

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 07 MAR 2024

DAY

Pitua
Hon Naomi Waga MP
Deputy Majority Whip
A. Shubuko
THE AUDITOR-GENERAL

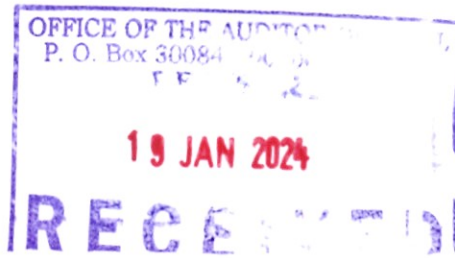
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ON

**STATE CORPORATIONS APPEAL
TRIBUNAL**

**FOR THE YEAR ENDED
30 JUNE, 2023**





STATE CORPORATIONS APPEAL TRIBUNAL

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023

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

1. 3. 4. 5. 6.

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1. Acronyms and Glossary of Terms

PFM	Public Finance Management
SCAT	State Corporations Appeal Tribunal
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards.
PSASB	Public Sector Accounting Standards Board
LLB	Bachelor of Laws
LSK	Law Society of Kenya
KSL	Kenya School of Law

2. Key Entity Information and Management

(a) Background information

The State Corporations Appeal Tribunal was established in 1987 under the State Corporations Act Cap. 446, section 22 (1) as a statutory regulatory body. It commenced operations in 2000 when the Tribunal Court was set up and started receiving appeals from persons surcharged. The Tribunal was established to deal with the increased cases of surcharge/disallowance in State Corporations and also provide an avenue for redress to those who felt aggrieved from decision of surcharge/disallowance made by the Inspector General of State Corporations.

(b) Principal Activities

The functions of the Tribunal are to:-

- hear and determine appeals from those surcharged;
- make and deliver judgment on appeals;
- hear appeals from the Inspector of State Corporations in case of non-payment; and
- order investigations into the operations of those surcharged;
-

VISION

To be a model Tribunal in dispute resolution.

MISSION

To provide justice and improved governance in national and county corporations through a fair, expeditious, just and accessible dispute resolution mechanism.

CORE VALUES

- Fairness
- Justice
- Impartiality
- Transparency
- Integrity
- Professionalism

(c) Key Management

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

- Board
- Tribunal Secretary
- Management

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Tribunal Secretary	Tom Odede
2.	Head of Human Resource	Trizah Mwasi
3.	Head of Accounts	Naomi Mwai

(e) Fiduciary Oversight Arrangements

- Internal Audit
- Parliament
- Office of the Auditor General
- Inspector General-State Corporations

(f) Entity Headquarters

Re-Insurance Plaza, 7th floor,
Taifa Road,
P.O Box 56653 00200,
Nairobi, KENYA

(g) Entity Contacts

Telephone: (254) 0203318374/5/6
Email: info@scat.go.ke
Website: www.scat.go.ke

(h) Entity Bankers

National Bank of Kenya Limited,
Harambee Avenue
P.O Box 72866 00200
NAIROBI

Kenya Commercial Bank,
K.I.C.C Branch.
P.O Box 46950 00100
NAIROBI

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(i) Independent Auditors

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

(j) Principal Legal Advisor

The Attorney General
Office of the Attorney General and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. The Board of Directors



MR. David N Njoroge- Member

Mr. Njoroge holds a Bachelors in Laws (LL.B) from Makerere University, Kampala and a Post Graduate as well as a Diploma in Law from the Kenya School of Law.

Mr. David Njuguna is an advocate of the High Court of Kenya; He is currently working at Njuguna &Njuguna Co. Advocates, in Embu. He is a member of Law Society of Kenya (LSK). He is an Accredited Mediator by MAC Judiciary and a Certified Arbitrator of Fellow status (FCI Arb) of the Chartered Institute of Arbitrators United Kingdom and the Kenyan Branch.
D.O.B :1981



Mr. Tom Odede - Secretary

Mr Odede holds a Bachelor in laws (LLB) from the University of Ailahabad, India and a post graduate diploma in law from the Kenya School of Law.

Mr. Tom Odede is an advocate of the High Court of Kenya; He is currently working at the Office of the Attorney General and Department of Justice as a State Counsel and Secretary to the Tribunal. He is a member of Law Society of Kenya (LSK).

D.O.B :1976

4. Key Management Team



Mr. Tom Odede
LLB, Dip. Ksl
Tribunal Secretary



Naomi Mwai
BM Accounts. CPA(K)
Head of Accounts



Ms. Trizah Mwasi
BCom. Dip. Kim
Head Of Human Resource.

5. Report of the Secretary



The Tribunal prepares its financial statements at the end of each financial year as required by the Public Audit Act, 2015.

The Tribunal is fully funded by the Government. In the financial year, the Tribunal was allocated Kshs. 23,772,404 for recurrent expenditure and Kshs.50 million was approved as A-I-A.

The Statement of financial performance in the financial statements (page 1) outlines how the Tribunal utilized this funding for efficient operation and achievement of its objectives.

