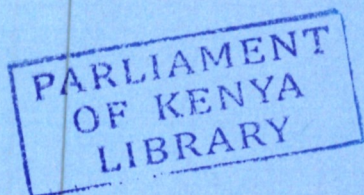


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF



THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
PUBLIC TRUSTEE OF KENYA**

**FOR THE YEAR ENDED
30 JUNE 2017**



PUBLIC TRUSTEE OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Public Trustee of Kenya is a department established under the Public Trustee Act (chapter 168) laws of Kenya. It is a department working independently within the state law office and it is headed by the Administrator General.

b) Principal Activities

The mission of the Public Trustee is to provide professional, efficient and effective trustee services in administration of trusts and estates through competent staff.

c) Key Management

The Public trustee's day-to-day management is under the following key organs:

- The administrator general.
- The Chief State Counsel
- The Deputy Chief State Counsel
- The chief accountant.

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Public Trustee	Eunice J. Sawe – MBS
2.	The Chief State Counsel	Concepta N. Wasilwa
4.	The Chief State Counsel	Lucy W. Mugo
5.	The Chief Accountant	Mildred E. Akoth

Public Trustee of Kenya
Annual Report for Financial Statements
For Financial Year Ended 30th June, 2017

e) Public Trustee of Kenya Headquarters

Office of the Attorney General & Department of Justice
P. O. Box 49672 – 00100,
Sheria house,
Harambee Avenue,
Nairobi, Kenya

f) Public Trustee of Kenya Contacts

Sheria House
3rd Floor
Telephone: (254) 2227461
E-mail: p.t@ag.go.ke
Website: www.attorney-general.go.ke

g) Public Trustee's Bankers

1. National Bank of Kenya,
Harambee Avenue Branch,
P. O. Box 60000,
City Square 00200,
Nairobi, Kenya.
2. CFC Stanbic Bank,
Kenyatta Avenue Branch,
P. O. Box 30556
Nairobi, Kenya.

h) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P. O. Box 30084

GPO 00100

Nairobi, Kenya

i) Principal Legal Adviser

The Attorney General

Office of the Attorney General & Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. MANAGEMENT TEAM

Name	Main area of responsibility
1. Eunice J. Sawe – LLB, (MBS)	Overall administration and coordination of Trustee Services, Estates and Trust funds.
2. Lucy W. Mugo – LLB	Supervising the running of day to day operations of the fund.
3. Concepta N. Wasilwa LLB	Supervising finalization and handing over of the estates.
4. Mildred E. Akoth – CPA(K), MBA	Coordinating and advising on financial matters.

III. REPORT OF THE PUBLIC TRUSTEE

I have pleasure in presenting my report for the financial year 2016 -2017. We have achieved an outstanding financial result which is very pleasing. The results of our other performance measures are also pleasing. The Public Trustee surveys its clients to gauge feedback as to the standard of service we provide. Our largest client group is our beneficiaries. The services we provide to them is at the core of our business. We are looking forward to continuing our client centric journey of excellence and to realising the vision of being a world leading trustee organization. Over the past two years the Public Trustee has undertaken a significant transformation program focused on improving client outcomes, enhancing systems and processes, developing staff and changing the inherent culture of the organisation.

The Public Trustee has seen two major projects delivered that have improved service delivery and client experience whilst creating a platform for Public Trustee to be a world leading trustee into the future. Core to this transformation and to the future success of the institution is a commitment to placing our clients at the centre of all decisions we make on their behalf. We are excited to see this happening each and every day. Our clients are benefiting from easier contact, improved systems and processes, new products and much stronger transparency and accountability throughout the organisation. During the year, we will see two more regional offices being established and more estates being finalized.

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The next phase of Public Trustee's development includes automation and continuous improvement, enhanced customer service delivery towards becoming a world leading trustee organisation. As our focus changes to continual business improvement, commercial growth and customer focus, investment in our digital strategy will become increasingly important over the next two years.

It is my pleasure to present the Annual Report for the year ended 30 June 2017.

