

REPUBLIC OF KENYA



17

OFFICE OF THE AUDITOR-GENERAL

40.

REPORT

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OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
STATE LAW OFFICE AND DEPARTMENT OF  
JUSTICE - OFFICIAL RECEIVER

FOR THE YEAR ENDED  
30 JUNE 2018

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 15 OCT 2019	
DAY: TUESDAY	
TABLED BY:	MAJORITY LEADER
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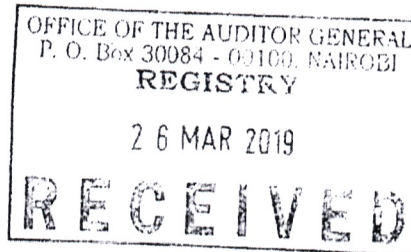


REPUBLIC OF KENYA  
OFFICE OF THE ATTORNEY-GENERAL  
&  
DEPARTMENT OF JUSTICE  
BUSINESS REGISTRATION SERVICE

26<sup>th</sup> March, 2019

OR/ACCTS/AUD VOL 1/

Auditor General  
Office of the Auditor General  
Anniversary Towers  
P O Box 30084- 00100  
NAIROBI



Att. D.M. Ndung'u

**RE: REVISED OFFICIAL RECEIVER FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018.**

Please find the revised financial statements for the year ended 30<sup>th</sup> June 2018 for your necessary action.

Yours faithfully

**ERASTUS MBALU**  
**Chief Accountant**

SIHERIA HOUSE, HARAMBEE AVENUE  
P.O. Box 40112-00100, NAIROBI, KENYA. TEL: +254 20 2227461/2251355-07119445555/0732529995  
E-MAIL: [info.state.law.office@kenya.go.ke](mailto:info.state.law.office@kenya.go.ke) WEBSITE: [www.attorney-general.go.ke](http://www.attorney-general.go.ke)  
DEPARTMENT OF JUSTICE  
CO-OPERATIVE BANK HOUSE, HAILLE SELLASIE AVENUE P.O. Box 56057-00200, Nairobi-Kenya TEL: Nairobi 2224029/ 2240337  
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OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00102, NAIROBI  
REGISTRY

26 MAR 2019

**RECEIVED**

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STATE LAW OFFICE AND DEPARTMENT OF JUSTICE

OFFICIAL RECEIVER

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018

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

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STATE LAW OFFICE AND DEPARTMENT OF JUSTICE  
OFFICIAL RECEIVER  
Reports and Financial Statements  
For the year ended June 30, 2018

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**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The office of the Official Receiver is a section within the Registrar General's department of the State Law Office that deals with bankruptcies and Winding up of companies. The operations of the Official Receiver are governed by the Bankruptcy Act Cap 53 Laws of Kenya and the Companies Act Cap 486 Laws of Kenya.

**(b) Principal Activities**

The principal activity/mission of the Official Receiver derives its mandate from Section 74 of the Bankruptcy Act together with section 230 of the Companies Act Laws of Kenya. Section 74 of the bankruptcy Act provides;

*"there shall be an official Receiver of debtors' estate for Kenya and as many deputy official receivers as may be required from time to time, who shall have jurisdiction in such areas as maybe required from time to time who shall have jurisdiction in such areas as may be specified"*

Whereas Section 230 of the Companies Act states;

*for the purposes of this Act so far as it relates to the winding up of companies by the court, "Official Receiver" means the Official receiver attached to the Court for Bankruptcy Purposes.....*

The Core functions of the Official Receiver includes

- To act as administrator and administer the estate of the debtor
- To act as trustee during any vacancy in the office of the trustee
- To investigate the conduct of the debtor and to report to court
- To verify proofs, petitions, affidavits administered under the Bankruptcy Act
- To make such report concerning the conduct of the debtor as the court may direct
- To take part in the public of examination of the debtor
- Take part and give assistance in relation to the prosecution of the debtor in relation to offences as the Director of Public Prosecution may direct
- Advertise the Receiving Order, date of the first creditors meeting and of the public examination
- To report to the creditors of any proposal which the debtor may have made with respect to liquidating his debts

The Official Receiver is answerable to the court.

**Vision of the State Law Office**

The Vision of the SLO is "To be the best Law Firm in the Region Recognized for its Professionalism and Efficiency in its Delivery of Public Legal Services".