The achievements during the year include;

- The Tribunal was able to develop its interactive website which is up now, www.scata.go.ke.
- The Tribunal's has developed its Registry manual waiting for adoption.
- The Tribunal was able to review the staff establishment and develop the salary structures which were submitted for approval by the Public Service Commission (PSC)
- The Tribunal was able to review its Financial Policies and The Procedures Manual ready for adoption
- The Tribunal started its journey of developing risk management framework and data protection policy.

However, during the year the Tribunal faced the following challenges:

- The Tribunal Board was not able to discharge its statutory mandate as it was not fully constituted after the term of the Chairman and one Board member expired without replacement.
- The Tribunal did not receive any cases from the Inspectorate of State Corporations.
- Staff capacity gaps occasioned by the existing Tribunal grading structure and structural organization, which is currently under review.

The Tribunal has raised the above challenges with the relevant authorities for the purpose of improving its operations.


.....

Tom Odede

Secretary

6. Statement of Performance against Predetermined Objectives for FY 2022/23

State Corporations Appeal Tribunal has 3 strategic pillars within the current Strategic Plan for the FY 2019/2020 to 2023/2024. These strategic pillars are as follows:

Pillar 1: Improved Access to and expeditious delivery of justice

Pillar 2: Enhanced Jurisprudence

Pillar 3: Strengthened Institutional Capacity

The Tribunal develops its annual work plans based on the above 3 pillars. Assessment of the Tribunal's performance against its annual work plan is done on a quarterly basis. The Tribunal achieved its performance targets set for the FY 2022-2023 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Activities	Achievements
Improved Access to and expeditious delivery of justice	To Enhance physical access to the Tribunal.	Minor alterations to the Tribunal offices	Procurement process started but was not finalised by the close of the financial year
	To improve mechanisms for case management and dispute resolution	Customize and implement Judiciary's of e-filing and Case Tracking System and adopt recording and transcription systems	Tribunal was able to develop its interactive website though the case management system is yet to be implemented
Enhanced Jurisprudence	To enhance the quality of decisions of the Tribunal.	Participate in peer reviews among members of various tribunals (participate in Tribunals' symposiums).	Not achieved as the Tribunal Board was not fully constituted during the year.

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Strategic Pillar/Theme/Issues	Objective	Activities	Achievements
Strengthened Institutional Capacity	Inform policy development and improve governance in State Corporations	Undertake international benchmarking	
	Strengthen Human Resource Management and Development	-Conduct training needs assessment for staff and implement the recommendations of the report.	-A sensitization programme was organised and this was achieved
	Improve work environment for staff.	-Sensitize members and staff on performance Management & measurement Understandings and Performance Appraisal System (PAS)	-Sensitization programmes are ongoing to sensitize the public especially in the Ask shows
	Enhance financial management systems and resource mobilization.	-Holding awareness forums for State Corporations	
	Mainstream performance management systems in the Tribunal.	-Develop and disseminating of IEC materials	
Enhance visibility of the Tribunal.		Participating in exhibitions and shows	

7. Corporate Governance Statement

Corporate governance is the process and structure by which corporate bodies are directed, controlled and take into account the interest of other stakeholders.

The Board members are responsible for the governance of the Tribunal and is accountable to the stakeholders in ensuring that the Tribunal complies with the laws and the highest standards of business ethics and corporate governance.

Accordingly, the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice for good corporate governance.

Board Members

The roles and functions of the Chairman and the Secretary are distinct and their respective responsibilities clearly defined within the Tribunal. The Board constitutes of the Chairman and two Board Members. The Secretary provides administrative services to the Board.

The Board defines the Tribunal's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The board members bring a wealth of experience and knowledge to the Board's deliberations.

Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Secretary. The Board is however responsible for the overall policy stewardship of the Tribunal. The Secretary attends all meetings and advises the Board on all corporate governance matters as well as prevailing statutory requirements.

Presently the Board does not have operational subcommittees due to the absence of an optimal board.

Board Meetings

The Board holds meetings on a regular basis. Special meetings are called whenever the circumstances dictates in accordance with the procedures of the Tribunal.

In the financial year under audit, the Board was not fully constituted and hence there were no Board Meetings held.

8. Management Discussion and Analysis

Operational and financial performance

The Tribunal operates under the National Treasury where it's fully funded by the Government of Kenya.

Factors that affected the Tribunal performance included lack of board quorum and staff capacity gaps.

Key projects or investments

The Tribunal did not have any key project or investment decision during the last three-to-five-year period.

Major risks facing the Tribunal

The Tribunal faces a governance risk as it lacks a fully functional board as the terms of the Chairman and one Board member lapsed without replacement and hence the Tribunal is unable to discharge its statutory mandate. The Tribunal Secretary has done several correspondences to the National Treasury seeking redress of this matter.

Material arrears and financial obligations

The Tribunal did not have any material arrears and financial obligations during the period from 2020/21 to 2022/2023.