Cash and cash equivalents in the year 2016/2017 is Kshs.2,167,739,000 while in the year 2015/2016 it was Kshs.3,652,986,000. This variance was caused increment in investment in Treasury Bills portfolio by close of business as at 30th June, 2017.

Investment and deposits in the year 2015/2016 stood at Kshs.603,531,000.00 while in the 2016/2017 stood at Kshs.335,209,000.00. This variance was caused by withdrawal of deposits during the financial year. However the Financial statements did put into consideration the dormant deposits totaling Kshs.111,408,000.00 which are under the management of the Central Bank Deposits Protection Fund department.

The organization achieved a surplus for the financial year of Ksh.299,078,000.00 compared with a surplus last year of Ksh.75,600,000.00

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Factors contributing to the result were:

- Total revenue from activities was 73% higher compared to last year.
- Total expenses from ordinary activities decreased by 3.6% during the year.
- Corporate investments remained constant.
- Dedicated team of staff.

PUBLIC TRUSTEE

Eunice J. Sawe, MBS

Sign:..........Date: 30th September, 2017

IV. CORPORATE GOVERNANCE STATEMENT

The Public trustee

The Public Trustee was established in 1925 by an Act of parliament (Cap, 168 laws of Kenya) to provide services in the administration of estates and trustee within the organizational framework of the Department of the Administrator General in the office of the Attorney General.

The Public trustee is mandated to perform the following functions:-

- ❖ Administration of estates.
- ❖ Administration of trusts.
- ❖ Issuance of Estate Duty Certificates
- ❖ Administration and custodianship of enemy property.

Our Mission, Vision and Values

Throughout the Public Trustee, we seek to apply our mission, vision and values to decision making, programs and policies at every level. The Mission states the purpose of the Public Trustee- the reason for our existence.

The Vision is the goal for the future; it states where the Public Trustee, as an organization, is heading.

The Values guide our behaviour and are based on the shared beliefs of the employees of the Public Trustee.

Mission Statement – to provide professional, efficient and effective trustee services in administration of trusts and estates through competent staff to all Kenyans.

Vision Statement – to be the best trustee in the world through service excellence.

Values Statement

In seeking to achieve the mission and vision of the Public Trustee, the primary values of the staff and management of the Public Trustee are:-

- **Respect** – personal and professional respect for each other and our clients.
- **Service** – a client service focus achieved by team work across the whole organization.
- **Integrity** – open, honest and ethical service delivery.
- **Impartiality** – the staff are committed to service delivery indiscriminately.

The Public Trustee is committed to achieving and demonstrating the highest standards of corporate governance. Beneficiaries fund under management of the public trustee, which total Ksh.9,449,220,000 continue to be the core area of business for the organization. The interest rate paid by the Public trustee during the year was competitive and reflected market trends. Interest rates paid to beneficiaries was 3% per annum.

The Public Trustee regularly reviews its various strategies and policies. The Risk Management and Business Continuity Plans are reviewed annually. The Public Trustee remained committed to active management of risk within all areas of the organization. The Risk Management Committee meets regularly under the chair of Public Trustee, continuously monitoring different subjects each month and the introduction of incident reporting system, provide the committee with better focus on areas of concern. This enabled more meaningful assessment of risk to be made.

Corporate governance continues to be a matter of focus for the Public Trustee. The management team comprises of graduates from various universities recognized in Kenya, through which they maintain their professional development, corporate governance knowledge and skills.

Some of the key opportunities for improvement over the next twelve months include a continuation of our client service focus training through workshops for our leadership group and employees on integrity and ethics; accountability; client service delivery and problem solving and decision making. One of the major responsibilities of the Public Trustee is to manage risk, not only in the interest of the Public Trustee as an entity, but also to protect the interest of its clients. The Risk Management Committee is responsible for monitoring corporate risk assessment processes and controls and the establishment of, and ongoing compliance with, an internal risk control framework.

The Public Trustee manages large sums of money on behalf of its clients. It has established an Investment Committee which also has responsibility for the oversight of the organization's investment review processes to ensure that appropriate client investment decisions are made. Clients are assured that the Public Trustee has the necessary safeguards in place to protect their interests. These arrangements ensure that the Public Trustee has the appropriate governance structures in place to enable it operate as a successful Government Institution.

V. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Public Trustee by its own existence is a social responsibility of the government to the community.

In accordance with the provisions contained in Public Trustee Cap 168, Community Service Obligations have been declared to encompass the responsibility of the Public Trustee to administer estates, trusts and the financial affairs of represented persons, notwithstanding that the financial value of these matters prohibits full cost recovery.

Helping the Community

One of our key objectives is to be an organization that exhibits a sense of social responsibility by having regard to the interests of the communities in which it operates.

Public Trustee was established in 1925 to provide all Kenyans with independent and reliable trustee services. Public Trustee look after trustee needs in our communities and it provide custody of wills free of charge to those who appoint it to manage their estates. Public Trustee gives free legal advices to the communities around it. Public Trustee also offers Public Sensitization on the laws pertains to succession free of charge.

VI. STATEMENT OF PUBLIC TRUSTEE'S RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 requires the Public Trustee to prepare financial statements, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Public Trustee is also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Public Trustee is also responsible for safeguarding the assets of the entity.

The Public Trustee is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. 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 entity; (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

Public Trustee of Kenya
Annual Report for Financial Statements
For Financial Year Ended 30th June, 2017

due to error or fraud; (vi) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Public Trustee accepts responsibility for the entity's financial statements, which have been prepared on the Accrual Basis method of Financial Reporting, using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in accordance with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Public Trustee is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date.

The Public Trustee further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Public Trustee to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The entity's financial statements were approved by the Public Trustee on 29th September, 2017 and signed on its behalf by:

Public Trustee.....  30/09/17

VI. REPORT OF INDEPENDENT AUDITORS

The Auditor General is responsible for the statutory audit of the Public trustee in accordance with the Section 84 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

VII. REPORT OF THE PUBLIC TRUSTEE

The Public Trustee submits the report together with the financial statements for the year ended June 30, 2017 showing the performance and financial status of the Public Trustee.

Principal Activities

Public Trustee is the largest trustee organisation in Kenya, with 19 Regional offices which delivers many benefits to the people of Kenya, the most important of these being professional administration and management of deceased persons' estates, trusts for minors and people with mental disabilities and acting as custodian trustee. The principal activities of the Public Trustee are to administer estates and trusts on behalf of the beneficiaries.

Results

Pursuant to the Financial Administration and Audit Act, 19 and the Public Trustee Act 1983, I hereby submit the Annual Report for the year ended June, 30, 2017. The Report is a concise account of collective efforts, achievements and performance in delivering accessible, affordable and timely trustee services to the people of Kenya. We remain committed to delivering our services in accordance with the highest standards with an organisational culture of dignity and respect for all. The results of the entity for the year ended June 30, 2017 are set out on pages 15 through 20.

Appreciation

The success of any organisation is not possible without the support and assistance of a large number of people who usually, as in this report, are not separately identified. Thanks must go to Public Trustee Staff who has continued to provide courteous, effective and efficient service to client and have wholeheartedly involved themselves in the development of client service standards. I am constantly encouraged by the large number of staff who, in the best traditions of Public Service are without vote of thanks or acknowledgement, choose to make a difference by going far beyond the call of duty to safeguard the welfare of our clients and provide great client service.

My sincere thanks also goes to the Attorney General, **Professor Githu Muigai**, and the Solicitor General **Mr. Njee Muturi** for their assistance, encouragement, wise counsel and advice. Their support for the organisation was greatly appreciated.

PUBLIC TRUSTEE

Eunice J. Sawe, MBS

Sign: 

Date: 30/09/17

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PUBLIC TRUSTEE OF KENYA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Public Trustee of Kenya set out on pages 15 to 30, which comprise the statement of financial position as at 30 June 2017, and a statement of financial performance for the year then ended, and a summary statement of cash flows 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 my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Public Trustee of Kenya as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

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

Basis for Qualified Opinion

1. Deposits – Imperial Bank

Included in the deposits balance of Kshs.135,400,000 as reflected in Note 13 to the financial statements is Investment Income account balance of Kshs.95,000,000 which in turn includes Kshs.75,000,000 which was held in Imperial Bank before it went under. To date, the deposits have not been recovered although Public Trustee has written to Central Bank (Kenya Deposits Insurance Corporation) and the Liquidator of the former bank requesting for the recovery of their deposits, through letters dated 20 June 2017 and 28 June 2017.