STATE LAW OFFICE AND DEPARTMENT OF JUSTICE

OFFICIAL RECEIVER

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For the year ended June 30, 2018

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**Mission of the State Law Office**

The Mission, which is anchored on the Attorney General's mandate, the core functions and the desire to achieve the stated Vision and in pursuit of the national aspirations as set out in the Vision 2030 is as follows: -

To "Enhance Democracy and otherwise Protect the National and public Interest" "To provide quality and efficient legal services to the Government and the Public, uphold the rule of Law and Good Governance, Promote Human Rights".

**Vision of the Registrar General Department**

The vision of the Registrar General department is "*To be Provider of the best registration services and related legal services*"

**Mission of the Registrar General Department**

The mission of the registrar general department is as follows "*To provide efficient registration services and related legal services to the public and business community*"

**Core Values**

In pursuit of excellence in delivery of service, the section is guided by the following values

**Professionalism**

The staff in the section is drawn from various professions. They are expected to demonstrate high level of professionalism in execution of their duties.

**Quality Service Delivery**

The Registrar General's department shall endeavor to exceed customer expectation in service delivery by continuously improving the quality of services provided to the customers.

**Integrity and professional ethics**

The Registrar General's department has continued to achieve this by developing a mechanism for holding individuals accountable for effective resource stewardship through;

- Enforcement of the Public Officers Ethics Act, Code of Conduct and Code of Regulations
- Timely completion of tasks

STATE LAW OFFICE AND DEPARTMENT OF JUSTICE  
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- Enhanced Decision Making
- Increased automation to improve operational efficiency

#### Teamwork and Respect for Diversity

Teamwork is emphasized within the department as a means to maximize synergy to boost staff productivity.

#### Strategic Priorities

1. Decentralize its services to the counties
2. Implementation/review of insolvency bill
3. Digitalization of services

#### (c) Key Management

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

No	Designation	Name
1	Solicitor General	Mr. Ken Ogeto
2	Board Of Directors	Business Registration Service
3	Ag. Official Receiver	Mr. Mark Gakuru
4	Ag. Director General BRS	Mr. Kenneth Gathuma
5	Head of Section -Legal	Miss Judy Mugo
6	Head of Section -Accounts and Investment	Mr. Erastus K. Mbalu

The section is divided into three sections; the Official Receiver (Legal), Official Receiver (Accounts and Investment) and Official Receiver (Financial Institutions).

The legal section deals with the implementation of the legal issues as per the functions and mandate. The Official Receiver also operates offices in Kisumu and Mombasa.

#### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility

**STATE LAW OFFICE AND DEPARTMENT OF JUSTICE**  
**OFFICIAL RECEIVER**  
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No	Designation	Name
1	Solicitor General	Mr. Ken Ogeto
2	Ag. Official Receiver	Mr. Mark Gakuru
3	Ag. Director General BRS	Mr. Kenneth Gathuma
4	Head of Section –Legal	Miss Judy Mugo
5	Head of Section –Accounts and Investment	Mr. Erastus K. Mbalu

**(e) Official Receiver Headquarters**

P.O. Box 30031 - 00100  
Sheria House  
Harambee Avenue  
Nairobi, KENYA

**(g) Official Receiver Contacts**

Telephone :( 254) 020 2227461  
E-mail: info.statelawoffice@kenya.go.ke  
Website: www.attorney-general.go.ke

**(h) Official Receiver Bankers**

1. National Bank of Kenya  
Harambee Avenue  
P.O. Box 41862 - 00100  
Nairobi, Kenya
2. Central Bank of Kenya  
Headquarters  
P O Box 60000 - 00200  
Nairobi, Kenya



STATE LAW OFFICE AND DEPARTMENT OF JUSTICE -  
OFFICIAL RECEIVER

Reports and Financial Statements

For the year ended June 30, 2018

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**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

STATE LAW OFFICE AND DEPARTMENT OF JUSTICE  
OFFICIAL RECEIVER

Reports and Financial Statements  
For the year ended June 30, 2018

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II. STATEMENT OF OFFICIAL RECEIVER RESPONSIBILITIES

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

The Official Receiver in charge of the Office is responsible for the preparation and presentation of the Official Receiver's financial statements, which give a true and fair view of the state of affairs of the Official Receiver for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Official Receiver; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Official Receiver; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