Review of the sector, economy and future developments

The Tribunal is following up on the appointment of the Board Members to make the Tribunal Board to be fully operational. Also, a memorandum for a proposed amendment to the enabling Act has been prepared to expand the Tribunal mandate. The Tribunal is also targeting on opening of regional registries in order to devolve.

In future, the Tribunal proposes to develop a virtual case management system so that litigants and other stakeholders do not have to travel all the way to the Tribunal office but are enabled to participate in the Tribunal proceedings remotely.

9. Environmental and Sustainability Reporting

i. Sustainability strategy and profile

The Tribunal ensures fair and just administrative actions across all the State Corporations and further promotes economic use of public resources as stipulated in article 201 of the constitution.

The Tribunal's strategic plan (2019/20 – 2023/24) has identified two areas of focus. These are: Administrative Justice to State Corporation and Third Parties which is aimed at strengthening dispute resolution handling mechanisms on surcharge-related appeals, strengthening legal and institutional framework under which the Tribunal operates, and strengthening collaboration and partnerships with key stakeholders. The second area of focus is Institutional capacity building which is aimed at increasing Tribunal's visibility, capacity enhancement to undertake its mandate, performance management, and resource mobilization. These areas of focus will improve the performance of the Tribunal and add to the previous record and achievements under the strategic plan (2013/14 -2018/19).

ii. Environmental performance

The strategy of the Tribunal is to collaborate with like-minded institutions to conserve the environment through government initiatives such as tree planting programmes. The Tribunal did not carry out any such programme in the period under review, but will endeavour to participate in such exercises in the next financial year 2022/23. In addition, the tribunal has put in place policy measures to conserve wastage of public utilities such as water and electricity through effective use of the resources with the aim also of conserving the environment. The Tribunal also minimises printing to only what is necessary thus avoiding wastage of papers.

iii. Employee welfare

The Tribunal ensures that its employee's welfare are adequately addressed as they carry out their duties. The Tribunal is guided by a Human Resource Policies and Manual which informs the manner in which employee welfares are addressed.

The Tribunal also provides a comprehensive medical cover for all their staff. Since the outbreak of the Covid 19 pandemic, the Tribunal has continuously provided sanitisers and face masks to all its employees to minimise the spread and control of the disease.

The Tribunal places a high premium on the professional and skills development as part of the empowerment of the employees. To this end, the Tribunal ensures the employees are continuously trained on emerging issues in line of profession. The Tribunal also sponsors the employees to attend Continuous Professional Development events.

Market place practices-

The Tribunal has ensured appropriate market place practises as outlined below:

a) Responsible competition practice.

The Tribunal strives to be a model Tribunal in fair administrative justice for State Corporations and other stakeholders.

b) Responsible Supply chain and supplier relations

In an effort to maintain good business practices, the Tribunal ensures that they pay their suppliers with 30 days from the date of the invoice and that they are no pending bills at the close of the financial year.

c) Responsible marketing and advertisement

The Tribunal is engaged in sensitization programmes in an effort to reach out to the state Corporations through organised conferences and workshops and participating in ASK shows countrywide.

d) Product stewardship

Tribunal observes stakeholders confidentiality by ensuring that the cases are heard between parties and witnesses involved and decisions are made in open courts other than cases involving national security or personal privileged information which are heard behind closed doors.

Files are restricted to parties and no unauthorised persons have access unless specially permitted by law or court order.

iv. Corporate Social Responsibility

In the financial year 2022/23, the Tribunal participated in the 7th edition of the Kaptagat Forest Annual Tree Planting event as a corporate social responsibility to ensure conservation and improvement of the forest cover.

10. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Tribunal's affairs.

i) Principal activities

The principal activities of the Tribunal are

- Receiving certificates of surcharges;
- Registration of new appeals /applications;
- Hearing of appeals/applications;
- Carrying out research and new jurisprudence;
- Writing of judgement and rulings;
- Preparation of witness summons ,orders, proceedings and decrees; and
- Sensitization of the public on the role of the Tribunal

ii) Results

The results of the Tribunal for the year ended June 30, 2023, are set out on page 1 to 5.

iii) Directors

During the financial year 2022/23 the Board was not fully constituted ,this is after the position of Board Member (LSK representative) fell vacant from 1st September 2022 .The positions of the other Board Member (ICPAK representative) fell vacant on 31st March 2014, and for the Chairman on 11th February 2018 when the terms expired.

iv) Surplus remission

The Tribunal did not make any surplus during the year (FY2023 Kshs. Nil) and hence no remittance to the Consolidated Fund.

v) Auditors

The Auditor-General is responsible for the statutory audit of the Tribunal in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act.

By Order of the Board



.....
Tom Odede
Secretary

11. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Entity, which give a true and fair view of the state of affairs of the Entity at the end of the financial year and the operating results of the Entity for that year. The Directors are also required to ensure that the Entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the Entity. The Directors are also responsible for safeguarding the assets of the Entity.