In the circumstances, the recoverability of the deposits of Kshs.75,000,000 could not be ascertained.

Report of the Auditor-General on the Financial Statements of Public Trustee of Kenya for the year ended 30 June 2017

2. Unsupported Investment

The statement of financial position reflects investments of Kshs.199,809 as at 30 June 2017. Additionally, investments worth 53,322,218 were not supported. Further, an amount of Kshs.111,408,000 was indicated as dormant deposits with the Deposit Protection Fund. No reason was provided for not seeking refund of the dormant deposits.

In consequence, the accuracy and completeness of the investment balance of Kshs.199,809 could not be ascertained as at 30 June 2017.

3. Interest Income on Deposits and Treasury Bills

The statement of financial performance indicates investment income of Kshs.621,142,000 as 30 June 2017. However, Management indicates in its response on variances between previous year actual interest income that the amount increased from Kshs.395,614,000 to Kshs.712,519,000 as at 30 June 2017. The difference of Kshs.91,377,00 between the amount shown in the statement of financial position and the response has not been explained.

Consequently, the accuracy and completeness of the interest income could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Public Trustee of Kenya 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 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 confirm that there were no Other Key Audit Matters to communicate in my report

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Public Trustee's ability to sustain services, disclosing, as applicable, matters related to sustainability of services unless the management either intends to liquidate the Public Trustee 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.

Those charged with governance are responsible for overseeing the Public Trustee's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Public Trustee's 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 Public Trustee's ability to continue as a going concern or 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 Public Trustee to cease 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 Public Trustee's 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

13 July 2018

IX. STATEMENT OF FINANCIAL PERFORMANCE

PUBLIC TRUSTEE CONSOLIDATED ACCOUNT				
STATEMENT OF FINANCIAL PERFORMANCE				
FOR FINANCIAL YEAR ENDED 30TH JUNE 2017				
	Note	2016/2017	2015/2016	
		KSHS	KSHS	
Revenue				
<i>Income From Exchange Services</i>				
<i>Public Trustee Fee</i>	3	64,378,000	51,984,000	
<i>Income From Non-Exchange Services</i>				
<i>Finance income- External Investments</i>				
<i>Interest received on Treasury Bills & Deposits</i>	4	305,202,000	262,825,000	
<i>Interest received on current Account</i>	5	149,000,000	90,817,000	
<i>Other income</i>	6	4,700,000	2,387,000	
<i>Finance income- outstanding receivables</i>				
<i>Accrued interest on Treasury bills</i>	7	162,142,000	31,155,000	
<i>Accrued interest on deposits</i>		1,272,000	10,817,000	
Total revenue		<u>686,694,000</u>	<u>449,985,000</u>	
Expenses				
<i>Administrative Expenses</i>	8	36,948,000	29,807,000	
<i>General Expenses</i>	9	10,196,000	21,063,000	
<i>Financial cost</i>		94,000	31,000	
Total Expenses		<u>47,238,000</u>	<u>50,901,000</u>	
Surplus/(Deficit before appropriation)		<u>639,456,000</u>	<u>399,084,000</u>	
<i>Public Trustee Fees Account</i>		(64,378,000)	(51,984,000)	
<i>Provision for interest due to beneficiaries</i>		(276,000,000)	(271,500,000)	
Surplus/(Deficit after appropriation)		<u>299,078,000</u>	<u>75,600,000</u>	

The notes set out on pages 20 to 23 form an integral part of the Financial Statements

PUBLIC TRUSTEE

Eunice J. Sawe, MBS

Sign:  Date: 30/09/17

Public Trustee of Kenya
 Annual Report for Financial Statements
 For Financial Year Ended 30th June, 2017