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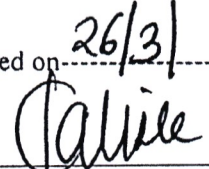
The Official Receiver in charge of the Office accepts responsibility for the Official Receiver's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Official Receiver is of the opinion that the Official Receiver's financial statements give a true and fair view of the state of Official Receiver's transactions during the financial year ended June 30, 2018, and of the Official Receiver's financial position as at that date. The Official Receiver further confirms the completeness of the accounting records maintained for the Official Receiver, which have been relied upon in the preparation of the Official Receiver's financial statements as well as the adequacy of the systems of internal financial control.

The Official Receiver confirms that the office has complied fully with applicable Government Regulations and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Official Receiver confirms that the Official Receiver's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Official Receiver's financial statements were approved and signed on 26/3/ 2019.

  
\_\_\_\_\_  
Ag. Official Receiver

  
\_\_\_\_\_  
Chief Accountant

# REPUBLIC OF KENYA

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Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON STATE LAW OFFICE AND DEPARTMENT OF JUSTICE – OFFICIAL RECEIVER FOR THE YEAR ENDED 30 JUNE 2018

#### REPORT ON THE FINANCIAL STATEMENTS

##### Qualified Opinion

I have audited the accompanying financial statements of the State Law Office and Department of Justice – Official Receiver set out on pages 8 to 17 which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of knowledge and belief were necessary for the purpose of the audit.

In my opinion, except for effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the State Law Office and Department of Justice – Official Receiver as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Public Finance Management Act, 2012, the Bankruptcy Act Cap 53 and the Companies Act Cap 486 of the laws of Kenya.

##### Basis for Qualified Opinion

##### 1. Inaccuracies in the Financial Statements

##### 1.1 Comparative Figures

The financial statements availed for audit review reflected variances between comparative figures in the statement of assets and liabilities and comparative figures in the notes to the financial statements as summarized below;

Item Description	Comparative Figures in the Statement of Assets and Liabilities (Kshs)	Comparative Figures in the Notes to the Financial Statements (Kshs)	Difference (Kshs)
Bank balance	27,264,339	27,607,962	(343,623)
Cash equivalents- short term deposits and treasury bills	274,403,802	284,053,802	(9,650,000)
<b>Total</b>	<b>301,668,141</b>	<b>311,661,764</b>	<b>(9,993,623)</b>

*Report of the Auditor-General on the Financial Statements of State Law Office and Department of Justice – Official Receiver for the year ended 30 June 2018*

The differences totalling to Kshs.9,993,623 have not been explained or reconciled.

### **1.2 Casting Error**

The statement of assets and liabilities as at 30 June 2018 reflects total cash and cash equivalents balance of Kshs.327,126,251 made up of bank balance of Kshs.57,187,550 and cash equivalent (short term deposits and treasury bills) balance of Kshs.269,939,201 which cast to Kshs.327,126,751 resulting in a casting error of Kshs.500. In addition, the comparative figure of total financial assets in the statement of assets and liabilities cast to Kshs.427,094,984 but not Kshs.438,326,315 as reflected resulting in a casting error of Kshs.11,231,331. No explanation has been provided for these casting errors.

### **1.3 Statement of Cash Flow**

The statement of cash flow reflects cash and cash equivalent balance at the end of the year of Kshs.452,553,594 which differ with the balance reflected in the statement of assets and liabilities of Kshs.327,126,251 resulting in a difference of Kshs.125,427,343 which has not been explained or reconciled.

In the circumstances, the accuracy of the statement of cash flow for the year ended 30 June 2018 could not be confirmed.

## **2. Receivables**

The statement of assets and liabilities reflects receivables balance of Kshs.125,426,843 as at 30 June 2018. As disclosed at note 11 to the financial statements, the receivables balance is made up of Kshs.77,144,260 due from consolidated bank and Kshs.48,282,583 due from Deposit Protection Fund Board. However, confirmation certificate from the Deposit Protection Fund Board is dated 7 September 2013 and the one from Consolidated Bank is dated 3 June 2009. The management did not explain why confirmation certificates as at 30 June 2018 were not availed for audit verification.

