | - |
| Office and general supplies and services | 88,895 | - |
| Other operating expenses | 74,306 | - |
| Routine maintenance – vehicles and other transport equipment | 159,792 | - |
| Routine maintenance – other assets | 41,500 | - |
| Total | 3,287,253 | 5,861,435 |

1.1.1.1.1.1.1.6 COMMITTEE EXPENSES

| | 2014 - 2015 | 2013 - 2014 |
|--------------------------|--------------------|--------------------|
| | Kshs | Kshs |
| Committee allowances | 2,158,300 | 3,095,187 |
| Other committee expenses | 5,005,500 | 2,304,500 |
| Total | 7,163,800 | 5,399,687 |

CONSTITUENCIES DEVELOPMENT FUND – GATANGA CONSTITUENCY
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For the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.7 TRANSFER TO OTHER GOVERNMENT ENTITIES

| Description | 2014 - 2015 Kshs | 2013 - 2014 Kshs |
|--|---------------------|---------------------|
| Transfers to National Government entities | - | - |
| Transfers to primary schools (see attached list) | 40,687,000 | 19,266,026 |
| Transfers to secondary schools (see attached list) | 13,256,770 | 6,858,974 |
| Transfers to tertiary institutions (see attached list) | 5,183,300 | 223,090 |
| Transfers to health institutions (see attached list) | 4,482,759 | 2,550,000 |
| TOTAL | 63,609,829 | 28,898,090 |

1.1.1.1.1.1.8 OTHER GRANTS AND OTHER PAYMENTS

| | 2014 - 2015 Kshs | 2013 - 2014 Kshs |
|---|---------------------|---------------------|
| Bursary – secondary schools (see attached list) | - | 5,989,507 |
| Bursary – tertiary institutions (see attached list) | - | 3,079,500 |
| Bursary – special schools (see attached list) | - | - |
| Mock & CAT (see attached list) | 1,649,000 | - |
| Water projects (see attached list) | - | - |
| Others (boda boda shed) | 19,000,000 | - |
| Electricity projects (see attached list) | - | 9,000,000 |
| Security projects (see attached list) | 31,400,000 | 600,000 |
| Roads projects (see attached list) | - | 1,496,500 |
| Sports projects (see attached list) | 2,922,300 | - |
| Environment projects (see attached list) | - | - |
| Emergency projects (see attached list) | 300,000 | - |
| Total | 55,271,300 | 20,165,507 |

1.1.1.1.1.1.9 SOCIAL SECURITY BENEFITS

| | 2014 - 2015 Kshs | 2013 - 2014 Kshs |
|-------------------------------|---------------------|---------------------|
| Employer contribution to NSSF | 34,000 | - |
| Total | 34,000 | - |

CONSTITUENCIES DEVELOPMENT FUND – GATANGA CONSTITUENCY
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 For the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.1.1.1.1.1.10 ACQUISITION OF ASSETS

| <u>Non Financial Assets</u> | 2014 - 2015 Kshs | 2013 - 2014 Kshs |
|--|---------------------|---------------------|
| Purchase of Buildings | - | - |
| Construction of Buildings | - | 2,352,785 |
| Refurbishment of Buildings | - | - |
| Purchase of Vehicles and Other Transport Equipment | - | 7,600,000 |
| Overhaul of Vehicles and Other Transport Equipment | - | - |
| Purchase of Household Furniture and Institutional Equipment | - | - |
| Purchase of Office Furniture and General Equipment | - | - |
| Purchase of ICT Equipment, Software and Other ICT Assets | 252,172 | - |
| Purchase of Specialised Plant, Equipment and Machinery | - | - |
| Rehabilitation and Renovation of Plant, Machinery and Equip. | - | - |
| Acquisition of Land | 700,000 | - |
| Acquisition of Intangible Assets | - | - |
| Total | 952,172 | 9,952,785 |

12A: Bank Accounts (cash book bank balance)

| Name of Bank, Account No. & currency | 2014 - 2015 Kshs | 2013 - 2014 Kshs |
|--|---------------------|---------------------|
| Co-operative Bank – Thika (01120074416200) | 6,683,533 | 40,680,760 |
| | - | - |
| | - | - |
| | - | - |
| Total | 6,683,533 | 40,680,760 |

CONSTITUENCIES DEVELOPMENT FUND – GATANGA CONSTITUENCY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12B: CASH IN HAND

| | 2014 - 2015 Kshs | 2013 – 2014 Kshs |
|---------------------------|---------------------|---------------------|
| Location 1 | | |
| Location 2 | | |
| Location 3 | | |
| Other Locations (specify) | | |
| Total | | |

[Provide cash count certificates for each]

