

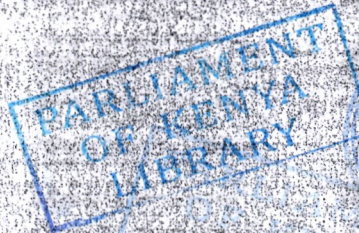
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REPUBLIC OF KENYA



Paper laid
By Hon Aden Duale -
Leader of Majority on
16/10/14

KENYA NATIONAL AUDIT OFFICE



REPORT

OF

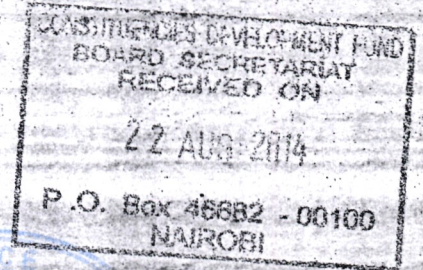
THE AUDITOR-GENERAL

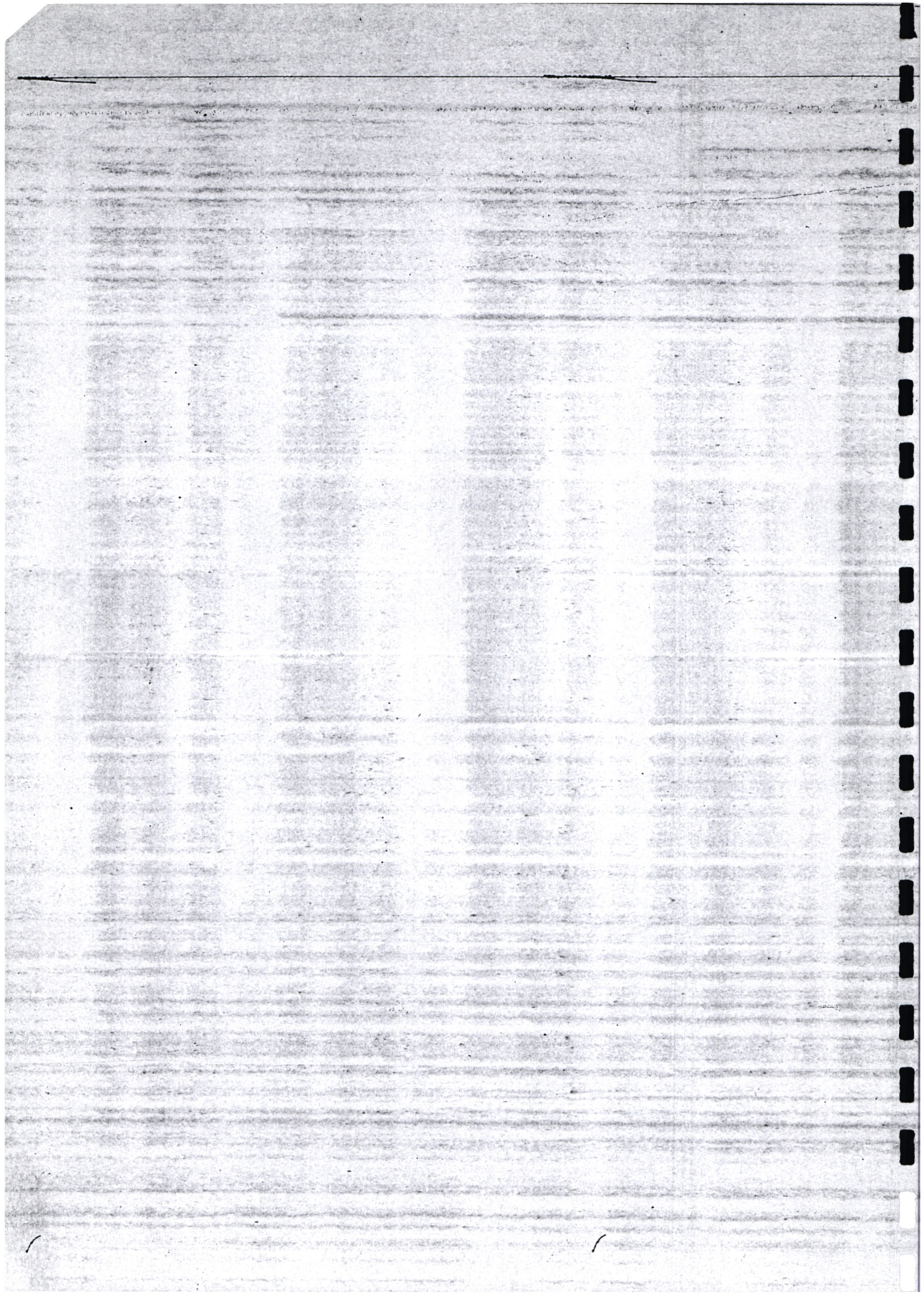
ON

THE CONSTITUENCIES DEVELOPMENT FUND

FOR THE YEAR ENDED

30 JUNE 2012





REPUBLIC OF KENYA

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KENYA NATIONAL AUDIT OFFICE

AUDIT REPORT ON CONSTITUENCIES DEVELOPMENT FUND (CDF) – 2011/2012

Audit examination of records maintained by Constituencies Development Fund Committees (CDFC) during 2011/2012 revealed the following unsatisfactory matters:

A. MOYALE CONSTITUENCY DEVELOPMENT FUND

Examination of records maintained at the Constituency Development Fund Office (CDF), Moyale disclosed the following unsatisfactory matters:

1. Uncompleted/Stalled Projects

A review of the project implementation status reports maintained at the Moyale CDF Office disclosed that fourteen (14) projects funded to the tune of Kshs.27,468,677.00 by the CDF were either incompleted or stalled. Available information indicate that the respective projects were not funded to completion contrary to Section 21(2) which requires that any funding under the CDF Act should be for a complete or a defined phase, unit or element of a project. It was observed that some of these projects were started as far back as 2003 when the CDF was initiated and have not been completed to date as listed below:

Project Name	Nature of Activity Funded	Financial Year	Amount (Kshs) Disbursed
Godma Primary School	Construction of administration block	2006/2007	600,000.00
Valda Primary School	Construction of two classrooms	2006/2007	700,000.00
	Construction of three classrooms	2010/2011	750,000.00
Dirdima Borehole	Drilling of borehole	2008/2009	4,000,000.00
Madho Adhi Primary School	Purchase of furniture	2006/2007	200,200.00
	Purchase of furniture	2008/2009	200,000.00
	Construction of on classroom	2009/2010	350,000.00
Moyale Girls Secondary School	Construction of one classroom	2004/2005	400,000.00
	Construction of H/T Staff house	2005/2006	613,114.00
	Construction of H/T Staff house	2006/2006	300,000.00
	Construction of three classrooms	2008/2009	1,500,000.00
Karbururi Primary School	Construction of one classroom	2003/2004	250,000.00
	Construction of one classroom	2004/2005	400,000.00
	Construction of one classroom	2005/2006	400,000.00
	Construction of two classrooms	2006/2007	700,000.00
	Construction of one classroom	2008/2009	500,000.00
	Construction of one classroom	2009/2010	500,000.00

Toso Primary School	Construction of one classroom	2010/2011	300,000.00
Arosa Primary School	Construction of classroom	2004/2005	400,000.00
Walda/Baliti Secondary school	Administration block and classrooms	2006/2007	2,000,000.00
	Construction of one dormitory	2007/2008	800,000.00
Butiye Sessi Primary School	Construction of three classrooms	2003/2004	300,000.00
	Construction of one classroom	2004/2005	400,000.00
	Construction of one classroom	2004/2005	600,000.00
	Construction of Administration block and kitchen	2005/2006	600,000.00
	Construction of two classrooms	2006/2007	700,000.00
	Construction of one classroom	2008/2009	500,000.00
	Construction of one classroom	2010/2011	500,000.00
Rawara primary school	Construction of one classroom	2003/2004	250,000.00
	Construction of one classroom	2004/2005	400,000.00
	Construction of one classroom	2005/2006	400,000.00
	Construction of two classrooms	2006/2007	700,000.00
	Construction of one classroom	2007/2008	500,000.00
	Construction of one classroom	2008/2009	500,000.00
Badansero water	Drilling of borehole	2008/2009	4,000,000.00
Madho Adhi	Construction of a culvert at Madho	2008/2009	1,000,000.00
Banale Administration Police	Bush clearing at Madho Adhi	2008/2009	255,363.00
			27,468,677.00

Further, it is not clear whether the community was consulted before initiation of some of these projects as project proposals from the community were not produced for audit review. Minutes of the Constituency Development Fund Committee (CDFC) which approved the projects together with tender documents, Bills of Quantities (BQs), contract agreements and certificates of practical completion were also not produced for audit scrutiny. It was therefore not possible to establish how the projects were initiated and implemented.

No explanation has been given for the failure to complete the projects which have already consumed Kshs.27,468,677.00 or why the conditional grant of Kshs.17,442,857.00 issued by the Government to the CDF's as at July 2012 for completing ongoing and stalled projects was not utilized for the purpose.

2. Payment of Questionable Pending Bills

In the Report for 2010/2011, reference was made to the unsatisfactory state of affairs in the construction of Walda-Sololo Water Project in Moyale Constituency. A review of the project during 2011/2012 disclosed that the project awarded at contract sum of Kshs.47,378,593.00 had been completed at a total cost of Kshs.55,240,619.00 and handed over to the District Water Officer (DWO), Sololo in August 2011.

Information available indicate that the project was financed through contributions from CDF Kshs.18,999,424.00, Ministry of Water and Irrigation Kshs.8,483,700.00 and Drought Management Office, Moyale Kshs.9,988,350.00.

In the final certificate issued on 25 April 2010 by the resident engineer of Kshs.47,653,002.50, Kshs.36,711,474.00 was indicated as final dues on the contract sum while Kshs.10,941,528.50 was indicated as pending bills. However, the pending bills settled amounted to Kshs.17,769,145.50 which arose from letters written by the contractor demanding settlement of pending bills of Kshs.10,941,528.50 followed by a demand notice on 9 March 2012 by an advocate demanding final settlement of Kshs.17,769,145.50 pending bills. No other details were provided to substantiate variation orders which occasioned the pending bills.

