

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Constituencies Development Fund - Kiharu Constituency set out on pages 4 to 20, which comprise the statement of financial assets and liabilities as at 30 June 2014, and the statement of receipts and payments and significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of Public Audit Act, 2003.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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(2) 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 of Kenya. The audit was conducted in accordance with International Standards on Auditing. 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.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Accuracy and Completeness of Financial Statements

The financial statements presented for audit for the year ended 30 June 2014 did not include statement of cash flows as required by International Public Sector Accounting Standards (IPSAS). Further, the CDF did not prepare the statement of appropriation as required. In addition, no trial balance and ledgers were provided for audit review to support the financial statements balances as at 30 June 2014. No reason has been provided for failure to comply with these requirements.

2. Cash and Bank Balances

The financial statements reflected cash and bank balance of Kshs.40,638,629.10 as at 30 June 2014. However, records maintained by the CDF office showed balances amounting to Kshs.35,814,273 as at the same date comprising of cash in hand balance of Kshs.1,110,000, bank balances at Family Bank and Cooperative Bank accounts totaling Kshs.34,427,929.30 and Kshs.276,343.90 respectively. The resultant difference of Kshs.4,824,355.90 was not reconciled.

Further, cash in hand balance of Kshs.1,110,00 was not supported with board of survey certificate.

Consequently, the accuracy of the cash and cash equivalent balance amounting to Kshs.40,638,629.10 as at 30 June 2014 could not be confirmed.

3. Other Grants and Transfers

The Statement of Receipts and Payments reflected other grants amounting Kshs.56,512,500, out of which Kshs.32,362,500 related to bursary payments. It was noted that CDF allocated Kshs.13,296,058.90 in 2013/2014 financial year and Kshs.2,665,064 in 2012/2013 financial year which had not been spent at the beginning of 2013/2014 financial year resulting to a total of Kshs.25,961,122.90. The additional amount of Kshs.6,401,378 reallocated to bursary from other votes was not approved and therefore might have been irregular.

Further, the bursary payments amounting Kshs.32,362,500 lacked supporting bursary acknowledgment details.

Consequently, residents of Kiharu did not obtain the planned and promised services as at 30 June 2014 and we could not ascertain that the bursaries reached the intended beneficiaries.

4. Unsupported Expenditure

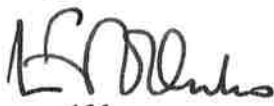
As previously reported, during the year ended 30 June 2013, expenditure returns and payment vouchers for various projects amounting Kshs.44,242,620 were not availed for audit verification. A review of the progress and effort made to account for funds revealed that expenditure returns for the projects totaling Kshs.6,210,000 were provided for audit verification, leaving a balance of Kshs.38,032,620 still unsupported to-date. Consequently, the propriety of the expenditure of Kshs.38,032,620 could not be confirmed.

5. Unutilized CDF Office

As previously reported during the year 2012/2013, records maintained at Kiharu CDF Office indicate that CDF management spent a total of Kshs.9,988,431 on construction of CDF Office at Kahuro since 2007/2008. Physical verification showed the office was complete although it was not occupied. Further, the CDF was still hiring offices and had paid Kshs.1,208,027 on rent as at 30 June 2014 despite completion of the office which amounts to misuse of public

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

08 October 2015