In the circumstances, the accuracy, validity and completeness of the receivables balance of Kshs.125,426,843 as at 30 June 2018 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of State Law Office and Department of Justice – Official Receiver management in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in

the Basis for Qualified Opinion section of my report, I have determined that there are no other key audit matters to communicate.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

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

## REPORT ON INTERNAL CONTROLS EFFECIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters discussed in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective. The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects.

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

### Responsibilities of Management and Those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the State Law Office and Department of Justice – Official Receiver's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the State Law Office and Department of Justice – Official Receiver or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

#### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Law Office and Department of Justice – Official Receiver's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Law Office and Department of Justice – Official Receiver to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Law Office and Department of Justice–Official Receiver to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**12 April 2019**

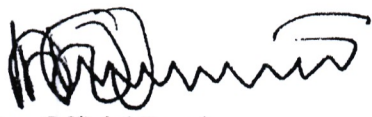


STATE LAW OFFICE AND DEPARTMENT OF JUSTICE-  
OFFICIAL RECEIVER

Reports and Financial Statements  
For the year ended June 30,2018

Statement of Receipts and Payments			
	Note	2017-2018	2016-2017
		Kshs	Kshs
<b>RECEIPTS</b>			
Reimbursements and Refunds	1	-	241,018
Proceeds from sale of buildings and Land	2	-	8,000,000
Other Revenues	3	43,357,736	31,530,050
<b>TOTAL REVENUES</b>		<b>43,357,736</b>	<b>39,771,068</b>
<b>PAYMENTS</b>			
Compensation of Employees	4	4,431,165	5,712,357
Use of goods and services	5	7,818,899	12,540,737
Transfer to other Government Units/CBK	6	3,331,298	498,371
Acquisition of Assets	7	-	990,845
Other payments	8	2,318,264	31,260,089
<b>TOTAL PAYMENTS</b>		<b>17,899,626</b>	<b>51,002,399</b>
<b>SUPPLUS/DEFICIT</b>		<b>25,458,110</b>	<b>-11,231,331</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 26/3/ 2019 and signed by;



Ag. Official Receiver



Chief Accountant

STATE LAW OFFICE AND DEPARTMENT OF JUSTICE-  
OFFICIAL RECEIVER

Reports and Financial Statements

For the year ended June30,2018

STATEMENT OF ASSETS AND LIABILITIES			
	Note	2017-2018	2016-2017
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and cash Equivalents</b>			
Bank Balances	9	57,187,550	27,264,339
Cash Equivalents	10	269,939,201	274,403,802
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>		<b>327,126,251</b>	<b>301,668,141</b>
Receivables	11	<u>125,426,843</u>	<u>125,426,843</u>
<b>TOTAL FINANCIAL ASSETS</b>		<b><u>452,553,594</u></b>	<b><u>438,326,315</u></b>
<b>NET FINANCIAL ASSETS</b>		<b><u>452,553,594</u></b>	<b><u>438,326,315</u></b>
<b>REPRESENTED BY</b>			
Fund balance	12	427,094,984	438,326,315
Surplus/Deficit for the year		25,458,110	-11,231,331
<b>NET FINANCIAL POSITION</b>		<b><u>452,553,594</u></b>	<b><u>427,094,984</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial Statements. The entity financial statements were approved on 26/3/ 2019 and signed by;