The pending bills totalling Kshs.17,769,145.50 were on 10 July 2012 paid by the CDF without notifying the other co-financiers or apportioning the bill as appropriate. It was noted that the pending bills claimed by the contractor totalling Kshs.17,769,145.50 were made after the final settlement of Kshs.36,711,474.00 certified for payment on 25 April 2010.

By 10 July 2012, the contractor had received Kshs.55,240,619.00 which was Kshs.7,587,616.50 over and above the contract sum and also the amount certified by the resident engineer.

In the above circumstances, the validity of the payment of pending bills totalling Kshs.17,769,145.50 could not be confirmed as a proper charge to public funds.

B. CONSTITUENCY DEVELOPMENT FUND (CDF) – WAJIR EAST

Examination of records maintained by the Constituency Development Fund Committee, Wajir East, disclosed the following unaccounted for expenditure:-

1. Unaccounted for fuel

The CDF Committee procured 15,116 litres of diesel worth Kshs.1,801,980.00 from two Wajir based firms for use at various boreholes within the constituency.

However, no bulk fuel register or delivery notes were maintained by the CDF Committee to confirm receipt of the fuel and no field fuel registers were maintained to show how the fuel was received and used by the borehole attendants.

In the absence of the above documents, it has not been possible to ascertain the usage of the 15,116 litres of diesel or propriety of the expenditure of Kshs.1,801,980.00.

2. Unaccounted for Expenditure

The CDF Committee further incurred an expenditure of Kshs.1,173,450.00 in payment of allowances to the Committee members, payment of monitoring and evaluation expenses and purchase of stationery.

However, it was noted that no minutes or attendance registers were maintained to support the expenditure on sitting allowances to Committee members. The monitoring and evaluation expenditure was also not supported by reports on the projects visited or details of the vehicles such as vehicle work tickets or quotations in respect of vehicles hired for the exercise. Further, no store records were maintained to show the receipt and usage of the stationery purchased.

Consequently, the propriety of the expenditure of Kshs.2,975,430.00.00 could not be ascertained.

C. CONSTITUENCY DEVELOPMENT FUND (CDF) - GALOLE

Examination of records maintained at the Constituency Development Fund (CDF) Office, Galole disclosed the following unsatisfactory matters:-

1. Doubtful Payment for Water Trucking Services

An amount of Kshs.1,000,000.00 was on 27 October 2011 paid to a firm contracted to supply water to Boji, Hara, Gururi Chifiri and Gafuru areas in the constituency. The duration of the contract was two weeks commencing on 2 to 15 September 2011.

However, examination of documents supporting the payment disclosed that the destination and beneficiaries of 100,000 litres of fresh water transported by two trucks were not disclosed and the schedules attached were neither signed by the recipients/communities nor supported by delivery notes. In the circumstances, it was not possible to confirm delivery of the 100,000 litres of water or the propriety of the expenditure of Kshs.1,000,000.00.

2. CDF Website Project

A Nairobi based company was on 1 April 2011, awarded a contract by the Galole CDF tender committee for the development of a CDF Website at a cost of Kshs.460,000.00. According to the contract agreement signed on 31 May 2011, the duration of the contract was 21 days commencing 2 June 2011.

A visit to the project site and enquiries made at the CDF Offices on 8 September 2012 revealed that the website was not developed although the contractor had as at 28 June 2011 been paid the full contract amount of Kshs.460,000.00. Consequently, the propriety of the Kshs.460,000.00 expenditure could not be confirmed.

D. CONSTITUENCY DEVELOPMENT FUND (CDF) – MVITA CONSTITUENCY

Unconfirmed Bursaries

Examination of records maintained at the Constituency Development Fund Office, Mvita, disclosed that during the year under review, bursaries totalling Kshs.2,414,000.00 were paid for students in various educational institutions of higher learning. Out of the Kshs.2,414,000.00 issued, bursaries totalling Kshs.319,000.00 were paid for students whose admission numbers were not indicated.

However, the criterion used by the bursary allocating committee to identify the needy students was not disclosed. Further, there was no acknowledgement of receipt of the bursaries by the beneficiary educational institutions.

In the absence of disclosure of admission numbers and acknowledgement of receipt, it has not been possible to confirm that Kshs.2,414,000.00 was paid and utilized for the intended purposes.

E. CONSTITUENCY DEVELOPMENT FUND (CDF) - MOUNT ELGON

1. Unsupported Expenditure

In 2011/2012, disbursements totalling Kshs.24,023,560.00 were made from the Constituency Development Fund to finance various projects and programmes in the constituency. However, there were no expenditure records such as payment vouchers, bank statements and project files availed for audit review. In the absence of the required supporting documents, the propriety of the expenditure of Kshs.24,023,560.00 could not be ascertained.

2. Procurement of an Ambulance Landrover for Kopsiro Health Centre

In 2009/2010, a total of Kshs.4,500,000.00 was allocated to Kopsiro Health Centre for the purchase of an Ambulance. Subsequently in June 2010 a Landrover Defender 110 was acquired at the cost of Kshs.4,329,295.00 and registered as GK A976U. This Landrover was however retained by the Constituency Development Fund Committee (CDFC) for their personal use.

Available information indicate that another Landrover was acquired in September 2008 at a cost of Kshs.2,750,000.00 from a motor dealer who had indicated that the Motor vehicle was un-registered but supplied an old registered Landrover with registration number KAP 843W which was later changed to GK A623T. This old Landrover was passed over to Kopsiro Health Centre as an Ambulance but it was soon grounded and is lying at a garage in Kimilili Town. It has not been explained why the CDF went against Government policy and procured an old Landrover.

F. CONSTITUENCY DEVELOPMENT FUND (CDF) – KWANZA

Bank Reconciliation Statements

The Kwanza CDF maintains two bank accounts in Kitale, one at the Co-operative Bank, and the other at the Kenya Commercial Bank (KCB), Kitale. The Bank Reconciliation Statement for the KCB Account reflected payments in Cashbook not recorded in the Bank Statement totalling Kshs.3,052,114.60 and payments in Bank Statement not recorded in the Cashbook totalling Kshs.407,490.00 as at 30 June 2012, for which no analyses were provided in support. Consequently, the completeness of bank balances could not be confirmed as errors of commission or omission may have passed without detection.

G. CONSTITUENCY DEVELOPMENT FUND (CDF) - SAMBURU EAST

1. Outstanding Temporary Imprests

Examination of imprests records maintained at the Samburu East CDF Office revealed that temporary imprests totalling Kshs.2,675,500.00 had not been surrendered or otherwise accounted for as at 30 June, 2012.

Out of the total Kshs.2,675,500.00 outstanding, imprests totalling Kshs.2,030,500.00 was issued to the Treasurer of the CDF while the balance of Kshs.645,000.00 was issued to the Chairman of the CDF. It was also observed that the two (2) CDF officials were issued with additional imprests before having surrendered balances previously issued contrary to Government Financial Regulations and Procedures that require temporary imprest to be surrendered within forty eight (48) hours after completion of the purpose for which it was issued.

2. Unsupported Disbursements for School Projects

During the year under review, disbursements totalling Kshs.10,800,000.00 were made from the CDF to finance various school projects such as construction of classrooms, laboratories, dining hall, purchase of beds and laboratory equipment.

However, expenditure returns showing how the amount of Kshs.10,800,000.00 was utilized and eventually accounted for were not made available for audit review. Consequently, the propriety of the expenditure and procurement method used could not be confirmed.

3. Unaccounted for Relief Food

During the period under review, the Samburu East CDF procured through Local Purchase Order (LPO) various food items worth Kshs.915,000.00 for distribution to needy families in the constituency.

However, it was not possible to confirm whether the food items were received in the stores and distributed to the needy families since delivery notes, receipt vouchers and distribution lists were not availed for audit review. Consequently, the propriety of the expenditure could not be confirmed.

H. CHERANGANY CONSTITUENCY DEVELOPMENT FUND

Payment of Bursary to Needy Students

Examination of records maintained at Cherangany Constituency Development Fund (CDF) Office disclosed that an amount of Kshs.9,445,000.00 was during 2011/2012 allocated for bursary. Out of this amount, Kshs.7,095,000.00 was disbursed by the CDF Committee to various location bursary committees for distribution to identified needy students.

The balance of Kshs.2,350,000.00 was allocated to the area Member of Parliament/patron for distribution as bursaries to needy students. However, the criteria used to identify the needy students was not disclosed and no lists or schedules of beneficiaries were provided to show how the Kshs.2,350,000.00 was distributed.

In the circumstances, the propriety of Kshs.2,350,000.00 expenditure could not be confirmed.

I. CONSTITUENCY DEVELOPMENT FUND (CDF) - BARINGO CENTRAL

Examination of records maintained at the Constituency Development Fund (CDF) Office, Baringo Central revealed the following observations:

1. Feasibility Studies for Construction of Oke and Chebuskech Dams

In April 2011, the Baringo Central Constituency Development Fund Committee (CDFC) invited proposals from three consultants to tender for feasibility studies to determine the suitability of Oke and Chebuskech sites identified for construction of Dams within the constituency. The study involved the design, planning and survey of the Dams. The tenders were evaluated and the contract awarded to the lowest bidder at a contract sum of Kshs.8,992,000.00.

However, the tenders received and adjudicated had big price differences ranging from Kshs.8,774,702.00 to Kshs.4,115,528.00 making it impossible to confirm whether the firms were bidding for the same contract. Further, it was not clear how the technical evaluation team settled on the bid of Kshs.8,992,000.00 as being the most responsive as no engineers estimates were used as a standard evaluation criteria.

As at 14 August 2012 the contractor had been paid a total of Kshs.6,601,264.00 or 73% of the contract sum leaving a balance of Kshs.2,390,736.00.

In view of the big differences in the bids received and also in the absence of engineer's estimates, it appears the tenders were not properly handled and in the circumstances, it has not been possible to confirm that value for money was obtained in the Reports submitted.

2. Supply of Digitized Short Message Services/Interactive Voice Response (SMS/IVR) System

On 14 August 2012, the Constituency Development Fund Committee awarded a tender for the supply of an SMS/IVR system worth Kshs.3,460,000.00 to the lowest bidder.

The SMS/IVR system was website based and was meant to enable the constituents to send short messages (SMS) from their mobiles through which they could monitor and track the progress of CDF projects within the constituency.