The Directors are responsible for the preparation and presentation of Tribunal's financial statements, which give a true and fair view of the state of affairs of the Tribunal for and as at the end of the financial year ended on June 30, 2023. 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 due to error or fraud; (iv) Safeguarding the assets of the Tribunal; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Tribunal's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act section 14. The Directors are of the opinion that Tribunal's financial statements give a true and fair view of the state of Tribunal's transactions during the financial year ended June 30, 2023, and of the Tribunal's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Tribunal which have been relied upon in the preparation of the Tribunal's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Tribunal 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 Tribunal's financial statements were approved on _____ 2023 and signed on its behalf by:



.....
Tom Odede
Secretary

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE CORPORATIONS APPEAL TRIBUNAL FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of State Corporations Appeal Tribunal set out on pages 1 to 28, which comprise of the statement of financial position

as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts 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 my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Corporations Appeal Tribunal as at 30 June, 2023, 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 and the State Corporations Act, Cap 446.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Corporations Appeal Tribunal Management in accordance with ISSAI 130 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.73,772,404 and Kshs.43,300,681 respectively resulting to an under-funding of Kshs.30,471,723 or 41% of the budget. Similarly, the Tribunal expended Kshs.45,618,410 against an approved budget of Kshs.73,772,404 resulting to an under-expenditure of Kshs.28,153,994 or 38 % of the budget.

The underfunding and under expenditure affected the planned activities of the Tribunal and may have impacted negatively on service delivery to the public.

My opinion is however not modified in respect of this matter.

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. There were no key audit matters to report in the year under review.

Other Matter

Staff Advances Written-Off

As reported previously, staff advances amounting to Kshs.4,479,440 were written off without the approval of the Cabinet as required under Section 69(3) of the Public Finance

Management Act, 2012 and Regulation 148(8) of the Public Finance Management (National Government) Regulations, 2015. The Public Investments Committee (PIC) in the Report for years 2013/2014 to 2016/2017 recommended that the Tribunal write off the staff advances subject to The National Treasury approval. Although The National Treasury was provided with an investigative report and supporting documents from the Tribunal for further consideration, approval for write off had not been obtained as at 30 June, 2023.

In the circumstances, lack of action on Public Investment Committee recommendations was in contravention of the law.

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance 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.

Basis for Conclusion

1. Lack of a Functional Board

As previously reported, the Tribunal has not had a functional Board since 2017/2018 financial year. Only the Tribunal Secretary and one Board Member were in office during the year under review. This is contrary to the provisions of Section 22 of the State Corporations Act, Cap 446 which states that the Tribunal shall consist of a Chairman, appointed by the President, and two other Board Members appointed by the Minister

responsible for matters relating to Finance while the Attorney-General shall appoint a public officer to be the Secretary to the Tribunal. Although Management has stated that the Board of Directors were gazetted in December 2023, the Board was however, not in existence during the period under review.

In the circumstances, the Tribunal did not benefit from oversight and governance roles from the Board of Directors.

2. Lack of Internal Audit Function

As previously reported, the Tribunal did not have an internal audit function during the year under review. This is contrary to Section 73(1) of the Public Finance Management Act, 2012 which requires every national government entity to have appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. Although Management has indicated that it has requested for support of the internal audit function from The National Treasury, action has not been taken by The National Treasury.

In the circumstances, the Tribunal did not benefit from the assurance and advisory services from the internal audit function.

3. Lack of Risk Management Framework

As previously reported, the Tribunal management did not put in place risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This is contrary to Regulation 165(1) of the Public Finance Management Regulations, 2015 which state that the accounting officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, lack of the risk management framework exposes the Tribunal to various vulnerabilities and possible loss.

4. Under Staffing of the Tribunal

As previously reported, review of the Tribunal's authorized staff establishment revealed that four (4) staff members were in post against an approved staffing level of nineteen (19). Further key departments such as finance and human resource had only one staff in position.

In the circumstances, the Tribunal may not achieve its mandate of dealing with cases of surcharge in State Corporations and provide avenues for redress to those who feel aggrieved from decisions of surcharge made by the Inspectorate of State Corporations.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall 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 the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Tribunal's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Tribunal or to cease operations.

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 Tribunal's 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.

The Board of Directors is responsible for overseeing the Tribunal's financial reporting process, reviewing the effectiveness of how Management 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 overall 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 overall 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 applicable 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 Tribunal'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 Tribunal 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 Tribunal 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 controls 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 Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2024

13. Statement of Financial Performance for The Year Ended 30 June 2023.

		2022-2023	2021-2022
	Note	Kshs	Kshs
Revenue			
Revenue from non-exchange transactions			
Transfers from other Government Entities	6	23,772,404	26,464,835
Total Revenue		23,772,404	26,464,835
Expenses			
Employee costs	7	5,907,691	7,488,823
Board Expenses	8	3,541,700	6,029,720
Depreciation expenses	9	3,389,237	1,014,794
Repairs and maintenance	10	30,661	5,000
Use of goods and services	11	32,749,121	26,077,824
Total Expenses		45,618,410	40,616,161
Deficit for the year		(21,846,007)	(14,151,326)

The Financial Statements set out on pages 1 to 7 were signed by:



.....
Tom Odede
Secretary
Date 11/09/2023




.....
Naomi Mwai
Accountant
ICPAK M/No.:10307
Date 11/09/2023

14. Statement of Financial Position as at 30 June 2023.

	Note	2022-2023	2021-2022
Assets		Kshs	Kshs
Current Assets			
Cash and cash equivalents	12	65,654,690	85,867,791
Receivables from exchange transactions	13	905,639	951,550
Receivables from non-exchange transactions	14	1,818,105	25,313
Total Current Assets		68,378,434	86,844,654
Non-current assets			
Property, Plant & Equipment	15	9,363,158	12,752,394
Non-Current Assets			12,752,394
Total Assets		77,741,592	99,597,048
Net Assets and Liabilities			
Current liabilities			
Trade and other payables	16	-	9,450
Provisions	17	348,000	348,000
Total Current liabilities		348,000	357,450
Accumulated Surplus		77,393,592	99,239,598
Total Net Assets and Liabilities		77,741,592	99,597,048

The Financial Statements set out on pages 1 to 7 were signed by:


.....
Tom Odede
Secretary
Date:11/9/2023


.....
Naomi Mwai
Accountant
ICPAK M/No.:10307
Date:11/9/2023

15. Statement of Changes in Net Assets for the year ended 30 June 2023.

	Accumulated Surplus
	Kshs
Balance as at 1st July, 2021	113,390,924
Surplus for the year 2021/22	(14,151,326)
Balance as at 30th June, 2022	99,239,598
Balance as at 1st July, 2022	99,239,598
Deficit for the year 2022/23	(21,846,007)
Balance as at 30th June, 2023	77,393,592

16. Statement of Cash Flows for the year ended 30 June 2023.

Cash flows From Operating Activities:	Note	2022-2023	2021-2022
Receipts		Kshs	Kshs
Government Grants		23,772,404	26,464,835
		23,772,404	26,464,835
Payments			
Employee costs	7	5,907,691	7,488,823
Board Expenses	8	3,541,700	6,029,720
Repairs and maintenance	10	30,661	5,000
Use of goods and services	11	34,505,453	26,027,844
		43,985,504	39,551,387
Net cash flows from operating activities	18	(20,213,101)	(13,086,552)
Cash flow from investing activities			
Purchase of motor vehicle		-	(12,780,000)
Net cash outflow from investing activities		-	(12,780,000)
Net decrease in Cash& Cash equivalent		(20,213,101)	(25,866,552)
Cash & Cash Equivalent as at July 1st	12	85,867,791	111,734,343
Cash & Cash Equivalent as at 30th June	12	65,654,690	85,867,791

17. Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2023.

	Original Budget	Adjustments	Final Budget	Actual on Compa- rable Basis	Performance	
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	%
	Ksh	Ksh	Ksh	Ksh	Ksh	
	a	b	c=a+b	d	e=c-d	f=d/c
Revenue						
Government grants	23,772,404		23,772,404	23,772,404	-	100 %
AIA/Balances Bf.		50,000,000	50,000,000	19,528,277	30,471,723	100%
Total Revenue	23,772,404	50,000,000	73,772,404	43,300,681	30,471,723	59 %
Expenses						
Employee costs	3,014,136	3,490,559	6,504,695	5,907,691	597,004	91 %
Board Expenses	4,361,773	1,176,000	5,537,773	3,541,700	1,996,073	64 %
Depreciation expenses	-	-	0	3,389,237	(3,389,237)	
Repairs and maintenance	20,000	12,000	32,000	30,661	1,339	96%
Use of goods and services	16,376,495	22,821,441	39,197,936	32,749,121	6,448,815	84 %
office partitioning	-	17,500,000	17,500,000	-	17,500,000	-
Cisco telephone purchase	-	2,500,000	2,500,000	-	2,500,000	-
Accounting software	-	2,500,000	2,500,000	-	2,500,000	-
Total Expenditure	23,772,404	50,000,000	73,772,404	45,618,410	28,153,994	62 %
Surplus for the period	-	-	-	(2,317,729)	2,317,729	

Budget Notes

1. There were significant material variances on general costs because during the current financial year the Tribunal was able to train the staff on new emerging issues relating to operations of the Tribunals and continuous professional development programmes. We also participated in various sensitization programmes to reach out to State Corporations especially in the ASK shows. The Tribunal also held meetings outside the office to develop and review various policies which are key to the operations of the Tribunal.
2. The material variance on employee costs was because during the current financial year as the Tribunal had budgeted to replace one of the officers who had exited during the previous year for continuity of the operations. However, this was not achieved.
3. The Budget is presented on a cash basis outlining the cash received and paid out during the periods.
4. Reconciliation between the deficit under statement of financial performance and surplus in comparison of budget

	Amount (Kshs)
Deficit in the statement of financial performance	(21,846,007)
Surplus as per the budget statement	<u>(2,317,729)</u>
	(19,528,277)

Explained by:

Surplus as per the budget statement	(2,317,729)
Purchase of capital items	-
Other Government funds in account approved in supplementary	(19,528,277)
Deficit as per the statement of financial performance	<u>(21,846,006)</u>

18. Notes to the Financial Statements

1) General Information

The State Corporations Appeal Tribunal is established and derives its authority and accountability under Section 22 of the State Corporations Act Cap 446. The Tribunal is wholly owned by the Government of Kenya and is domiciled in Kenya.