X. STATEMENT OF FINANCIAL POSITION

PUBLIC TRUSTEE CONSOLIDATED ACCOUNT				
STATEMENT OF FINANCIAL POSITION				
FOR FINANCIAL YEAR ENDED 30TH JUNE 2017				
		2016/2017		2015/2016
		KSHS		KSHS
Current Assets				
Cash and Cash Equivalents	10	2,167,739,000		3,652,986,000
Receivable from Non Exchange Transactions				-
Treasury Bills	11	8,440,000,000		5,875,325,000
Interest Receivable	12	163,413,000		41,972,000
Total Current Assets		<u>10,771,152,000</u>	-	<u>9,570,283,000</u>
Non Current Assets				
Deposits	13	135,400,000		350,400,000
Investment at cost	14	199,809,000		253,131,000
Total Non Current Assets		<u>335,209,000</u>		<u>603,531,000</u>
Total Assets		<u>11,106,361,000</u>		<u>10,173,814,000</u>
Non Current Liabilities				
Beneficiaries Fund	15	9,173,220,000		8,634,885,000
Interest provision due to beneficiaries	16	276,000,000		271,500,000
Beneficiaries Fund		<u>9,449,220,000</u>		<u>8,906,385,000</u>
Total Liabilities		<u>9,449,220,000</u>		<u>8,906,385,000</u>
Net Assets		<u>1,566,507,000</u>		<u>1,267,429,000</u>
Accumulated Surplus		1,267,429,000		1,191,829,000
Surplus/(Deficit)for the Year		299,078,000		75,600,000
Total Net Assets and Liabilities		<u>1,566,507,000</u>	-	<u>1,267,429,000</u>

The Financial Statements set out on pages 15 to 19 were signed on behalf of the Public Trustee by:

PUBLIC TRUSTEE

Eunice J. Sawe, MBS

Sign: 

Date: 30/09/17

XI. STATEMENT OF CHANGE IN NET ASSETS

PUBLIC TRUSTEE CONSOLIDATED ACCOUNT			
STATEMENT OF CHANGE IN NET ASSETS			
FOR FINANCIAL YEAR ENDED 30TH JUNE 2017			
Attributable to the owners of the controlling entity			
	2017		2016
	KSHS		KSHS
Balance as at 1st July	1,267,429,000		1,191,829,000
Surplus/(Deficit)for the period	299,078,000		75,600,000
Transfer to/From Accumulated Surplus	-		-
Balance as at 30th June	<u>1,566,507,000</u>	-	<u>1,267,429,000</u>

PUBLIC TRUSTEE

Eunice J. Sawe, MBS

Sign: Date: 30/09/17

Public Trustee of Kenya
Annual Report for Financial Statements
For Financial Year Ended 30th June, 2017

XII. STATEMENT OF CASH FLOW

PUBLIC TRUSTEE CONSOLIDATED ACCOUNT			
CASH FLOW STATEMENT			
FOR FINANCIAL YEAR ENDED 30TH JUNE 2017			
		2016/2017	2015/2016
	<i>Notes</i>	KSHS	KSHS
Cash Flow From Operating Activities			
Receipts			
Other Income	6	4,700,000	2,387,000
Total Receipts		<u>4,700,000</u>	<u>2,387,000</u>
Payments			
Administrative Expenses	8	36,948,000	40,866,000
General Expenses	9	10,196,000	10,004,000
Total Payments		<u>47,144,000</u>	<u>50,870,000</u>
Net cash flow from operating activities		<u>(42,444,000)</u>	<u>(48,483,000)</u>
Cash Flow From Investing Activities			
Receipts			
Interest received from treasury bills & deposits	4	305,202,000	262,825,000
Interest received from current accounts	5	149,000,000	90,817,000
Total cash flow from investing activities		<u>454,202,000</u>	<u>353,642,000</u>
Total cash flow from financing activities			
Receipts			
Receipts from administration account		4,826,683,000	8,069,021,000

Public Trustee of Kenya
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For Financial Year Ended 30th June, 2017