Available information indicate that the system was delivered on 7 August 2012, one week before the contract was signed. Further, no feasibility study appears to have been carried out before the system was acquired. It was also not clear how the system would benefit the constituents as the cost of sending an SMS was pegged at

Kshs.120.00 for one to access the project implementation status report which seems prohibitive. It was also not clear how the revenue earned was to be shared.

A site visit in September 2012 revealed that the system had not been commissioned and was not in use. The public had also not been sensitized on its existence and usage despite payment of full contract sum of Kshs.3,460,000.00 on 25 August 2012 prior to system testing.

Under the circumstances, it has not been possible to confirm whether value for money was obtained for the expenditure of Kshs.3,460,000.00 or whether any remedies existed in case of system failure.

3. Diversion of River Perkerra

During the heavy rains which occurred in 2010, flooding occurred in Ng'ambo, Marigat and Sintaan areas after River Perkerra changed its course and caused damage to homes, crops, a secondary school, a primary school and a dispensary located in those areas.

The flooding necessitated the need to re-direct the river to its original course and the CDF allocated a total of Kshs.700,000.00 to cover the feasibility study and construction works.

In February 2011 the Constituency Development Fund Committee (CDFC) invited consultants to quote for the feasibility study on environmental impact assessment which were assessed and the contract awarded to the lowest evaluated bidder at a total contract sum of Kshs.700,000.00. However, no contract agreement between the consultants and the CDF was availed. Also the Bills of Quantities indicating the scope of work involved and costs were not availed for audit review. The project file did not also contain the payment receipts and bank statements for the project account.

During a site visit carried out in September 2012, it was not possible to confirm whether any work was done since the area was flooded.

Under the circumstances, it was not possible to ascertain whether value for money was obtained for the total expenditure of Kshs.700,000.00.

4. Construction of Cheplongo'n Footbridge over River Sacho

The Baringo Central CDF on 1 November 2011 paid Kshs.500,000.00 to the Cheplongo'n Footbridge Project Management Committee for the purpose of erecting a 36 meter footbridge along river Sacho. However, the project was taken over by the Ministry of Public Works before any CDF money was spent. This was confirmed during the audit inspection carried in September 2012 which also revealed that works were in progress under the Ministry.

However, the CDF did not provide evidence to show status of the Kshs.500,000.00 allocated or explain why the amount had not been refunded back to CDF main account.

J. CONSTITUENCY DEVELOPMENT FUND (CDF) - TIGANIA WEST

Examination of records maintained by Constituency Development Fund Committee in Tigania West revealed the following unsatisfactory matters:-

1. Doubtful Electricity Projects

During the year under review, Tigania West CDF Committee allocated Kshs.7,462,146.00 to thirty (30) Electricity Project Management Committees (PMC's), for the installation of thirty (30) transformers within the constituency. However, no project files or expenditure returns were maintained to show how the amounts allocated to the respective PMC's were spent.

In the absence of project files and expenditure returns, it was not possible to confirm the existence and installation of the thirty (30) transformers.

2. Irregular reallocation of Bursary Funds

During the year under review, the Committee also allocated Kshs.6,000,000.00 for bursaries. However, out of this amount, Kshs.1,000,000.00 was reallocated and paid to the Tigania West Kenya Primary School Heads Association (KEPSHA) as a grant to the Association for Primary Schools Sports activities. The reallocation was contrary to Section 5.9(2) of the CDF Act, which prohibits re-allocation of funds during the year for any other purpose without the approval of the board.

Further, no expenditure returns were made available for audit review to confirm how the amount was expended. It is therefore likely that some needy students within the constituency were denied their bursary entitlements.

K. NITHI CONSTITUENCY DEVELOPMENT FUND (CDF)

Uncompleted/Stalled Projects

Examination of records maintained at the Constituency Development Fund (CDF) Office, Nithi disclosed that fifteen (15) projects initiated between 2004 and 2009 funded to the tune of Kshs.4,410,000.00 by the CDF were either incomplete or had stalled at various stages.

Available information indicate that the incomplete/stalled projects which were intended to benefit the communities in the provision of education, health and security were not funded to completion contrary to Section 21(2) which requires that any funding under the CDF Act, should be for a complete or a defined phase, unit or element of a project. It was observed that some of these projects were started as far back as 2003/2004 when the CDF was initiated.

The CDF Committee stated that majority of the projects were to be co-funded with other institutions and that it had funded its component of the projects. However, no evidence has been availed to confirm the same.

L. IGEMBE SOUTH CONSTITUENCY DEVELOPMENT FUND

Examination of financial records maintained at the Igembe South Constituency Development Fund (CDF) Office disclosed the following unsatisfactory matters:-

1. Expenditure on an old donated Fire Engine

The CDF spent Kshs.3,014,127.90 on shipping a donated fire engine from the United Kingdom (UK). The cost of shipment included shipping fees, clearing and forwarding charges, cost of handing-over ceremony, hotel accommodation for the fire-fighting training brigade and payment of their salaries.

The fire engine was donated by a UK firm and was sixteen (16) years old by the time of delivery. There were however, no records maintained at the CDF Office to show the origin of this transaction, except two letters dated 1 October 2010 and November 2010 acknowledging the donation.

Out of the Kshs.3,014,127.90 spent, Kshs.1,541,727.90 was re-allocated from the emergency reserve fund while Kshs.1,472,400.00 was re-allocated from land adjudication without prior authority of the CDF Board as required by the CDF Act. Evidence available indicated that the board had declined to approve the re-allocations.

Although the fire engine was received, it only operated for three months before it was grounded because of high costs of maintenance due to its advanced age.

It is therefore apparent that value for money was not obtained from the total expenditure of Kshs.3,014,127.90.

2. Unaccounted for Expenditure on Rural Electrification

Examination of records maintained by the Igembe CDF revealed that grants totalling Kshs.3,000,000.00 were approved and released to the Rural Electrification Authority (REA). The funds were in respect of matching facility whereby REA was supposed to match the CDF contribution with an equivalent amount. However, no records were maintained to indicate the specific areas that were to benefit from the rural electrification matching facility. Further, no form of acknowledgement was availed for audit to confirm the receipt of the amounts. Physical verification could also not be carried out since the identity of the specific project areas were not indicated.

Consequently, it was not possible to confirm the propriety of the Kshs.3,000,000.00 expenditure.

M. CONSTITUENCY DEVELOPMENT FUND (CDF) - IMENTI NORTH

Examination of records maintained at the Imenti North Constituency Development Fund Office disclosed the following unsatisfactory matters:-

1. Irregular Use of Emergency Reserve Fund

During the year 2011/2012, the CDF Committee – Imenti North paid a total of Kshs.4,692,130.00 from the Emergency Reserve Fund for projects that were not, in my opinion, of an emergency nature. An amount of Kshs.1,099,000.00 was paid as bursaries to various institutions of higher learning while Kshs.3,593,130.00 was paid for water projects, completion of classrooms and construction of the CDF Office.

However, the schools which received the funds did not acknowledge receipt of the amounts and a list of beneficiaries of the bursaries was also not availed for audit review. In addition, no expenditure records were maintained for the projects funded through the emergency fund.

The use of the emergency reserve fund for projects other than projects of emergency nature was contrary to Section 11 (2) of the CDF Act, 2007. The Constituency Development Fund Committee (CDFC) did not also seek approval of the board for the re-allocation.

2. Unconfirmed Expenditure

Between May 2009 and March 2011, the Imenti North CDFC allocated Kshs.3,275,000.00 to Kaaga Boys High School towards construction of classrooms and purchase of a school bus. Records made available indicated that out of the amount allocated to the school, Kshs.2,300,000.00 was spent on construction of classrooms while the balance of Kshs.975,000.00 was used for a bus project.

According to the School Principal, the construction of the six (6) classrooms was started through contributions by parents. No records were however maintained to show how much the parents had contributed or how the CDF grant was utilized.

Further, no technical evaluation of the project appears to have been done before the funding to determine the value of works the CDF grant was to be used for, given that the project had been started by the parents.

Physical verification carried out on 22 May, 2012 disclosed that a block of six (6) classrooms was under construction and two out of the six, had been completed and in use but it was not possible to determine the value of works that had been done using CDF grant. Further there was no indication to show that the bus was bought or how the CDF funds meant for this purpose were spent.

3. Nkabune Technical Training Institute

The Nkabune Technical Training Institute was from October 2008 to August 2011 funded by the CDF Committee to the tune of Kshs.2,150,000.00 for the purpose of constructing a dormitory, a perimeter fence and a gate.

However, no project file or expenditure records were maintained by the CDFC and the Institute did not provide any information about the grant during the audit visit on 22

May 2012. Consequently, it has not been possible to ascertain whether the grant of Kshs.2,150,000.00 given to the Institute was used for the intended purpose.

N. CONSTITUENCY DEVELOPMENT FUND (CDF) – NAKURU TOWN

Construction of Githima Kaptembwa Market on Plots without Title Deeds

Examination of the project files maintained at the CDF Office, Nakuru Town revealed that three (3) plots of land, block numbers 24/3, 24/4 and 24/5 were purchased in 2009 from a vendor within Nakuru Municipality at a price of Kshs.780,000.00 each, all totalling Kshs.2,340,000.00. The plots were to be used for the construction of Githima Kaptembwa Market through purchase of materials by the Project Management Committee (PMC) and labour based contracts.

An additional Kshs.3,175,493.25 was spent by the PMC in the construction of a perimeter wall at a cost of Kshs.1,675,395.75 and Kshs.1,500,097.50 was spent on back filling and construction of an office block for the market bringing the total cost of the project to Kshs.5,515,493.25.

Audit physical verification of the project conducted on 19 July 2012, indicated that the perimeter wall, toilets, office block and back filling had been completed. However, as at the time of the audit, the CDF had not received ownership documents for the plots from the vendor citing lack of conveyance fees. No reasons were given as to why it has taken the CDF more than four years to factor in the conveyance fees. It has also not been explained why construction of the market was started before acquiring the title documents.