Ag. Official Receiver



Chief Accountant

STATE LAW OFFICE AND DEPARTMENT OF JUSTICE  
OFFICIAL RECEIVER

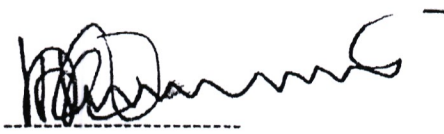
Reports and Financial Statements

For the year ended June 30, 2018

STATEMENT OF CASH FLOW

	Note	2017-2018	2016-2017
		Kshs	Kshs
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Reimbursements and Refunds	1	-	241,018
Other Revenues	3	43,357,736	31,530,050
		43,357,736	31,771,068
<b>Payments for operating expenses</b>			
Compensation of Employees	4	4,431,165	5,712,357
Use of goods and services	5	7,818,899	12,540,737
Transfer to other Government Units	6	3,331,298	498,371
Other expenses	8	2,318,264	31,260,089
		<b>17,899,626</b>	<b>50,011,554</b>
<b>Adjusted for:</b>			
Changes in receivables		-	
Changes in payables			
Adjustments during the year			
<b>Net Cash flow from operating activities</b>		<b>25,458,110</b>	<b>-18,240,486</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	-	8,000,000
Acquisition of Assets	7	-	990,845
<b>Net Cash flows from investing activities</b>		<b>-</b>	<b>-9,249,641</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENT</b>		<b>25,458,110</b>	<b>-11,231,331</b>
Cash and cash equivalent at the beginning of the year		427,094,984	438,326,315
Cash and cash equivalent at the end of the year		452,553,594	427,094,984

The accounting policies and explanatory notes to these financial statements form an integral part of the financial Statements. The entity financial statements were approved on 26/3/ 2019 and signed by;



Ag. Official Receiver



Chief Accountant

## SIGNIFICANT ACCOUNTING POLICIES

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

### 1. Statement of compliance and basis of preparation

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

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

### 2. Recognition of revenue and expenses

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

### 3. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

### 4. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

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NOTES TO THE FINANCIAL STATEMENTS

1	REIMBURSEMENTS AND REFUNDS	2017-2018	2016-2017
		Kshs	Kshs
	Reimbursements from individuals (loan repayments)	-	241,018
			<u>241,018</u>
2	<b>PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS</b>		
	Building (Akamba Public Service)	-	4,000,000
	Land (Akamba Public Service)	-	4,000,000
			<u>8,000,000</u>
3	<b>OTHER REVENUES</b>		
	Interest received	15,640,981	20,037,406
	Dividends	65,000	26,970
	Rents	-	5,153,193
	Other receipts not classified elsewhere	<u>27,651,755</u>	<u>6,312,485</u>
		<u>43,357,736</u>	<u>31,530,054</u>
4	<b>COMPENSATION OF EMPLOYEES</b>		
	Basic salaries	4,033,745	5,041,692
	Pension benefits	-	151,245
	NSSF	279,720	370,280
	NHIF	<u>117,700</u>	<u>149,140</u>
		<u>4,431,165</u>	<u>5,712,357</u>
5	<b>USE OF GOODS AND SERVICES</b>		
	Domestic travel and subsistence	5,131,125	8,719,133
	Insurance costs	54,243	54,243
	Contracted Services	1,150,256	-
	Office and general supplies and services	183,150	322,832
	Other operating expenses	876,566	2,829,789
	Printing and advertising services	382,559	574,240
	Maintenance of vehicles and other equipment	<u>41,000</u>	<u>40,500</u>
		<u>7,818,899</u>	<u>12,540,737</u>
6	<b>TRANSFER TO OTHER GOVERNMENT UNITS/CBK</b>	3,331,298	498,371
7	<b>ACQUISITION OF ASSETS-Refurbishment (Nyakio)</b>	-	990,845

## 8 OTHER PAYMENTS

Creditors	345,027	29,071,406
Tax paid	1,880,903	2,188,063
Dividends paid	21,015	<u>930</u>
Bank charges	71,319	
	<u>2,318,264</u>	<u>31,260,399</u>

## 9 BANK ACCOUNTS

NO	ACCOUNT NAME	2017/2018	2016/2017
1	Bankruptcy Estate Fund	2,380,316	6,784,810
2	Bankruptcy Contingency Fund	15,304,527	2,466,205
3	Bankruptcy Investment Income Fund	0	0
4	Companies Liquidation	21,723,285	6,509,680
5	Companies Contingency Fund	7,002,590	2,946,138
6	Companies Investment Income Fund	55,034	61,555
7	Rural Urban Credit Finance	405,227	663,832
8	Continental Credit Finance Ltd	71,145	2,427,440
9	Capital Finance Ltd	94,590	100,833
10	Pioneer Building Society	110,066	4,887
11	Matatu Vehicles Owners Association	93,800	85,557
12	Kenya National Assurance Co. Ltd	3,129,832	1,284,508
13	E.A Bag & Cordage	1,380,068	28,698
14	Kenya Project & Investment Ltd	6,925	6,058
15	Tropical Building society	10,116	45,091
16	Ken-Ren Chemicals Fertilizers	4,868,883	3,484,881
17	Nyakio Investments Ltd	8,715.80	354,168
18	Bankruptcy Estate Fund(M)	169,734	240,086
19	Bankruptcy Estate Fund (K)	190,612	711,131
20	Company Liquidation (M)	181,583	113,535
	<b>TOTAL</b>	<b>57,187,550</b>	<b>27,607,962</b>