The Tribunal's principal activity is to deal with cases of surcharge/disallowance in State Corporations and also provide an avenue for redress to those who feel aggrieved from decision of surcharge/disallowance made by the Inspector General of State Corporations.

2) Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Tribunal accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Tribunal.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3) Adoption of New and Revised Standards

- a) New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The Standard has no impact on the Tribunal.</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes;</p>

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Standard	Effective date and impact:
	<p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>The Standard has no impact on the Tribunal.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. <p>The Standard has no impact on the Tribunal.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p>The Standard has no impact on the Tribunal.</p>

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The Standard has no impact on the Tribunal.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The standard has no impact on the Tribunal.</p>

c) Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2022/2023.

4) Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

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 Tribunal and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original and final budget for FY 2022-2023 was approved by the National Assembly on June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Tribunal upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Tribunal didn't record any additional appropriations on the 2022-2023 budget.

The Tribunal's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Tribunal recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on straight line basis at annual rates estimated to write off the carrying values of the assets over their useful lives. The annual depreciation rates are as follows:

Motor vehicle	25%
Furniture and fittings	12.5%
Computers, hardware and software	30%
Other equipment.	12.5%

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally

generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Tribunal.

f) Provisions

Provisions are recognized when the Tribunal has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Tribunal expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

g) Nature and purpose of reserves

The Tribunal creates and maintains reserves in terms of specific requirements.

h) Changes in accounting policies and estimates

The Tribunal recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

j) Related parties

The Tribunal regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Tribunal, or vice versa. Members of key management are regarded as related parties and comprise the tribunal members and senior managers.

k) 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 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

l) Comparative figures

Comparative figures have been provided for all applicable item lines.

m) 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, 2023.

5) Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Tribunal's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Tribunal based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Tribunal. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

b) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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Note 6: Transfers from Other Government Entities	2022-2023	2021-2022
	Kshs	Kshs
Unconditional grants		
Grants from the National Treasury.	23,772,404	26,464,835
Total	23,772,404	26,464,835

Note 7: Employee Costs	2022-2023	2021-2022
	Kshs	Kshs
Salaries	2,801,280	3,371,157
House Allowances	1,080,000	1,360,000
Commuter Allowance	288,000	352,000
Leave Allowance	20,000	46,000
Pension	280,128	328,256
NSSF	3,600	8,800
Training & capacity building	-	-
Staff Medical & GPA	1,390,433	
Other allowances & benefits	44,250	2,022,610
Total	5,907,691	7,488,823

Note 8: Board Expenses	2022-2023	2021-2022
	Kshs	Kshs
Extraneous Allowances	960,000	960,000
Telephone expenses-Secretary	180,000	180,000
Training and Seminars	2,401,700	4,889,720
Total	3,541,700	6,029,720

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Note 9: Depreciation Expense	2022-2023	2021-2022
	Kshs	Kshs
Property, Plant and equipment	3,389,237	1,014,794
Total	3,389,237	1,014,794

Note 10: Repairs and Maintenance	2022-2023	2021-2022
	kshs	Kshs
Office Equipment	10,500	5,000
Vehicles	20,161	-
Total	30,661	5,000

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Note 11: Use of goods and services	2022-2023	2021-2022
	Kshs	Kshs
Printing and stationery	15,164	7,250
Postage	10,180	10,783
Consumables	122,292	206,921
Computer supplies	3,000	2,400
Official entertainment	156,440	42,719
General office travelling	136,953	257,149
Foreign travels	518,050	-
Fuel & Oil	111,000	34,400
Vehicle Insurance & Security	60,310	-
Telephone expenses-secretariat	114,000	150,328
Internet and email	194,224	206,197
Covid 19 supplies	-	2,000
Rent	4,665,046	4,456,358
Corporate Social Responsibility	950,000	-
Office cleaning	359,960	475,784
Insurance for office equipment	8,494	-
Audit fees	348,000	348,000
Sensitization Programmes (ASK)	2,435,378	-
Review of strategic plan retreat	-	1,423,334
Retreat on staff performance appraisal system	1,816,000	1,339,696
Review of financial policies and procedures manual	1,528,277	3,020,618
MTEF work plan & procurement plan retreat	2,443,800	685,600
Staff team building	1,263,000	599,100
GHRIS retreat	-	2,082,702
Development of Registry Manual	2,008,600	-
Data Protection Sensitization	1,713,250	-
Website Development	-	3,101,677
Staff sensitization on procurement issues	-	1,816,383
Risk Management Sensitization	1,004,600	-
Training and capacity Building	10,726,789	5,775,866
Bank charges	36,314	32,560
Total	32,749,121	26,077,824