O. CONSTITUENCY DEVELOPMENT FUND (CDF) – KINANGOP

Unaccounted for Revenue and Expenditure – Hire of CDF Grader

During the year 2005/2006, the Kinangop CDF purchased a caterpillar grader model CAT 140 H from a local based motor dealer at a cost of Kshs.18,005,520.00 for the rehabilitation of roads within the constituency. The CDF managed the grader from the date of purchase in December 2006 upto June 2010 when a decision was made to form a Self-Help Group tasked with the role of managing and hiring out the grader to private contractors working on roads within the constituency through Constituency Development Fund Committee (CDFC) Minute No.KNGP/CDF/16/10 of 22 June 2010.

The Self-Help Group was formally registered on 26 June 2010 under the Ministry of Gender and Children Affairs and its membership comprised of nine (9) non-CDF Committee members drawn from Njabini, Magumu, Ndunyu Njeru and Kitiri Locations while the CDF Treasurer and CDF Patron were to act as ex-officials. Subsequently a separate bank account No.0200295681270 managed by the Self-Help Group was opened at Equity Bank, Naivasha on 9 September 2010 and the revenue earned was to be used by the Self-Help Group for maintenance, fuel and running costs of the grader.

Records available indicate that the grader has been hired on various occasions by contractors at the rates of between Kshs.3,500.00 – 5,000.00 per hour. However, the total revenue earned from the hire of the grader and expenditure thereof, could not be verified as the records were held and maintained by the Self-Help Group. In addition, amounts deposited in the Self-Help Group account were not transferred from the group Account to the CDF account.

During the physical verification exercise in January 2012, the grader was found on the road and was therefore still in good working condition. However, ownership documents such as log book and insurance were not provided for audit review and information obtained indicated that the grader had not been registered since 2006.

No reasons have been given for the failure to register and insure the grader worth Kshs.18,005,520.00 or for the failure by the CDF to account for the revenue against expenditure arising from hiring services.

P. CONSTITUENCY DEVELOPMENT FUND (CDF) – GATANGA

Examination of records maintained at the Gatanga CDF Office in 2011/2012 revealed the following unsatisfactory matters:-

1. Failure to Submit Projects Expenditure Returns

During the year under review, disbursements totalling Kshs.12,500,000.00 were made by the Gatanga CDF to finance various projects in the constituency which included construction of classrooms, toilets, library, construction and equipping of a dispensary and a laboratory. However expenditure records showing how the amount of Kshs.12,500,000.00 was utilized and eventually accounted for were not availed for audit review with the result that the propriety of the expenditure could not be confirmed.

2. Gatanga Community Water Scheme - Purchase of Water Pipes

According to Section 29 and 32 of the Public Procurement and Disposal Act, 2005, the purpose of the suppliers' pre-qualification list is to identify qualified persons/suppliers who should be invited to tender for required items.

In November 2011, the Gatanga Constituency Development Fund Committee approved Kshs.4 million for the purchase of water pipes for the Gatanga Community Water Scheme and the funds were later disbursed on 8 February 2012. The Project Management Committee (PMC) however, did not float tenders for the supply of 145 - 280mm class D, UPVC pipes.

Instead, the committee used the District Tender Board pre-qualified list of suppliers and contracted three (3) suppliers who were paid a total of Kshs.3,987,500.00 after delivering the pipes. The PMC action was therefore contrary to the provisions of the Act which requires category 'C' procuring entities, where CDF falls under, to float tenders while procuring goods whose total value is above the threshold of Kshs.3million.

No explanation has been given for failure by the Project Management Committee to adhere to the provisions of the Public Procurement and Disposal Act, 2005.

Q. CONSTITUENCY DEVELOPMENT FUND (CDF) - GATUNDU NORTH

Damage of Water Pipes- Kamunyaka Water Project

Kamunyaka Water Project was started to serve the residents of Kamunyaka Sub-Location which was later administratively split into two; to form Kamunyaka Sub-Location and Gachege Sub-Location. The project was aimed at sourcing water through gravity from nearby springs in Kieni forest and was initiated through individual contributions by Kamunyaka community.

Between 2005 and 2009 the project received funding from the CDF totalling Kshs.3,290,000.00. However, after the area was split into two, disputes arose over the distribution of the project water originally initiated by Kamunyaka residents and who felt that Gachege residents should not benefit as they had not contributed towards the project.

Despite the unresolved dispute, during 2011/2012 the CDF went ahead and disbursed Kshs.1,890,000.00 meant for the extension of the pipeline from Kamunyaka to Gachege. These funds were used for the purchase and installation of 660 (110mm UPVC class 'B') pipes. However, arising from the long outstanding dispute between these two communities, out of the 660 pipes installed, 360 pipes assessed by the District Water Officer at Kshs.856,000.00 were violently dug out, crushed and completely destroyed.

The damage could have been avoided had the CDF officials acted on letters written by the residents of Kamunyaka location objecting to funding by the CDF and inclusion of supply of water to the residents of Gachege locations from their project and which they had converted into a limited company.

It has not been explained why the dispute was not referred to the Constituencies Development Fund Board for arbitration before incurring the expenditure as required by Section 52 (2) of the CDF Act. There was also no evidence to show that the matter was reported to the police for necessary action.

Under the circumstances, the negligence by Gatundu North CDF officials resulted in the loss of public funds totaling Kshs.856,000.00 for which nobody has been held accountable.

R. CONSTITUENCY DEVELOPMENT FUND (CDF) – KIENI

Examination of records maintained at Constituency Development Fund Office (CDF), Kieni revealed the following unsatisfactory matters:-

1. Stalled construction of CDF Office

The construction of an office block for Kieni CDF at Mweiga Town was started in 2009 and was between 2009 and 2010 funded to the tune of Kshs.6,922,479.00.

Construction was to be carried out through separate contracts for labour and for procurement of materials.

The scope of the project involved the construction of an office block, a multipurpose hall and a septic tank at a projected cost of Kshs.7,904,511.10.

In July 2010, the CDF floated three (3) quotations whereby the bidders were requested to quote for the specified works in the Bills of Quantities (BQ) for the labour contract and three (3) bids were received. The labour contract was awarded to a Nyeri based construction company at a contract sum of Kshs.2,960,613.10.

However, in the case of supply of materials contract, only two bids were floated contrary to the Public Procurement and Disposal Act, 2005 which requires raising a minimum of three (3) quotations. The contract was awarded to another Nyeri based supplier at a cost of Kshs.4,943,893.00.

By 30 June 2012, a total of Kshs.6 710,341.00 had been spent on the project despite the fact that an amount of Kshs.1,749,792.00 for the project was reallocated to other unrelated projects without seeking authority of the CDF Board as required. The specific amount incurred on the project, therefore amounted to Kshs.4,960,549.10 in respect of procurement of materials, labour, Environmental Impact Assessment, Architectural designs and survey.

Physical verification of the project on 13 July 2012 revealed that the project had stalled and work done was estimated at 30% complete since 2009 despite Kshs.4,960,549.10 or 72% of the contract amount having been paid.

Information available indicated that the labour contract was terminated on 23 January 2012 on mutual agreement between the contractor and the CDF after failure by the contractor to deliver. The CDF management has not explained the steps it intends to take to have the remaining 70% of the project completed.

2. Uninsured CDF Vehicle Involved in an Accident

Further, examination of the motor vehicle records disclosed that a CDF Toyota Double Cabin registration No. GKA 645R, purchased at a cost of Kshs.2,627,625.00 in September 2008, was involved in an accident on 3 June 2011.

However, information obtained indicated that the vehicle was not insured as advised through CDF Board letter Ref. Board/Kieni/vol1/45 addressed to the area Member of Parliament.

The location of the vehicle which had been grounded for a year was not indicated and therefore could not be physically verified. It was therefore not possible to confirm the existence, valuation, condition or ownership of the vehicle.

S. CONSTITUENCY DEVELOPMENT FUND (CDF) – MUTITO

Examination of financial records maintained at the Mutito Constituency Development Fund (CDF) Office disclosed the following unsatisfactory matters:-

1. Unaccounted for Expenditure on Building Materials

Disbursements totalling Kshs.19,700,000.00 were made by the CDF to Mutito Constituency Primary School Material Project Committee. The funds were for the procurement of building materials for renovation of classrooms, supply of desks and construction of pit latrines in 54 primary schools within the Constituency.

Available information indicated that the funds were deposited in Equity Bank, Kitui Account No.0720295705877. However, the funds were on diverse dates between July 2010 and August 2012 withdrawn and purportedly paid to various suppliers of goods and services on the basis of cash sale receipts presented.

No evidence was provided for audit review to show that the items bought were received and distributed to the fifty four (54) primary schools as planned. Consequently, the propriety of the payments totalling Kshs.19,700,000.00 could not be confirmed.

2. Unaccounted for Expenditure on Constituency Water Projects

During the year under review, an amount of Kshs.14,200,000.00 was allocated by Mutito CDF to four (4) water Project Management Committees (PMCs) as follows:

Thua	-	Kshs.3,200,000.00
Nzangathi	-	Kshs.4,000,000.00
Nzambani	-	Kshs.3,500,000.00
Kyamatu	-	Kshs.3,500,000.00

The amounts allocated were for the improvement of the water distribution system in the constituency such as extension and rehabilitation of pipelines, construction of water kiosks, purchase of tanks and desilting of dams. The amounts allocated were deposited in the respective PMC's bank accounts which were all maintained at the Equity Bank, Kitui.

i. Nzangathi Water Project

The Nzangathi Water Project Management Committee (PMC) was allocated Kshs.4,000,000.00 for the extension of a water pipeline from Kaluva borehole to Nzangathi Market. The funds which were deposited in the PMC Account were on diverse dates between 2 September 2011 and 18 June 2012 withdrawn by the PMC officials purportedly for project implementation.

Although the CDF Project Management Committee claimed to have implemented the project at a cost of Kshs.3,998,000.00, separate information obtained from the District Water Officer (DWO), Nzangathi, disclosed that the Project was undertaken by the

Ministry at a cost of Kshs.3,980,490.00. This was also evidenced by inscriptions at Kivumbuni Water Kiosk which indicated that construction was done by the Ministry of Water.

In the absence of any other evidence to the contrary, the propriety of the Kshs.3,998,000.00 expenditure incurred by the CDF could not be ascertained.

ii. Nzambani and Kyamatu Water Projects

Nzambani/Maluma and Kyamatu water projects were each allocated Kshs.3,500,000.00 by the Constituency Development Fund Committee (CDFC) for rehabilitation works at the two water projects. The funds were deposited in the respective PMC bank Accounts on diverse dates between 2 September 2011 and 30 June 2012 and were later withdrawn in cash save for Kshs.4,000.00. The officials of each PMC withdrew Kshs.3,498,000.00 from their respective bank accounts purportedly for projects implementation.