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CASH EQUIVALENTS(SHORT-TERM DEPOSITS)

NO	ACCOUNT NAME	2017/2018	2016/2017
			Restated
1	Bankruptcy Estate Fund	0	10,085,339
2	Bankruptcy Contingency Fund	5,000,000	18,000,098
3	Bankruptcy Investment Income Fund	0	0
4	Companies Liquidation	0	39,526,894
5	Companies Contingency Fund	0	20,111,014
6	Companies Investment Income Fund	0	0
7	Rural Urban Credit Finance	1,000,000	0
8	Continental Credit Finance Ltd	0	0
	Capital Finance Ltd	0	0
10	Pioneer Building Society	0	57,008
11	Matatu Vehicles Owners Association	1,500,000	1,425,218
12	Kenya National Assurance Co. Ltd	0	18,000,000
13	E.A Bag & Cordage	0	1,255,993
14	Kenya Project & Investment Ltd	770,000	717,710
15	Tropical Building society	1,050,000	948,874
16	Ken-Ren Chemicals & Fertilizers	10,000,000	4,275,654
17	Nyakio Investments Ltd	0	0
18	Bankruptcy Estate Fund(M)	1,000,000	850,000
19	Bankruptcy Estate Fund (K)	8,000,000	7,000,000
20	Company Liquidation (M)	2,000,000	1,800,000
	<b>TOTAL</b>	<b>30,320,000</b>	<b>124,053,802</b>

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TREASURY BILLS

NO	ACCOUNT NAME	2017/2018	2016/2017
1	Bankruptcy Estate Fund	91,287,115	68,000,000
2	Continental Credit Finance Ltd	23,511,611	10,000,000
3	Ken-Ren Chemicals & Fertilizers	124,820,474	82,000,000
	<b>Total</b>	<b>239,619,200.50</b>	<b>160,000,0000</b>

11. RECEIVABLES

		2017/2018	2016/2017
	Consolidated bank (Shares)	77,144,260	77,144,260
	Deposit Protection Board	48,282,583	48,282,583
	<b>Total</b>	<b><u>125,426,843</u></b>	<b><u>125,426,843</u></b>

12. FUND BALANCE

		2017/2018	2016/2017
	Bank accounts	57,187,550	27,264,339
	Cash equivalent	269,939,201	274,403,802
	Receivables	<u>125,426,843</u>	<u>125,426,843</u>
		<b><u>452,553,594</u></b>	<b><u>427,094,984</u></b>



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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue Observations from Auditor	Management Comments	Focal point person to resolve the issue (Name and Designation)	Status: (Resolved / Not Resolved)	Timeframe: ( Put a date when you expect the issue to be resolved)
1.1	Receivables	The Financial statements of the official receiver for the year ending 30 <sup>TH</sup> June 2017 did not overstate the figure of receivables.	Acting Receiver Official	Not Resolved	-
1.2	Accounts Payable	It is true the accounts payable was wrongly classified but all the financial statements have been adjusted accordingly.	Acting Receiver Official	Resolved	-
2.1	Cash and bank balance	It is true the bank certificates belonging to Bankruptcy Estate and Company Liquidation for the year ended 30 <sup>th</sup> June 2017 for both Mombasa and Kisumu Stations were not availed for scrutiny by the external auditors. The bank certificates have now been availed for scrutiny.	Acting Receiver Official	Not Resolved	-
2.2	Short Term Deposits	It is true the bank certificates belonging to Bankruptcy Estate and Company Liquidation for the year ended 30 <sup>th</sup> June 2017 for both Mombasa and Kisumu Stations were not availed for scrutiny by the external auditors. The bank certificates have now been availed for scrutiny	Acting Receiver Official	Not Resolved.	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial Statements. The entity financial statements were approved on 26/3/ 2019 and signed by;



Ag. Official Receiver



Chief Accountant