12C: OUTSTANDING IMPRESTS

| Name of Officer or Institution | Date Imprest Taken | Amount Taken | Amount Surrendered | Balance |
|--------------------------------|--------------------|--------------|--------------------|---------|
| | | Kshs | Kshs | Kshs |
| Name of Officer or Institution | dd/mm/yy | | | |
| Name of Officer or Institution | dd/mm/yy | | | |
| Name of Officer or Institution | dd/mm/yy | | | |
| Name of Officer or Institution | dd/mm/yy | | | |
| Name of Officer or Institution | dd/mm/yy | | | |
| Name of Officer or Institution | dd/mm/yy | | | |

Total

CONSTITUENCIES DEVELOPMENT FUND – GATANGA CONSTITUENCY

Reports and Financial Statements

For the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. BALANCES BROUGHT FORWARD

| | 2014 - 2015 Kshs | 2013 - 2014 Kshs |
|---------------|---------------------|---------------------|
| Bank accounts | 40,680,760 | - |
| Cash in hand | - | - |
| Imprest | - | - |
| Total | 40,680,760 | - |

14. PRIOR YEAR ADJUSTMENTS

| | 2014 - 2015 Kshs | 2013 - 2014 Kshs |
|---------------|---------------------|---------------------|
| Bank accounts | 1,511,940 | - |
| Cash in hand | - | - |
| Imprest | - | - |
| Total | 1,511,940 | - |

NATIONAL GOVERNMENT ENTITY - (Indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

| Supplier of Goods or Services | Original Amount | Date Contracted | Amount Paid To-Date | Outstanding Balance 2015 | Outstanding Balance 2014 | Comments |
|------------------------------------|-----------------|-----------------|---------------------|--------------------------|--------------------------|----------|
| | a | b | c | d=a-c | | |
| Construction of buildings | | | | | | |
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| Sub-Total | | | | | | |
| Construction of civil works | | | | | | |
| 4. | | | | | | |
| 5. | | | | | | |
| 6. | | | | | | |
| Sub-Total | | | | | | |
| Supply of goods | | | | | | |
| 7. | | | | | | |
| 8. | | | | | | |
| 9. | | | | | | |
| Sub-Total | | | | | | |
| Supply of services | | | | | | |
| 10. | | | | | | |
| 11. | | | | | | |
| 12. | | | | | | |
| Sub-Total | | | | | | |
| Grand Total | | | | | | |

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NATIONAL GOVERNMENT ENTITY - (Indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

| Name of Staff | Job Group | Original Amount | Date Payable Contracted | Amount Paid To-Date | Outstanding Balance 2015 | Outstanding Balance 2014 | Comments |
|------------------------------|-------------|-----------------|-------------------------|---------------------|--------------------------|--------------------------|----------|
| | | a | b | c | d=a-c | | |
| Senior Management | | | | | | | |
| 1. | | | | | | | |
| 2. | | | | | | | |
| 3. | | | | | | | |
| | Sub-Total | | | | | | |
| Middle Management | | | | | | | |
| 4. | | | | | | | |
| 5. | | | | | | | |
| 6. | | | | | | | |
| | Sub-Total | | | | | | |
| Unionisable Employees | | | | | | | |
| 7. | | | | | | | |
| 8. | | | | | | | |
| 9. | | | | | | | |
| | Sub-Total | | | | | | |
| Others (specify) | | | | | | | |
| 10. | | | | | | | |
| 11. | | | | | | | |
| 12. | | | | | | | |
| | Sub-Total | | | | | | |
| | Grand Total | | | | | | |

NATIONAL GOVERNMENT ENTITY - (Indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

| Name | Brief Transaction Description | Original Amount | Amount Paid To-Date | Outstanding Balance 2015 | Outstanding Balance 2014 | Comments |
|--|-------------------------------|-----------------|---------------------|--------------------------|--------------------------|----------|
| | | a | c | d=a-c | | |
| Amounts due to other Government entities | | | | | | |
| 1. | Health Sector | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| | Sub-Total | | | | | |
| Amounts due to other grants and other transfers | | | | | | |
| 4. | | | | | | |
| 5. | | | | | | |
| 6. | | | | | | |
| | Sub-Total | | | | | |
| | Sub-Total | | | | | |
| Others (specify) | | | | | | |
| 7. | | | | | | |
| 8. | | | | | | |
| 9. | | | | | | |
| | Sub-Total | | | | | |
| | Grand Total | | | | | |

NATIONAL GOVERNMENT ENTITY - (indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

| Asset class | Historical Cost | Historical Cost |
|--|-------------------|-------------------|
| | (Kshs) 2014/15 | (Kshs) 2013/14 |
| Land | 700,000 | 700,000 |
| Buildings and structures | 3,000,000 | 3,000,000 |
| Transport equipment | 7,600,000 | 7,600,000 |
| Office equipment, furniture and fittings | 2,952,172 | 2,700,000 |
| ICT Equipment, Software and Other ICT Assets | | |
| Other Machinery and Equipment | | |
| Heritage and cultural assets | | |
| Intangible assets | | |
| Total | 14,252,172 | 14,000,000 |