However, no expenditure returns were maintained to show how the amounts withdrawn were spent while site visits carried out on 27 October 2012 disclosed that the projects had not been implemented. Consequently, the propriety of Kshs.6,996,000.00 expenditure could not be confirmed.

iii. Thua Water Project

Thua Water - Project Management Committee (PMC) was allocated Kshs.3,200,000.00 for the purchase of a submersible pump, replacement of generator, fencing of the water tank site, construction of water kiosks and extension of the pipeline. The amount deposited in PMC Account was withdrawn in six cash installments between 3 September and 18 June 2012, for project implementation.

Although substantial work was done and goods procured, it was however observed that proper procurement procedures were not followed in the acquisition of the goods and services as all the works and items were single sourced contrary to the Public Procurement and Disposal Act, 2005. Further, no Bills of Quantities (BQ's) were availed to show how the costs were determined. In view of the above it was not possible to confirm whether value for money was obtained for the total expenditure of Kshs.3,200,000.00.

3. Unaccounted for Expenditure on Bursaries

Examination of bursary records maintained at the Mutito CDF Office disclosed that during the year under review, bursaries totalling Kshs.12,061,000.00 were paid to various institutions of higher learning to cater for needy students from the constituency. However, no acknowledgements confirming receipt of the bursaries were made by the respective institutions.

In the absence of such acknowledgements, it has not been possible to confirm that Kshs.12,061,000.00 benefited the intended students.

4. Unaccounted for Expenditure

During the year under review, funds totalling Kshs.11,395,500.00 were disbursed by the Mutito CDF Committee to finance various projects and programmes in the constituency which included supply of building materials to primary schools in form of cement, iron sheets, storage tanks, timber, green houses, seedlings, trophies/certificates amongst others and also for payment of allowances to committee members.

However, the expenditure was not supported by the relevant distribution lists of beneficiaries of the various items purchased. The allowances paid to committee members were also not supported by relevant reports and minutes to justify the expenditure.

In the circumstances, the propriety of the expenditure totalling Kshs.11,395,500.00 could not be confirmed.

5. Mutito Constituency Sports Committee

An amount of Kshs.9,417,090.00 was allocated by the CDF Committee to the Mutito Constituency Sports Committee (PMC) for sporting activities within the constituency. The funds were deposited in the PMC Account No.072019660226 maintained at the Equity Bank, Kitui.

However, it was observed that the goods and services were single sourced contrary to the Public Procurement and Disposal Act, 2005. Further, out of Kshs.9,417,090.00 allocated to the PMC, Kshs.3,968,590.00 was spent on purchase of sporting equipment, Kshs.2,000,000.00 was utilized in the leveling of playing grounds at Nzambani, Zombe, Kavingo and Kiimani Primary Schools, Kshs.1,800,000.00 was re-allocated and spent in procurement of continuous assessment tests, mock exams for primary schools within the constituency while no details were given for the balance of Kshs.1,648,500.00.

No records were maintained by the PMC to show the receipt and issue of the sporting equipment worth Kshs.3,968,590.00 neither were beneficiaries disclosed. The schools which received the continuous assessments tests and mock exams worth Kshs.1,800,000.00 were also not disclosed. In addition, no leveling of playing grounds was done at Nzambani and Zombe Primary Schools while audit verification on 27 October 2012 revealed that Zombe Primary School did not have a playground and therefore expenditure amounting to Kshs.1,000,000.00 in respect of leveling at the two primary schools remains unaccounted for. Further, although some leveling appeared to have been done at Kavingo and Kiimani Primary School's playgrounds, no BQ's were availed and therefore it was not clear how the cost of Kshs.1,000,000.00 was quantified.

Under the circumstances, it has not been possible to confirm whether the expenditure of Kshs.9,417,090.00 on sports was a proper charge to public funds.

6. Mutito Environment Project

An amount of Kshs.5,816,890.00 was allocated by the CDF Committee to the Mutito Environment Project Committee PMC for the conservation of environment in the constituency. The funds were deposited in the PMC's Account No.070196562193 maintained at Equity Bank, Kitui. Records availed indicated that the funds were utilized in procurement of seedlings and fencing materials from nine (9) suppliers at a total cost of Kshs.5,028,000.00.

Although the payments were made to the suppliers, it was noted that the services were single sourced contrary to the Public Procurement and Disposal Act, 2005. Further, no distribution lists/schedules were maintained to show where the seedlings were planted or where the fencing materials were delivered and it was therefore not possible to carry out audit physical verifications.

In the absence of records to show how the items procured were received and distributed, the propriety of the expenditure of Kshs.5,028,000.00 could not be confirmed.

7. Unaccounted for Fuel

The Mutito CDFC procured 44,000 litres of diesel worth Kshs.4,467,370.00 between July 2010 and June 2012 from dealers of petroleum products based in Kitui. However, it was observed that the diesel was neither recorded in the store records nor in the fuel register. The payment vouchers were only supported by pro-forma invoices with a certificate indicating that the fuel would be recorded on delivery. Detailed usage orders and other related records such as work tickets for the vehicles that consumed the fuel were also not maintained as required by Government Financial Regulations and Procedures.

In the absence of the above documents, it has not been possible to confirm that the 44,000 litres of diesel worth Kshs.4,467,370.00 was actually procured, used for the intended purposes and properly accounted for.

T. CONSTITUENCY DEVELOPMENT FUND (CDF) – NYATIKE

Examination of records maintained at the Constituency Development Fund (CDF) Office, Nyatike disclosed the following unsatisfactory matters:-

1. Construction of Kibuon Community Water Pan

On 19 January 2011, Nyatike CDF Committee advertised for construction of Kibuon Water Pan through Quotation no.CDF/NTK/197/W/003/2010-11. Available information indicate that three firms responded to public advertisements which were subsequently evaluated on February 2012 one year after the tender advertisements. The contract was awarded to a Suna-Migori based construction company, the second lowest evaluated bidder, at a contract sum of Kshs.4,495,700.00. However, no explanation was provided for one year delay in awarding the contract.

The scope of work involved mobilization, site clearance, excavation and dam embankment and construction of an intake tower and a communal water point, fencing of the dam and installation of a steel gate with a sign board. A contract agreement was then signed on the 16 February 2012.

Examination of payment vouchers disclosed that the contractor had been paid Kshs.4,500,000.00 by 30 June 2012, being funds allocated to the project by the CDF during 2011/2012.

Physical verification of the project on 18 May 2012 revealed that the water pan was poorly constructed as sections of the dam embankments had bust, therefore draining all the water it was supposed to conserve during the rainy season.

It was not clear whether there was proper supervision by the Ministry of Water Engineers although Kshs.80,000.00 was provided for the purpose. Further, no signboard for the project was erected at the site despite provision of Kshs.30,000.00 for the same in the Bills of Quantities (BQs).

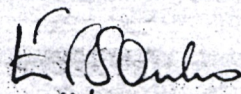
In the circumstances, it is evident that value for money was not obtained for the total expenditure of Kshs.4,500,000.00 as the embankments will have to be redone.

2. Funding of a Private Nursing Home

The CDF Act stipulates that projects funded under the Act should be community based in order to ensure that prospective benefits are available to a wide-spread cross-section of the inhabitants of a particular area. This implies that projects funded should not be privately owned but community based. However, the Nyatike CDF on 26 January 2012 disbursed an amount of Kshs.500,000.00 to a private nursing home by the name "Sori Lakeside Maternity and Nursing Home".

A visit to the nursing home on 14 May 2012 and enquires made revealed that it was privately owned and it was therefore not clear how the community was to benefit as they ultimately had to be charged for the services thus benefiting owners of the home and not the community contrary to the provisions of the Act.

Consequently, the expenditure of Kshs.500,000.00 could not be confirmed as a proper charge to public funds.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

23 May 2013

**CONSTITUENCIES DEVELOPMENT
FUND BOARD**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2012**

KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.

- 8 FEB 2013

RECEIVED

SUBMITTED ON 28TH SEPTEMBER 2012

CONSTITUENCIES DEVELOPMENT FUND BOARD

INSTITUTIONAL INFORMATION

FUND DETAILS

REGISTERED OFFICE

Harambee Plaza Building

10th Floor

Telephone No. 2230015/19/27

Haille Sellasie/Uhuru Highway Junction

P.O. Box 46682 - 00100

NAIROBI

BANKERS

Kenya Commercial Bank Ltd

Kipande House

Kenyatta Avenue

P.O. Box 30012 - 00100

NAIROBI

AUDITORS

Auditor General

P.O. Box 30084-00100

NAIROBI

LAWYERS

Attorney General of the Republic of Kenya

P.O. Box 400112-00200

NAIROBI

CONSTITUENCIES DEVELOPMENT FUND BOARD

INTRODUCTION BACKGROUND

The Fund was set up under the CDF Act 2003 and the subsequent (Amendment) Act 2007. The Act lay out the overall management structure of the Fund under the oversight Board. The Board is a corporate body and the coordination responsibility for the Fund rests with the Ministry of State for Planning, National Development and Vision 2030 (MPNDV).

The new Constitution has resulted in changes that require the Board to align itself to the County Government. As the process evolves many changes are required to match these dynamics e.g. revision of the CDF Act, revision of the strategic plan and structural adjustments. These changes will definitely require more resources for the Board to effectively fulfill its mandate.