<i>Receipts from trust account</i>		1,173,839,000	3,961,030,000
Total receipts from financing activities		<u>6,000,522,000</u>	<u>12,030,051,000</u>
Payments			
<i>Financing cost</i>		94,000	31,000
<i>Advances and final dues administration account</i>		6,815,783,000	9,465,562,000
<i>Advances and final dues trust account</i>		1,081,400,000	435,235,000
Total payments		<u>7,897,277,000</u>	<u>9,900,828,000</u>
Net cash inflows from financing activities		<u>(1,896,755,000)</u>	<u>2,129,223,000</u>
Net cash out flow		<u>(1,484,997,000)</u>	<u>2,434,382,000</u>
Cash and cash equivalents as at 1st July 2016		<u>3,652,736,000</u>	<u>1,218,354,000</u>
Cash and cash equivalents as at 30th June 2017		<u>2,167,739,000</u>	<u>3,652,736,000</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Public Trustee of Kenya financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Public trustee and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

1. Summary of significant accounting policies

a) Revenue recognition

i. Revenue from non-exchange transactions

• Public trustee fees

The entity recognizes revenues from fees when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

• Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. However during the year, Public Trustee did not have such revenue.

ii. Revenue from exchange transactions

• **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The main source of interest is Treasury bills. The entity also earns interest from current account and fixed deposits.

b) Taxes

Public trustee main source of income is interest from Treasury Bills and Fixed deposits from various financial institutions of which withholding tax is charged at source.

c) Financial instruments

i. Financial assets

• **Treasury Bills**

Public trustee invests heavily on treasury bills due to their nature in terms of risk (risk free). It therefore recognizes treasury bills whose maturity date falls beyond the end of the financial year being reported on. These treasury bills are recognized as a current asset and are quoted at face value less withholding tax and interest.

• **Deposits**

Fixed deposits held with various banks are reported under non-current assets and recognized as assets. These deposits are stated at the recoverable amounts. Accrued interest (interest receivable) on Treasury bills, current accounts and fixed deposits is also recognized as a current asset pro rata.

d) Provisions for Interest due to beneficiaries

Public trustee invests both in treasury bills and fixed deposits of which the interest thereof is distributed back to the beneficiaries. The amount of provision is arrived at the prevailing average interest rates on Treasury bills in the year under review of which it constitutes more than 98% of the total Public Trustee investments. In the financial year under review, the Treasury Bills had an average rate of interest of 10%. The interest distributed in the year was at 3%. The variance was caused by withholding tax deducted and money on call which cannot be invested for advances and final dues.

e) Contingent liabilities

Public trustee did not have a contingent liability in the year under review, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

f) Contingent assets

Public trustee did not have a contingent asset in the year under review, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

g) Nature and purpose of reserves

The Public trustee creates and maintains reserves in terms of specific requirements such as interest to beneficiaries, statutory requirements and any other contingent liabilities.

h) Changes in accounting policies and estimates

Public trustee have recognized the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

We have therefore adopted the accrual basis of accounting for the year ended June 30th 2017 as well as the preceding financial year (year ended June 30th 2016) for comparative purposes.

In order to make the financial statements more concise and clear, we have consolidated the expenditure into two classes whose details are now presented in the notes. This has no effect on the financial performance and position.

i) Cash and cash equivalents

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

j) 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, 2017.

3. Public Trustee Fees

Public Trustee fee is a statutory charge to administration and trust estates under the administration of the Public Trustee. The same is charged when the administration of an estate is concluded and handed over to the beneficiaries and is remitted to the Solicitor General's account in form of government revenue.