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Note 12: Cash and Cash Equivalents	2022-2023	2021-2022
	Kshs	Kshs
Bank	65,654,690	85,803,219
Cash-on- hand	-	64,572
Total	65,654,690	85,867,791

Note 12: B Detailed analysis of the cash and cash equivalents		2022-2023	2021-2022
Financial Institution	Account No:	Kshs	Kshs
Current Account			
National Bank of Kenya	100100911400	2,484,033	3,101,174
National Bank of Kenya	1285000911400	100,000	100,000
KCB Bank	1143251776	63,070,657	82,602,045
Cash on Hand		-	64,572
Total		65,654,690	85,867,791

Note 13: Receivables from Exchange Transactions	2022-2023	2021-2022
	kshs	Kshs
Telephone and rent deposits	905,639	905,639
prepayment for internet	-	-
Prepayment of Board Expenses	-	45,911
Total	905,639	951,550

Note 14: Receivables from Non-Exchange Transactions	2022-2023	2021-2022
	kshs	Kshs
Receivables for overpaid leave	-	25,313
Receivables from trainings	1,818,105	
Total	1,818,105	25,313

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PPE	Motor Vehicles	Furniture & Fittings	ICT Equipment	Office Equipment	Total
Cost	Kshs.	Kshs.	Kshs	Kshs.	Kshs.
Rate	25%	12.5%	30%	12.5%	
At 1st July,2021	3,048,000	5,266,695	7,880,114	3,992,029	20,186,838
Additions	12,780,000	-	-	-	12,780,000
At 30 June 2022	15,828,000	5,266,695	7,880,114	3,992,029	32,966,838
At 1st July,2022	15,828,000	5,266,695	7,880,114	3,992,029	32,966,838
Additions	-	-	-	-	-
At 30 June 2023	15,828,000	5,266,695	7,880,114	3,992,029	32,966,838
Depreciation:					
At 1 July,2021	3,048,000	5,181,201	7,858,494	3,111,956	19,199,650
Charge for the year	798,750	21,375	21,620	173,049	1,014,794
At 30 June,2021	3,846,750	5,202,576	7,880,114	3,285,005	20,214,444
At 1 July,2022	3,846,750	5,202,576	7,880,114	3,285,005	20,214,444
Charge for the year	3,195,000	21,375	-	172,862	3,389,237
At 30 June,2023	7,041,750	5,223,951	7,880,114	3,457,867	23,603,682
N.B.V :30.6.2022	11,981,250	64,119	-	707,024	12,752,394
N.B.V : 30.6.2023	8,786,250	42,744	-	534,162	9,363,156

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Note 16: Trade and other payables	2022-2023	2021-2022
	Kshs	Kshs
Others	-	9,450
	-	9,450

Note 17: Provisions	2022-2023	2021-2022
	Kshs	Kshs
Audit fees	348,000	348,000
	348,000	348,000

Note 18: Net Cash from Operating activities	2022-2023	2021-2022
	Kshs	Kshs
(Deficit)/Surplus for the Year	(21,846,007)	(14,151,326)
Add back: Depreciation	3,389,237	1,014,794
Payables	(9,450)	105,450
Receivables from exchange transactions	45,911	(30,157)
Receivables from non-exchange transactions	25,313	(25,313)
Receivables from non-exchange transactions	(1,818,105)	-
	(20,213,101)	(13,086,552)

Note 19: Use of goods and services	2022-2023	2021-2022
	Kshs	Kshs
As per the Statement of Performance	32,749,121	26,077,824
Add back: Opening Payables	9,450	-
Payables	-	(121,204)
Opening Receivables from exchange transactions	(45,911)	-
Opening Receivables from non-exchange transactions	(25,313)	-
Receivables from non-exchange transactions		25,313
Receivables from non-exchange transactions	1,818,105	45,911
As per the Statement of Cashflow	34,505,453	26,027,844

Other Disclosures

20. Financial Risk Management

The Tribunal's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Tribunal's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Tribunal does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Tribunal's financial risk management objectives and policies are detailed below:

i) Credit risk

The Tribunal has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks.

The Management sets the Tribunal's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with Tribunal's management, who have built an appropriate liquidity risk management framework for the management of Tribunal's short, medium and long-term funding and liquidity management requirements. Tribunal manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

Financial Risk Management

iii) Market risk

The Tribunal has put in place an internal audit function to assist it in assessing the risk faced by the Tribunal on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

iv) Interest rate risk

Interest rate risk is the risk that Tribunal's financial condition may be adversely affected as a result of changes in interest rate levels. Tribunal's interest rate risk arises from bank deposits. This exposes the Tribunal to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Tribunal's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Tribunal's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Tribunal considers relevant and observable market prices in its valuations where possible.

v) **Capital Risk Management**

The objective of the Tribunal's capital risk management is to safeguard Tribunal's ability to continue as a going concern. The Tribunal capital structure comprises of the following funds:

	2022-2023	2021-2022
	Kshs	Kshs
Retained Earnings	77,393,592	99,239,598
Total Borrowings		
Less: Cash And Bank Balances	65,654,690	85,867,791
Net Debt/ (Excess Cash and Cash Equivalentents)		
Gearing	0%	0%

21. **Related Party Disclosures**

Nature of related party relationships

Entities and other parties related to Tribunal include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the Tribunal, holding 100% of Tribunal's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Tribunal, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) Key management.