THE BOARDS' CORE MANDATE

As outlined in the CDF (Amendment) Act 2007 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.
- To ensure compilation of proper records, returns and reports from the Constituencies.
- To receive and address complaints and disputes, and take any appropriate action.
- To consider projects proposals submitted from various Constituencies in accordance with the Act, approve for funding those projects that are consistent with the Act and send Funds to respective Constituency Fund accounts for the approved projects.
- To perform such other duties as the Minister, with the concurrence of the Constituencies Fund Committee, may deem necessary from time to time for proper management of the Fund

CONSTITUENCIES DEVELOPMENT FUND BOARD

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

CONSTITUENCIES DEVELOPMENT FUND BOARD

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 fulfill 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 2012/13, the Board shall embark on the following programmes:

- Reduce turnaround time for project approval
- Leverage ICT to improve efficiency
- Harness dynamic capabilities at the Board
- Develop capacities at the community level by training of (CDFCs, PMCs)
- Enhance sharing of information and communication with stakeholders

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

CONSTITUENCIES DEVELOPMENT FUND BOARD

- Develop and implement guidelines for transition between current national assembly and the new National Assembly in line with devolve systems of Governance

CONSTITUENCIES DEVELOPMENT FUND BOARD

BOARD DIRECTORS

	NAME	ORGANIZATION
1	Ms. Jennifer N. Barassa	Kenya National Chamber of Commerce and Industry(Chairperson)
2	Mrs. Rosallia Nyalle	The Institute of Certified Public Accountants of Kenya
3	Mr. Boniface Lokale	Appointed by the Minister
4	Mr. David Koross	Appointed by the Minister
5	Mr. Xavier Nyamu	Kenya National Union of Teachers
6	Dr. John O. Wamakonjio	Appointed by the Minister
7	Dr. Jane Kabugi	The Kenya Episcopal Conference
8	Major Rose M. Kioko	National Council for Churches of Kenya
9	Mr. Odongo Mark Okeyo	Appointed by the Minister
10	Eng. Hilary Nyaanga	Institute of Engineers of Kenya
11	Mr. Ahmed I. Abass	Supreme Council of the Kenya Muslims
12	Ms. Njeri Wachira	Alternate to Hon. Attorney General
13	Mr. Joseph Mukui	Alternate to the Permanent Secretary, Ministry of State for Planning National Development & Vision 2030
14	Ms. Consalata Munga	Alternate to the Clerk of the National Assembly
15	Paul Ngugi	Alternate to PS Treasury
16.	Mr. Yusuf Mbuno	Ag. Chief Executive Officer/Secretary

CONSTITUENCIES DEVELOPMENT FUND BOARD

SENIOR SECRETARIAT STAFF

Mr. Yusuf Mbuno	Ag. Chief Executive Officer
Mr. George Obara	Chief Manager Financial Services
Ms. Clara Kimeli	Legal Officer.
Ms. Alice Wachira	Ag. Chief Internal Auditor
Mr. Jack O. Odhoch	Senior Information & Communication Technology Officer
Ms. Brenda Onyino	Ag. Public Relations Officer
Mr. Kenneth A. Odhiambo	Principal Human Resource Management Officer.
Mr. John Koveti	Senior Procurement Manager

CONSTITUENCIES DEVELOPMENT FUND BOARD

REPORT BY CHIEF EXECUTIVE OFFICER

The Constituencies Development Fund (Amendment) Act, 2007 requires that at least 2.5% of Ordinary Revenue be allocated to the Fund as a statutory obligation. Between 2003/2004 and 2011/2012 the fund has been allocated a total of Kshs.92.475 billion as the statutory allocation out of which Kshs.2.66 billion was 3% allocation for running the Board secretariat and the balance of Kshs.89.81 billion is allocation for disbursement to constituencies. The Board has disbursed a total of Kshs.82.5 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 2011/2012 was **Kshs.17.515 billion**. The Minister allocated **Kshs.1.8 billion** being arrears for 2004/2005, 2007/2008 and 2008/2009 financial years and a further **Kshs.3.663 billion** being conditional grant for completion of ongoing projects in the constituencies in anticipation of handing over to counties. Therefore, the total allocation to the Fund for 2011/2012 was **Kshs.22.978 billion**. The Board received **Kshs 16.136 billion** of the entire allocation by end of the financial year leaving a balance of **Kshs 6.842 billion** to be received in 2012/2013 financial year.

The CDF Board disbursed all the funds we had received from Treasury during the year except for **Kshs 620 million** which were still in the CBK account as at 30/6/2012. The Board shall strive to achieve one of its core mandate by ensuring timely and efficient disbursement of funds to every constituency.

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 are the computerization of the Boards activities through development and implementation CDFMIS which is in progress. When complete, the CDFMIS will improve internal processes, procedures and controls by use of ICT to improve

CONSTITUENCIES DEVELOPMENT FUND BOARD

efficiency and enhance sharing of information between the Board and its stakeholders.

The Board also contracted consultants to undertake impact assessment and value for money audit on all CDF projects since inception. The aim of this exercise is to document the achievements of the Fund, highlight areas of weakness requiring attention and make recommendations for further improvement. The consultants have submitted their reports and are due for discussion and ratification by the Board.

In an effort to align the Fund to the new Constitution, the Board set up a Committee to make recommendation and prepare a draft amendment bill for consideration by Parliament. The Committee's recommendations and draft bill were finalized and forwarded to the Minister for review and submission to the cabinet for approval

Similarly, the Board has intensified internal and constituency audits constituencies, Monitoring and Evaluation of projects and handling of complaints from various stakeholders for prudent management of the Fund.

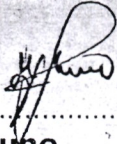
On the external front and for the purposes of building linkages and networks, the Board visited Brazil in May 2012 to gain experience on how poverty alleviation programmes are managed.

In terms of communication and publicity, the Board has been actively participating 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.

Finally, the Board embarked on various training activities including Fund Account Managers Workshop at Kenya Institute of Administration, ICT and ISO workshops, HIV/Aids, gender mainstreaming and disability training, corporate governance and

CONSTITUENCIES DEVELOPMENT FUND BOARD

audit risk for Board Members. These activities were undertaken with a view to enhance efficiency and effectiveness in the management of CDF.



.....
Yusuf Mbuno

Ag. Chief Executive Officer

Date... 07/02/2013

CONSTITUENCIES DEVELOPMENT FUND BOARD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 (Amendment) Act, 2007 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 from the date of this statement.

.....
Jennifer Barassa

Board Chair Person

Date.....

CONSTITUENCIES DEVELOPMENT FUND BOARD

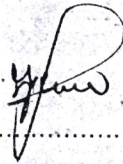
STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

The Public Financial Management Act, 2012 Section 84 requires the administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the fund for each financial year and submit not later than three months after the end of each financial year to the Auditor-General.

I accept responsibility for the maintenance of accounting records which may be relied upon in preparation of the financial statements, as well as adequate systems of internal control.

I further accept responsibility for the attached annual accounts, which have been prepared in conformity with Treasury directions and appropriate Government Financial Regulations and Procedures.

I am of the opinion that the attached Appropriations and other Financial Statements present fairly the financial state of affairs of the Constituencies Development Fund as at 30th June 2012.



.....
Yusuf Mbuno

Ag. Chief Executive Officer

Date..... 04/07/2013

CONSTITUENCIES DEVELOPMENT FUND BOARD

A: SECRETARIAT FINANCIAL STATEMENTS

SECRETARIAT'S STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2012

	NOTE	2012 Kshs	2011 Kshs
Non Current Assets			
Property, Plant and Equipment	2	70,213,977	67,564,613
Current Assets			
Prepayments & Owings	3	42,231,117	20,195,499
Cash & Cash Equivalents	4(a)	495,941,575	410,701,506
Receivables	4(b)	6,793,802	
Extra ordinary income	19(b)		40,700,000
Total Current Assets		<u>544,966,494</u>	<u>471,597,005</u>
Total Assets		<u>615,180,471</u>	<u>539,161,618</u>
Equity and Liabilities			
Retained fund		486,453,527	473,001,930
Gratuity & Pensions		70,306,677	37,030,031
Current Liabilities			
Accrued ESP Allowances to SPMCs & CPTCs		14,917,200	22,917,200
Contracted Professional services		40,427,207	4,677,432
Accrued Leave Allowance			1,537,100
Insurance owings to Deceased employee		2,656,700	0
Total Current Liabilities		<u>58,001,107</u>	<u>29,131,732</u>
Total Equity & Liabilities		<u>615,180,471</u>	<u>539,161,618</u>

.....
Jennifer Barassa

Chair Person

Constituencies Development Fund Board

Date.....

.....
Yusuf Mbuno

Ag. Chief Executive Officer

Constituencies Development Fund Board

Date.....

CONSTITUENCIES DEVELOPMENT FUND BOARD

SECRETARIAT'S STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Kshs	2011 Kshs
Income	5	<u>581,037,079</u>	<u>677,754,492</u>
Less: Expenses			
Staff costs	6	269,416,768	281,629,419
Administrative costs	7	209,704,475	138,366,474
Economic Stimulus	9	31,256,721	66,822,935
Board Committees	8	9,715,484	4,274,087
Board expenses	8	22,879,639	21,429,388
Depreciation	2	<u>24,193,234</u>	<u>24,141,991</u>
Total Expenditure		567,166,321	536,664,294
Surplus over expenditure		13,870,757	141,090,198
Balance b/f		473,001,930	331,911,732
Balance c/f		<u>486,872,687</u>	<u>473,001,930</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

SECRETARIAT'S STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2012

	2012	2011
	Kshs	Kshs
Surplus for the year	13,870,757	141,090,198
Adjustment for:		
Add (i) Depreciation	24,193,234	24,141,991
(ii) Provision for Gratuity	45,908,372	37,030,031
(iii) Prior year adjustments	-	<u>-40,700,000</u>
Less: (i) Cash owed to deceased staff from insurance	<u>(2,656,700)</u>	
Cash from Operating Activities	80,896,503	161,562,220
Changes in Working Capital		
Increase in ESP accrued expenses	-	22,917,200
Increase in accrued leave allowances	-	1,537,100
Increase in accrued Consultancy services	35,749,775	4,677,432
Increase in Gratuity & Pension	33,276,646	-59,409,334
Increase in owings	(15,192,252)	-2,742,672
Increase in prepayments	(6,843,366)	-3,036,138
Decrease in accrued honoraria	(7,892,896)	-
Decrease in accrued Leave	(1,537,100)	-
Increase in receivables	<u>(6,793,803)</u>	-
Net Cash flow from operating activities	30,767,004	-36,056,412
Cash flow from investing activities		
Purchase of Computer Equipment	(19,364,825)	-49,657,026
Furniture	<u>(7,477,773)</u>	<u>-5,474,931</u>
Net cash flow from investing activities	(26,842,598)	-55,131,957
Net increase in cash & cash equivalents	85,240,069	70,373,851
Cash & Cash Equivalent at start of the year	<u>410,701,506</u>	<u>340,123,668</u>
Cash & Cash Equivalent at end of the year	<u>495,941,575</u>	<u>410,701,506</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

STATEMENT OF CHANGES IN RESERVES AND FUND FOR THE YEAR ENDED 30TH JUNE 2012

	Retained Earnings Kshs	Total Equity Kshs
Bal. as at 31.06.2011	473,001,930	473,001,930
Surplus Income	<u>13,451,597</u>	<u>14,159,564</u>
Bal. as at 31.06.2012	<u>486,453,527</u>	<u>487,161,494</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below;

i) Basis of Preparation

The financial statements are prepared in accordance with the requirements of the International Financial Reporting Standards (**IFRS**) promulgated by the International Accounting Standards Board.

ii) The financial statements are prepared under the Historical Cost basis of accounting.

iii) The financial statements are presented in Kenya Shillings (Kshs) and rounded to the nearest shilling.

iv) Revenue Recognition

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 3% of the Fund's total allocation and the remaining 97% 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.

v) Retirement Benefits Obligation

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.

vi) Taxation

Constituencies Development Fund Board being a non - profit making organization does not pay income tax but REMITTS other taxes i.e. PAYE, VAT and withholding tax.

