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**Report of the
Auditor-General (Corporations)
on the
Accounts of Local Authorities
Provident Fund for the Year
Ended 30th June, 1993**

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**Report of the
Auditor-General (Corporations)
on the
Accounts of Local Authorities
Provident Fund for the Year
Ended 30th June, 1993**

**REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF
LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30 JUNE 1993**

I have examined the Balance Sheet, the Control Account and Income and Expenditure Account of the Local Authorities Provident Fund for the year ended 30 June, 1993 in accordance with the provisions of the exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations that I have required for the purpose of the audit. Proper books of account have been kept by the Fund and the accounts are in agreement therewith and comply with the Local Authorities Provident Act, (Cap 272).

Subject to the reservations set out herebelow, in my opinion, the accounts when read together with the notes thereon, give a true and fair view of the financial position of the Fund as at 30 June, 1993 and of its surplus over expenditure for the year ended on that date.

1. NON-REMITTANCE OF CONTRIBUTIONS BY LOCAL AUTHORITIES

As previously reported various Local Authorities have not been remitting monthly contributions to the Fund. During the year under review, some twenty three Local Authorities listed in Note 2 to the accounts failed to submit their monthly schedules of contributions (P.F. 2 forms). Consequently, the actual outstanding contributions as at 30 June, 1993 could not be determined.

2. EXCESS INCOME OVER EXPENDITURE

As pointed out in my previous report on the Fund's accounts, Section 12 (c) of the Local Authorities Provident Act, (Cap 272) stipulates that any balance of the profit and loss account after paying contributions funds and interest should be shared among the remaining contributors by crediting respective accounts at the end of the financial year. The fund did not share the Surplus Profit of KShs. 7,857,743.00 but instead the amount was transferred to reserve fund which totalled KShs. 51,416 as at 30 June, 1993. The Fund was, therefore, in breach of the law.

3. ADMINISTRATION EXPENSES RECEIVABLE

In my previous report it was pointed out that the Local Authorities had not paid to the Fund Management Administration expenses in accordance with Section (4) of Local Authorities Provident Fund Act, (Cap 272). The same situation persisted during the year. The amount outstanding stands at KShs. 2,611,618 (1992 - KShs. 2,146,959). No provision has been made in these accounts against the possibility of the amount not being realized by the Fund.

A. J. OKOTH
AUDITOR-GENERAL (CORPORATIONS)
20 July, 1994

LOCAL AUTHORITIES PROVIDENT FUND
ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1993

PROVIDENT FUND CONTROL ACCOUNT

		<u>1992/1993</u>	<u>1991/1992</u>
	<u>NOTES</u>	<u>KSHS.</u>	<u>KSHS.</u>
Balance brought forward	3	47,950,697	47,001,613
Local Authorities Contribution		5,121,148	5,150,748
Interest Credited to Contribution		<u>4,154,761</u>	<u>3,654,751</u>
		57,226,606	55,807,112
Refund of Contribution		<u>7,059,959</u>	<u>9,344,589</u>
		<u>50,166,647</u>	<u>46,462,523</u>

INCOME AND EXPENDITURE ACCOUNT

INCOME

Investment Interest	4	13,343,939	9,297,697
Expenditure recharged to Local Authorities	5	567,145	478,323
Miscellaneous Income		94,640	33,690
Profit on Government Stock		<u>4,230</u>	<u>4,230</u>
		14,009,954	9,813,940

EXPENDITURE

Interest Credited to Contribution		4,154,761	3,654,751
Staff Salaries and Allowances		431,909	348,548
Sundry Expenses		55,851	115,031
Board Members Allowances		69,385	4,744
Audit Fees		10,000	10,000
Depreciation		29,305	-
Provision for Bad Debts		<u>1,401,000</u>	<u>1,471,000</u>
		6,152,211	5,604,074
Surplus for the year		7,857,743	4,209,866
Surplus brought forward	6	<u>43,558,698</u>	<u>40,801,639</u>
Surplus carried forward		<u>51,416,441</u>	<u>45,011,505</u>

BALANCE SHEET AS AT 30TH JUNE, 1993

<u>CURRENT ASSETS</u>	<u>NOTES</u>	<u>1992/1993</u> <u>KSHS.</u>	<u>1991/1992</u> <u>KSHS.</u>
Cash at Bank		5,806,362	2,788,866
Savings Account		752,862	-
Short Term Deposits	7	64,498,336	57,648,184
Sundry Debtors:-			
- Administration Expenses receivable		2,611,618	2,146,959
- Interest receivable	-	5,169,425	4,851,265
- Miscellaneous		1,713	-
Profit on Government Stock		87,596	83,366
Short Term Deposits	8	<u>9,877,000</u>	<u>11,978,000</u>
Total Current Assets		<u>88,804,912</u>	<u>79,496,640</u>
 <u>CURRENT LIABILITIES</u>			
Provision for Audit Fee		33,750	33,750
Staff Secondment Cost		4,200	598,696
Machakos Municipal Council Adm. Expenses		<u>3,169</u>	<u>4,322</u>
		<u>41,119</u>	<u>636,768</u>
Net Current Assets		88,763,793	78,859,872
 <u>LONG TERM ASSETS</u>			
Long Term Investments	9	12,614,156	12,614,156
Office Equipments	10	<u>205,139.</u>	<u> </u>
		<u>101,583,088</u>	<u>91,474,028</u>
 <u>FINANCED BY:-</u>			
Provident Fund Control Account		50,166,647	46,462,523
Reserve Fund		<u>51,416,441</u>	<u>45,001,505</u>
		<u>101,583,088</u>	<u>91,474,028</u>

J.K. ARAP LESIEW
(CHAIRMAN)

MILCAH W. THAIRU(MISS)
(SECRETARY)

LOCAL AUTHORITIES PROVIDENT FUND BOARD

NOTES TO ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1993

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

The accounts have been prepared under the historical cost convention.