Related party transactions	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
Grants from national govt	23,772,404	26,464,835
Key management compensation		

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Related party transactions	2022-2023	2021-2022
	Kshs	Kshs
Board Expenses	3,541,700	6,029,720

22. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

23. Ultimate And Holding Entity

The Tribunal is a Semi- Autonomous Government Agency under the. Its ultimate parent is the Government of Kenya.

24. Currency

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

25. Appendices

Appendix I: Implementation Status of Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
		Other matters		
1.		<p>Budgetary control and performance</p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 76,461,815 and Kshs. 54,977,317 respectively resulting to an underfunding of Kshs. 21,484,500 or 28% of the budget. Similarly, the Tribunal expended Kshs 23,296,674 against an approved budget of Kshs 76,461,815 resulting to an under expenditure of Kshs. 23,068,674 or 30% of the budget. Further it was noted that the budget was unbalanced.</p> <p>The Statement of comparison of budget for the year ended June 2022 has now been updated and corrected. The underfunding was as a result of misquoting of the revenue on actual on comparable basis.</p>	Rectified	Done
2.	Prior year audit matters Staff Advances Written Off	<p>The Tribunal wrote to the Cabinet Secretary National Treasury vide a letter dated 21st June 2017 seeking approval to write off a staff advance of Kshs. 4,479,440.</p> <p>The National Treasury responded through a letter dated 10th May 2017 Ref no. AG/3/101/VOI.VIII/ (11) requesting The Tribunal to provide investigative report together with duly filled 545 log report and other documents for further consideration.</p> <p>The Tribunal has forwarded the required documents to the National Treasury for consideration and we are waiting for a response.</p>	Not resolved	1 year

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
3.	Lack of a functional board	<p>The lack of a functional board at the Tribunal, occasioned by the expiry of the terms of board members, is hampering the operations of the Tribunal as a whole.</p> <p>We wish to report that the Tribunal now has a functional Board after the gazette ment of the Tribunal Chairman with effect from 15th December 2023 and that of the two members, one representing ICRAF and the other, one IAF, were gazetted with effect from 12th January 2024.</p>	Resolved	Done
4.	Lack of audit firm	<p>The lack of internal audit firm from during the period under review is contrary to Section 7(1)(b) of the Public Finance Management Act, 2012 which requires every national government entity to have appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.</p> <p>In the circumstances, the Tribunal did not benefit from the assurance and advisory services from the internal audit firm.</p>	Awaiting the action of the Head of Internal Audit, National Treasury and Economic Planning	1 year
5.	Lack of Risk Management Framework	<p>The Tribunal wrote to the Internal Auditor General requesting for internal audit services on 24th January 2023 with a letter Ref no:46/23/IA (2) 2022/23. The Internal Auditor General wrote to the Head of Internal Audit, National Treasury and Economic Planning on 24th February 2023 requesting the office to provide audit services to the Tribunal until the Tribunal recruits its own staff.</p> <p>The lack of Risk Management Framework exposes the Tribunal to various vulnerabilities and possible loss.</p> <p>The Tribunal wrote to the Internal Auditor General requesting for assistance to develop a risk management framework for the Tribunal on 21st February 2023 with a letter Ref no:46/23/IA (1) 2022/23.</p>	Process started	30.6.2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
6.	Under Staffing of the Tribunal	<p>The Tribunal wrote to the Internal-Auditor General requesting for assistance to develop a risk management framework for the Tribunal on 21st February 2023 vide a letter Ref.no.446/22/IA (1) 2022/23.</p> <p>The Internal Auditor agreed to assist and we started by sensitizing the staff on risk management as we embark on development of the policy and the register.</p> <p>Due to understaffing of the Tribunal, may make the Tribunal not achieve its mandate of dealing with cases of surcharge in State Corporations and provide avenues for redress to those who feel aggrieved from the decision of surcharge made by the Inspectorate of State Corporations.</p> <p>The lack of functional board has made it impossible for the Tribunal to recruit as per the establishment. This will be done as soon as the Board Members are gazetted.</p>	Not resolved	1 year



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Secretary

Date: 11/9/2023

Appendix II: Projects implemented.

SCAT had no Capital projects in the year under review

Appendix III: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
The National Treasury & Economic Planning	29/8/2022	Recurrent	6,606,209						
"	28/11/2022	Recurrent	6,626,208						
"	13/02/2023	Recurrent	3,748,778.25						
"	25/05/2023	Recurrent	174,999.25						
"	25/05/2023	Recurrent	6,616,209						
			23,772,404						23,772,404

Appendix IV: Reporting of Climate Relevant Expenditures

SCAT had no expenditure on climate related issues.

Appendix VI: Disaster Expenditure Reporting Template

There was no expenditure under this category.