CONSTITUENCIES DEVELOPMENT FUND BOARD

Notes to the accounts continued

2. Property, Plant and Equipment

(a) Asset Recognition

All property and equipment are recognized at cost less depreciation.

(b) Depreciation

The policy is a full charge at the year of acquisition and no charge during the year of disposal. Depreciation is calculated on a reducing balance basis to write off the assets over their useful economic life.

The applicable rates are as follows:-

- Computers 30%
- Furniture, Fixtures and Fittings 12.5%
- Motor Vehicles 25%
- Office Equipment 12.5%
- Building 2.5%
- Plant & Machinery 37.5%

(c) Property , Plant and Equipment Movement Schedule

	Motor Vehicles (25%)	Computer Equipment (30%)	Furniture, Fittings & General Equipment (12.5%)	TOTAL
COST	SHS	SHS	SHS	SHS
1.07.2011	48,027,079	66,211,760	18,213,807	132,452,646
Additions	-	19,364,825	7,477,773	26,842,598
(Disposals)	-	-	-	-
Total	48,027,079	85,576,585	25,691,580	159,295,244
ACCUMULATED DEPRECIATION				
01.07.11 Accumulated depreciation b/f	32,616,389	25,770,893	6,500,751	64,888,033
Charge for the year	3,852,673	17,941,708	2,398,854	24,193,234
Total	36,469,061	43,712,601	8,899,605	89,081,267
NBV 30.06.2012	11,558,018	41,863,984	16,791,975	70,213,977
NBV 30.06.2011	15,410,690	40,440,867	11,713,056	67,564,613

CONSTITUENCIES DEVELOPMENT FUND BOARD

Notes to the accounts continued

3. Prepayments and Owings

	2012 Kshs	2011 Kshs
(a) Kenyatta National Hospital	250,000	250,000
Mater Hospital	300,000	300,000
Gertrude Childrens' Hospital	100,000	100,000
Insurance	22,728,577	<u>15,885,211</u>
Total	<u>23,378,577</u>	<u>16,535,211</u>

Payment to the hospitals was deposits to enable the hospitals provide credit facilities to employees before the commencement of group medical cover. The insurance premium is accrued on a pro rata basis to the end of each financial year.

	2012	2011
(b) Staff Debtors		
Non surrendered imprests	18,562,505	3,578,788
Salary advance	290,035	<u>81,500</u>
	<u>18,852,540</u>	<u>3,660,288</u>
Total= (a) + (b)	<u>42,231,117</u>	<u>20,195,499</u>

4. (a) Cash & Cash Equivalent

Fixed Deposits A/Cs	450,000,000	300,000,000
Interest in fixed Deposit A/Cs	15,823,304	-
KCB Account	<u>30,118,270</u>	<u>110,701,506</u>
Total Bank balances	<u>495,941,575</u>	<u>410,701,506</u>

(b) Interest income as at 30th June 2012.

BANK	INTEREST INCOME FOR 2011/2012 FINANCIAL YEAR						TOTAL
	CONSOLIDATED	EQUITY	ECO	FAMILY	COOP	KCB	
OPENING BALANCE	832,866	590,348	214,541	1,458,288	893,420		3,989,463
TRANSFERS	5,800,500	5,600,000	5,400,000	5,900,000	7,100,000		29,800,500
CLOSING BALANCE	4,750,275	1,566,589	3,072,903	3,282,273	3,151,264		15,823,304
INTEREST RECEIVED DURING THE YEAR	9,717,909	6,576,241	8,258,362	7,723,985	9,357,844	4,993,936	46,628,277
ACCRUED INTEREST	1,246,849		2,356,712	3,190,241			6,793,802
TOTAL INTEREST EARNED	10,964,758	6,576,241	10,615,074	10,914,226	9,357,844	4,993,936	53,422,079

CONSTITUENCIES DEVELOPMENT FUND BOARD

Notes to the accounts continued

5: Income

This consists of:

(i) 3% of Total Allocation	526,671,000	428,490,000
(ii) Economic Stimulus Funds	-	185,000,000
(iii) Sale of Tender	944,000	2,412,000
(iv) Extra ordinary income		40,700,000
(iv) Interest earned	<u>53,422,079</u>	<u>21,152,492</u>
Total Income	<u>581,037,079</u>	<u>677,754,492</u>

6. Staff Costs

	2012	2011
	Kshs	Kshs
Personnel Emoluments	157,628,988	151,701,839
Other Personal. Emoluments.	63,569,277	62,253,503
Gratuity	46,167,258	37,030,031
Temporary Employees	1,311,245	1,568,708
Personal Allow as Reimbursement.	234,800	1,918,900
NSSF paid by employer	505,200	283,200
Accrued leave allowance	-	1,537,100
Total	<u>269,416,768</u>	<u>281,629,419</u>

7. Administrative Costs

	2012	2011
	Kshs	Kshs
Comm. Supp. & Services	5,849,967	5,058,750
Domestic Travel. & Subsistence	22,865,156	15,842,560
Foreign travel & Subsistence	9,323,698	1,577,805
Print. Advert. & Information	19,781,073	27,822,274
Rental of produced assets	4,635,741	3,432,944
Training	19,268,837	25,016,700
Hospitality Supplies & Services	6,979,988	5,884,089
Purchase of specialised Material	71,870	150,526
Office & General Supplies	5,689,087	3,882,332
Fuel, oils & Lubricants	3,336,480	2,726,319
Other operating costs	103,428,853	21,872,025
Routine Maintenance-Motor Vehicles	2,823,082	3,455,572
Routine Maintenance -other assets	2,594,379	852,900
Insurance	<u>27,249,498</u>	<u>20,791,678</u>
Total	<u>233,897,709</u>	<u>138,366,474</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

Notes to the accounts continued

8. Board Expenses

Taskforce expenses		4,274,087
Board committees and conferences	9,715,484	696,456
Board expenses	22,879,639	20,732,932
	<u>32,595,123</u>	<u>21,429,388</u>

9. Economic Stimulus Programme

	2012	2011
Basic Salaries-Temporary	640,000	880,000
Telephone	266,070	79,000
Staff accommodation	1,038,430	30,440
Facilitation to CPTCs, SPMCs	23,432,030	57,792,950
Gen office supplies	150,223	7,300
Fuel and lubricants	1,481,969	33,245
Staff Honoraria	4,248,000	8,000,000
	<u>31,256,722</u>	<u>66,822,935</u>

10. Accruals

(i) Work Environment/ satisfaction Survey	718,000
(ii) Customer satisfaction survey	974,400
(iii) ISO Training	1,430,000
(iv) Baseline survey	37,304,807
	<u>40,427,207</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

B: CONSTITUENCIES FINANCIAL STATEMENTS

CONSTITUENCIES STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2012

	2012 Kshs	2011 Kshs
Non Current Assets		
Property, Plant & Equipment	803,733,217	402,637,936
Current Assets		
Receivables from Treasury	6,841,750,000	5,330,050,000
CBK Bank Balance	627,648,813	1,520,797,783
Constituencies Bank Balance	<u>4,710,897,251</u>	<u>4,072,873,913</u>
	12,180,296,064	10,923,721,696
Suspense	<u>68,296,291</u>	<u>1,373,684,621</u>
Total Assets	<u>13,052,325,572</u>	<u>12,700,044,253</u>
Equity & Liabilities		
Capital Fund	803,733,217	402,637,936
Surplus Fund		
Disbursements due to Constituencies from H/Q	7,469,398,813	6,850,847,783
Disbursements due to projects from Constituency accounts	<u>4,779,193,542</u>	<u>5,446,558,534</u>
Total Equity & Liability	<u>13,052,325,572</u>	<u>12,700,044,253</u>

.....
Jennifer Barassa

Chair Person

Constituencies Development Fund Board

Date.....