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Summary as per table below

<i>STATION</i>	<i>2017</i>	<i>2016</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Administration - Nairobi</i>	<i>8,999,482</i>	<i>6,487,000</i>
<i>Trust Estates - Nairobi</i>	<i>2,507,522</i>	<i>1,612,000</i>
<i>Nakuru</i>	<i>4,324,498</i>	<i>4,578,000</i>
<i>Nyeri</i>	<i>2,252,123</i>	<i>5,534,000</i>
<i>Machakos</i>	<i>14,279,846</i>	<i>5,029,000</i>
<i>Malindi</i>	<i>535,825</i>	<i>1,762,000</i>
<i>Mombasa</i>	<i>5,560,284</i>	<i>4,548,000</i>
<i>Embu</i>	<i>2,398,346</i>	<i>4,267,000</i>
<i>Eldoret</i>	<i>4,589,458</i>	<i>3,929,000</i>
<i>Kakamega</i>	<i>5,814,404</i>	<i>4,320,000</i>
<i>Kisii</i>	<i>7,056,119</i>	<i>4,864,000</i>
<i>Kisumu</i>	<i>4,754,680</i>	<i>3,703,000</i>
<i>Garissa</i>	<i>978,759</i>	<i>915,000</i>
<i>Meru</i>	<i>326,786</i>	<i>436,000</i>
<i>Total</i>	<i><u>64,378,134</u></i>	<i><u>51,984,000</u></i>

4. Interest Received on Treasury Bills and Deposits

<i>Account</i>	<i>2017</i>	<i>2016</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Administration - Nairobi</i>	<i>119,671,423</i>	<i>75,541,000</i>
<i>Trust Estates - Nairobi</i>	<i>43,097,866</i>	<i>21,473,000</i>
<i>Investment Income Account</i>	<i>35,989,326</i>	<i>103,394,000</i>
<i>Sundry Expense Account</i>	<i>17,994,663</i>	<i>43,415,000</i>
<i>Total</i>	<i><u>216,753,278</u></i>	<i><u>243,823,000</u></i>
<i>Interest on deposits</i>	<i>88,448,939</i>	<i><u>19,003,000</u></i>
<i>Total</i>	<i><u>305,202,217</u></i>	<i><u>262,826,000</u></i>

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5. *Interest Received on Current Account*

<i>Public Trustee Administration Account</i>	132,170,000
<i>Public Trustee Investment Income Account</i>	4,193,000
<i>Public Trustee Trust Estates Account</i>	11,451,000
<i>Public Trustee Sundry Expenses Account</i>	1,188,000
Total	149,000,000

6. *Other Income*

	<i>2017</i>	<i>2016</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Regional Offices</i>	4,164,000	2,219,909
<i>Nairobi</i>	536,000	167,300
Total	4,700,000	2,387,000

7. *Accrued Interest on Treasury Bills and deposits*

	<i>2017</i>	<i>2016</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Interest receivable on deposits</i>	1,272,000	10,817,000
<i>Interest receivable on treasury bills</i>	162,142,000	31,155,000
Total	<u>163,414,000</u>	<u>41,972,000</u>

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8. *Administrative Expenses*

	2017	2016
	Kshs	Kshs
<i>Daily Subsistence Allowance</i>	11,337,000	13,201,000
<i>Community Sensitization</i>	13,666,000	15,708,000
<i>Field Services</i>	11,944,000	11,957,000
	36,948,000	40,866,000
<i>Financial cost</i>	94,000	31,000
Total	<u>37,042,000</u>	<u>40,897,000</u>

9. *General Expenses*

	2017	2016
	Kshs	Kshs
<i>Hospitality Supplies and Services</i>	1,030,000	1,936,000
<i>Repairs and Maintenance</i>	1,180,000	1,233,000
<i>Printing, Postage and Courier</i>	7,986,000	6,835,000
Total	<u>10,196,000</u>	<u>10,004,000</u>

10. *Cash and cash equivalents*

	2017	2016
	Kshs	Kshs
<i>Administration Account</i>	1,695,929,085	3,121,649,000
<i>Investment account</i>	346,304,505	261,137,000
<i>Public Trustee Trust Estates Account</i>	66,746,543	197,762,000
<i>Sundry Expenses Account</i>	58,759,100	72,438,000
Total	<u>2,167,739,233</u>	<u>3,652,986,000</u>

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11. Treasury Bills

	2017	2016
	Kshs	Kshs
<i>Administration Account</i>	5,800,000,000	3,595,959,000
<i>Investment account</i>	1,000,000,000	963,408,000
<i>Public Trustee Trust Estates Account</i>	1,140,000,000	834,254,000
<i>Sundry Expenses Account</i>	500,000,000	481,704,000
Total	<u>8,440,000,000</u>	<u>5,875,325,000</u>