(b) Income Recognition

Interest is recognised in the Income and Expenditure account as it accrues.

2. NON-REMITTANCE OF CONTRIBUTION BY LOCAL AUTHORITIES

It has been difficult to establish the outstanding Provident Fund Contributions because of non-submission of monthly schedules of contribution (P.F. 2 Forms) and also remission of members contributions to the Fund.

The following is a list of the Local Authorities that have defaulted:-

1.	Nyeri County Council	June 1987	-	June 1993
2.	Kakamega Municipal Council	July 1989	-	June 1993
3.	Taita Taveta County Council	January 1988	-	June 1993
4.	Kisii Municipal Council	January 1993	-	June 1993
5.	Kitale Municipal Council	January 1990	-	June 1993
6.	Gusii County Council	June 1988	-	June 1993
7.	kirinyaga County Council	July 1988	-	June 1993
8.	Kajiado Urban Council	June 1987	-	June 1993
9.	Kipsigis County Council	March 1989	-	June 1993
10.	South Nyanza County Council	January 1990	-	June 1993
11.	Kwale County Council	January 1990	-	June 1993
12.	Elgeyo Marakwet County Council	June 1990	-	June 1993
13.	Kitui County Council	March 1983	-	June 1993
14.	Olkejuado County Council	March 1993	-	June 1993
15.	Nakuru County Council	December 1990	-	June 1993
16.	Wajir County Council	January 1983	-	June 1993
17.	Kakamega County Council	July 1990	-	June 1993
18.	Garissa Town Council	December 1989	-	June 1993
19.	Tala/Kangundo Urban Council	July 1990	-	June 1993
20.	Pokot County Council	January 1984	-	June 1993
21.	Kilifi County Council	January 1983	-	June 1993
22.	Nzoia County Council	January 1990	-	June 1993
23.	Voi Municipal Council	January 1991	-	June 1993

3. PROVIDENT FUND CONTROL ACCOUNT

Balance brought forward KShs. 47,950,697

The above amount of accumulated members fund has been adjusted with KShs. 1,488,174 being interest accrued but not credited in the previous financial years.

		<u>KSHS.</u>
Balance carried down	1991/92	46,462,523
Interest Credited to Contributor		<u>1,488,174</u>
Balance brought forward	1992/93	<u>47,950,697</u>

4. INVESTMENT INTEREST - KSHS. 13,343,939

The above amount represents interest earned on Treasury Bills, Short Term Deposits and Long Term Government Securities.

5. EXPENDITURE RECHARGED TO LOCAL AUTHORITIES - KSHS. 567,145

This is an Expenditure incurred during the accounting period of Staff salaries, Office stationery, Board members allowances and other miscellaneous expenses.

The expenditure was recharged to various Local Authorities in accordance with Section 4(4) of the Local Authorities Provident Fund Act Cap. 272.

6. SURPLUS BROUGHT FORWARD - KSHS. 43,558,698

The amount has been adjusted with KShs. 1,488,174 being interest charged and not computed in the previous years and KShs. 35,376 for purchase of equipment treated as an expense in the previous years instead of an asset.

		<u>KSHS.</u>
Surplus carried down	1991/92	45,011,505
Interest credited to contributor		(1,488,174)
Equipments		<u>35,367</u>
Balance brought forward	1992/93	<u>43,558,698</u>

7. SHORT-TERM DEPOSITS KSHS. 64,498,336

The Investments are in the following financial institutions:-

<u>NAME OF FINANCIAL INSTITUTIONS</u>	<u>AMOUNT (KShs.)</u>
National Capital Corporation	3,000,000.00
Kenya Commercial Finance	1,850,000.00
Industrial Development Bank	5,550,000.00
Housing Finance Company of Kenya	3,500,000.00
Central Bank of Kenya	<u>50,598,336.00</u>
Total Deposits	<u>64,498,336.00</u>

8. SUNDRY DEBTORS - SHORT TERM DEPOSITS - KSHS. 9,877,000

This is the amount of deposits held in privately owned financial institutions under receivership and financially troubled institutions after providing a provision of 10% of bad and doubtful debts.

9. LONG-TERM INVESTMENT - KSHS. 12,614,156

(a) KENYA GOVERNMENT STOCK

	<u>Expiry Date</u>	<u>Nominal Value</u>	<u>Cost</u>
		KShs.	KShs.
(1) 6.25% Kenya Stock	15/10/98	1,000,000	890,013
(2) 10% Kenya Stock	30/9/2010	<u>2,000,000</u>	<u>2,000,000</u>
Balance carried forward			2,890,013
(b) Amount held in Consolidated Bank and converted to Equity			<u>9,724,143</u>
Total Investment at Cost			<u>12,614,156</u>

10. OFFICE EQUIPMENT - KSHS. 205,139

	KSHs.
Equipment at Cost	234,444
Less 12½ depreciation	<u>29,305</u>
Net Book value as at 30th June, 1993	<u>205,139</u>