.....
Yusuf Mbuno

Ag. Chief Executive Officer

Constituencies Development Fund Board

Date... 04/02/2013

CONSTITUENCIES DEVELOPMENT FUND BOARD

CONSTITUENCIES STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2012

	Notes	2012 Kshs	2010 Kshs
TOTAL DISBURSEMENTS (INCOME)	18	20,073,477,970	9,984,637,289
EXPENDITURE			
Office Administration		721,687,491	474,457,467
Environment & Sports Activities		214,965,084	138,111,185
Monitoring & Evaluation Expenses		188,129,467	152,915,177
Recurrent Expenditure		379,117,753	227,065,316
Scholarships & Other Educational Benefits		1,809,713,239	1,222,857,021
Emergency Projects		608,074,122	350,773,178
Education Projects		7,015,685,102	3,046,592,982
Security Projects		282,188,334	138,656,076
Health Projects		885,030,212	593,464,900
Agricultural Projects		97,617,084	88,532,143
Other Projects		831,944,475	740,329,292
Roads Projects		830,864,688	470,805,975
Water Projects		949,660,085	825,736,341
Electricity Projects		239,886,284	178,328,257
Provision for Depreciation		<u>115,085,663</u>	<u>89,249,020</u>
Total Expenditure		<u>15,169,649,083</u>	<u>8,737,874,329</u>
Un-utilized Disbursements		4,903,828,886	1,246,762,960
Surplus Fund b/d			9,819,652,365
ADJUSTED SURPLUS FUND			
Surplus fund 30.6.2010			9,819,652,365
Unposted expenditure as per ledger reconciliation			5,217,218,855
Adjusted surplus fund 1.7.2010			4,602,433,510
Surplus fund for year ended 30.6.2011			1,246,762,960
Unutilized Disbursements C/F		<u>4,903,828,886</u>	<u>5,849,196,470</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

CONSTITUENCIES'S STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 Kshs	2011 Kshs
Surplus' for the year		4,903,828,886	1,246,762,960
Add: Provision for depreciation		<u>115,085,663</u>	<u>89,249,020</u>
		5,018,914,550	1,336,011,980
Changes in working capital			
Increase in Owings			
Net cash flow from operating activities		5,018,914,550	1,336,011,980
Cash flow from investing activities			
Computer equipment			(560,074)
Motor vehicles		(13,055,582)	(27,443,250)
Furniture		(5,737,291)	(1,160,650)
Plant			(2,079,867)
Buildings		(218,968,135)	(121,608,203)
Land		<u>(1,960,000)</u>	<u>(4,280,000)</u>
Net cash flow from investing activities		239,721,008	(157,132,044)
Net increase/decrease change in cash and cash equivalent		4,779,193,542	1,178,879,936
CBK bank balance		<u>627,648,813</u>	
Cash and cash equivalent at start of the year			10,935,586,193
Cash and cash equivalent at end of the year		<u>5,406,842,355</u>	<u>12,114,466,129</u>

CONSTITUENCIES DEVELOPMENT FUND BOARD

STATEMENT OF CHANGES IN RESERVES AND FUND FOR THE YEAR ENDED 30TH JUNE 2012

	Capital Fund
Bal. as at 31.06.2011	402,637,936
Add:	
NBV of assets acquired during the year	124,635,345
NBV of previous years additional assets as per asset registers	<u>276,459,936</u>
Bal. as at 31.06.2012	<u>803,733,217</u>

CONSTITUENCIES NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2012

11. Property, Plant and Equipment

(a) Asset Recognition

All property and equipment are recognized at cost less depreciation.

(b) Depreciation

The policy is a full charge at the year of acquisition and no charge during the year of disposal. Depreciation is calculated on a reducing balance basis to write off cost of the assets over their useful economic life.

The applicable rates are as follows:-

• Computers	30%
• Furniture, Fixtures and Fittings	12.5%
• Motor Vehicles	25%
• Office Equipment	12.5%
• Building	2.5%
• Plant & Machinery	37.5%

(c) Depreciation Schedule

The Board has endeavored to develop a more reliable depreciation schedule by obtaining asset registers a fresh from the constituencies. Consequently, the cost of assets and accumulated depreciation as at 30/6/2011 as per the 2010/2011 audited accounts is significantly different from what is used in this year's accounts. This is because the cost of assets and accumulated depreciation used in this financial year's accounts is as per the asset register whereas the one in previous years' accounts is as per expenditure returns received and posted to the general ledger.

Therefore, this financial year's NBV of assets is derived by re-stating the NBV of assets since inception to 2010/2011 using the asset registers availed from the constituencies.

CONSTITUENCIES DEVELOPMENT FUND BOARD

Notes to the financial statements continued

Property, Plant and Equipment Movement Schedule

	Buildings (2.5%) SHS	Computer Equipmen t (30%) SHS	Furniture, Fittings, General Equipment (12.5%) SHS	Land SHS	Motor Vehicles (25%) SHS	- Plant (37.5%) SHS	TOTAL
COST (2011)	289,391,918	52,136,816	103,915,191	18,767,446	560,434,434	366,118,941	1,390,764,746
Additions (2012)	218,968,135	-	5,737,291	1,960,000	13,055,582	0	239,721,008
TOTAL	508,360,053	52,136,816	109,652,482	20,727,446	573,490,016	366,118,941	1,630,485,754
Accum Dep.	26,174,953	36,775,224	37,774,473	-	302,992,276	307,949,949	711,666,874
Charge for the year	12,054,628	4,608,478	8,984,751	-	67,624,435	21,813,372	115,085,663
TOTAL	38,229,580	41,383,701	46,759,224	-	370,616,711	329,763,321	826,752,537
NBV (2012)	470,130,473	10,753,115	62,893,258	20,727,446	202,873,305	36,355,620	803,733,217
NBV (2011)	263,216,965	15,361,592	66,140,719	18,767,446	257,442,158	58,168,992	679,097,872

12. Receivables from Treasury

Receivables as at 30/6/2011	5,370,750,000.00
Less: Arrears (2011/12 allocation)	<u>1,800,000,000.00</u>
	3,570,750,000.00
Total Allocation for 2011/2012	<u>22,978,000,000.00</u>
	26,548,750,000.00
Received during the year	<u>19,707,000,000.00</u>
Receivables as at 30/6/2012	<u>6,841,750,000.00</u>

13. Constituencies bank balances

The constituencies' bank balances are the cash book bank balances in the bank reconciliation statements as at 30/6/2012. We had received bank reconciliation statements for 203 constituencies by the date of submission of the financial statements. We are pursuing the remaining 7 constituencies to submit their bank reconciliation statements as at 30/6/2012 and whose cash book bank balance will be used to adjust the suspense amount.

Note that the bank balances held in the constituencies are funds committed to approved projects and are therefore owing to projects.

CONSTITUENCIES DEVELOPMENT FUND BOARD

Notes to the financial statements continued

14. Suspense

The suspense arises from incomplete reporting of constituencies' expenditure and cash holding at the end of the financial year. This suspense would be significantly reduced or eliminated when all constituencies' expenditure and bank reconciliation statements as at 30/6/2012 are received and captured at the headquarters.

Note that the suspense amount of Kshs 68,296,291 is the difference between the constituencies' bank balance of Kshs 4,710,897,251 and the disbursements due to projects of Kshs 4,779,193,542. The constituencies' bank balance will increase when the remaining 7 constituencies submit their bank reconciliations while at the same time the disbursements due to projects will decrease when additional expenditure returns are received thereby resulting in elimination of the suspense amount.

15. Capital Fund

Capital fund is the capitalization of capital expenditure net of accumulated depreciation.

16. Disbursement due to constituencies

This amount is the total of receivables from treasury and CBK cash book bank balance.

Receivables from treasury	6,841,750,000.00
CBK cash book bank balance	627,648,813.20
Total	<u>7,469,398,813.20</u>

17. Disbursement due to projects from constituencies' accounts

Un-utilized funds as per income statement	4,903,828,886.00
NBV of assets acquired during the year	(124,635,345.00)
Disbursements due to projects	<u>4,779,193,542.00</u>

18. Income

Income for constituencies is the total amount of funds disbursed to the constituencies from headquarters during the financial year.

CONSTITUENCIES DEVELOPMENT FUND BOARD

19. Memorandum Consolidated Statement Of Financial Position As At 30th June 2012

	2012			2011		
	Consolidated Kshs	Secretariat Kshs	Constituencies Kshs	Consolidated Kshs	Secretariat Kshs	Constituencies Kshs
Non Current Assets						
Property, Plant and Equipment	873,947,194	70,213,977	803,733,217	470,202,549	67,564,613	402,637,936
Current Assets						
Prepayments & Owings	6,883,981,117	42,231,117	6,841,750,000	5,350,245,499	20,195,499	5,330,050,000
Cash & Cash Equivalents	5,834,487,639	495,941,575	5,338,546,064	6,004,373,202	410,701,506	5,593,671,696
Receivables	6,793,802	6,793,802				
Extra ordinary income				40,700,000	40,700,000	
Total Current Assets	<u>12,725,262,558</u>	<u>544,966,494</u>	<u>12,180,296,064</u>	<u>11,395,318,701</u>	<u>471,597,005</u>	<u>10,923,721,696</u>
Suspense	68,296,291		68,296,291	1,373,686,695		1,373,686,695
Total Assets	<u>13,667,506,043</u>	<u>615,180,471</u>	<u>13,052,325,572</u>	<u>13,239,207,945</u>	<u>539,161,618</u>	<u>12,700,046,327</u>
Equity and Liabilities						
Retained/Capital fund	1,290,095,906	486,362,689	803,733,217	875,639,866	473,001,930	402,637,936
Gratuity & Pensions	70,381,675	70,381,675		37,030,031	37,030,031	
Current Liabilities						
Accruals	55,779,407	55,779,407		29,131,732	29,131,732	
Insurance to deceased employee	2,656,700	2,656,700				
Disbursements due to constituencies	7,469,398,813		7,469,398,813	6,850,847,783		6,850,847,783
Disbursements due to projects from constituencies accounts	4,779,193,542		4,779,193,542	5,446,558,533		5,446,558,533
Total Equity & Liabilities	<u>12,307,028,462</u>	<u>58,436,107</u>	<u>12,248,592,355</u>	<u>12,326,538,048</u>	<u>29,131,732</u>	<u>12,297,406,316</u>
	<u>13,667,506,043</u>	<u>615,180,471</u>	<u>13,052,325,572</u>	<u>13,239,207,945</u>	<u>539,163,693</u>	<u>12,700,044,252</u>

This statement is provided as a working schedule in support of the splitting of the accounts in to secretariat and constituencies financial statements and to enable comparability.

Note

- (a) That in the audited accounts of 2010/2011 financial year, the consolidated retained fund was Kshs.6,322,198,399 and there was no item called disbursements due to projects. However; in the reorganized statement of financial position, the amount of Kshs.6,322,198,399 is split into retained/capital fund of Kshs.875,639,866 and disbursements due to projects of Kshs.5,446,58,533.

CONSTITUENCIES DEVELOPMENT FUND BOARD

- (b) The arrears owed to CDF from Treasury arising from shortfall in disbursements in 2008/2009, 2007/2008 and 2004/2005 financial years was Kshs 1,759,300,000 but Treasury allocated Kshs 1,800,000,000 in 2011/2012 to clear this arrears resulting in extra ordinary income of Kshs.40,700,000. The extra ordinary income was erroneously reported as secretariat income receivable in 2010/2011 audited accounts instead of as disbursements due to constituencies. This amount has now been recognized in this year's accounts as receivables from Treasury due for disbursement to the constituencies.