12.. Interest receivable

	2017	2016
	Kshs	Kshs
<i>Interest receivable on deposits</i>	1,272,000	10,817,000
<i>Interest receivable on treasury bills</i>	162,142,000	31,155,000
Total	<u>163,414,000</u>	<u>41,972,000</u>

13. Deposits

	2017	2016
	Kshs	Kshs
<i>Administration Account</i>	35,000,000	85,000,000
<i>Investment Income Account</i>	95,000,000	240,000,000
<i>Trust Estates Account</i>	5,400,000	5,400,000
<i>Sundry Account</i>	-	20,000,000
Total	<u>135,400,000</u>	<u>350,400,000</u>

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14.. Investment at cost

Investment at cost refers to deposits held with various defunct financial institutions which were converted into non-cumulative preference shares and ordinary shares.		
	<i>Kshs</i>	<i>Kshs</i>
Consolidated bank of Kenya Ltd 2,196,155 4% non-cumulative preference shares of Kshs 20@	43,923,000	43,923,000
City Finance bank Ltd 25,126 ordinary shares of Ksh 1,000@	25,126,000	25,126,000
Trust Bank Ltd 415,761 ordinary shares of Kshs 5@ at a discounted rate of Kshs 4	1,663,000	1,663,000
Consolidated bank of Kenya Ltd 660,600 ordinary shares of Kshs 20@	13,212,000	13,212,000
Total	<u>83,924,000</u>	<u>83,924,000</u>
Sundry Account		
4% non cumulative preference shares at Kshs 20@ Consolidated bank of Kenya Ltd	4,477,000	4,477,000
Total Investment	<u>88,401,000</u>	<u>88,401,000</u>
Dormant deposits- financial institutions under the management of the central bank deposits protection fund	111,408,000	164,730,000
Total	<u>199,809,000</u>	<u>253,131,000</u>

15.. *Beneficiary funds*

	<i>2017</i>	<i>2016</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Public Trustee Trust Estates Account</i>	<i>1,137,729,000</i>	<i>1,035,925,000</i>
<i>provision for the year</i>	<i>31,000,000</i>	<i>40,000,000</i>
<i>Trust estates total beneficiaries fund</i>	<u><i>1,168,729,000</i></u>	<u><i>1,075,925,000</i></u>
<i>Public Trustee Administration Account</i>	<i>8,035,491,000</i>	<i>7,599,460,000</i>
<i>provision for the year</i>	<i>245,000,000</i>	<i>231,000,000</i>
<i>Administration total beneficiaries fund</i>	<u><i>8,280,491,000</i></u>	<u><i>7,830,460,000</i></u>
<i>Total</i>	<u><i>9,449,220,000</i></u>	<u><i>8,906,385,000</i></u>

16. *Provision due to beneficiaries - annual interest*

	<i>2017</i>	<i>2016</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Administration estates</i>	<i>245,000,000</i>	<i>231,500,000</i>
<i>Trust estates</i>	<i>31,000,000</i>	<i>40,000,000</i>
<i>Total</i>	<u><i>276,000,000</i></u>	<u><i>271,500,000</i></u>

The above provision for interests to beneficiaries results from the average interest earned within the year under review taking into consideration the reserves i.e. (Cash on call) reserved in servicing our clients within the year. In the year under review, the provision was based on 3% of the beneficiaries' fund.

16. Immovable properties

The financial statements do not include the movable and immovable properties though attached herein. This is due to the technical nature of the value and true identity of the said assets. The public trustee is the administrator of the last resort and therefore does not have the power to enforce

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the valuation and other disclosures in regard to the assets by the beneficiaries. The concern of the beneficiary is only restricted to change to their titles.

Also it is the beneficiaries that bear the valuation cost and therefore they don't cooperate. Therefore including assets without proper value may not be prudent and the accounts may not present a fair value.

It is the public trustee policy not to include such assets but only disclose where possible.

PUBLIC TRUSTEE

Eunice J. Sawe, MBS

Sign:.....

Date:.....*30th Sept. 2017*