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**Report of the
Auditor -General (Corporations)
on the
Accounts of Local Authorities
Provident Fund for the Year
Ended 30th June, 1996**



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KENYA NATIONAL ASSEMBLY
Accession: 10013812

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REPORT OF THE AUDITOR -GENERAL (CORPORATIONS) ON THE ACCOUNTS OF LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30TH JUNE, 1996.

I have examined the Balance Sheet, Control Account and Income and expenditure Account of the Local Authorities Provident Fund for the year ended 30th June, 1996 in accordance with the provisions of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations that I have required for the purpose of the audit. Proper books of account have been kept by the Fund and the accounts are in agreement therewith and comply with the Local Authorities Provident Fund Act (Cap 272).

Subject to the reservations set out here below, in my opinion, the accounts when read together with the notes thereon, give a true and fair view of the Fund as at 30th June, 1996 and of its surplus over expenditure for the year ended on that date.

1. APPOINTMENT OF THE BOARD

The Fund's current Board members were appointed on 23rd January 1987, vide Gazette notice No. 342 and have continued to carry out the Fund's business to date, contrary to the provisions of Section 6(2) of the State Corporation's Act (Cap 446). The Board members have, therefore, not been appointed since 1990.

2. NON-REMITTANCE OF CONTRIBUTIONS BY LOCAL AUTHORITIES

As previously reported, various Local Authorities have not been remitting monthly contributions to the Fund. During the year under review, some twenty (20) Local Authorities listed in Note 2 to the accounts failed to submit their schedules of contributions (P.F.2 forms). Consequently, the actual outstanding contributions as at 30th June, 1996 could not be ascertained.

3. CONTRIBUTION OF EXPENSES

The Local Authorities Provident Fund Act, (Cap 272) requires the Local Authorities with contributors to the Fund to pay administration expenses for each particular year. During the year under review, various Local Authorities had not paid administration expenses charged to them by the Fund. The management of the Fund had not collected a balance of Kshs. 6,632,503. as at 30th June, 1996

4. LONG TERM INVESTMENTS - KSHS.14,610,013.

Included in the Long Term Investments Shown in the Balance Sheet of Kshs. 14,610,013 is an amount of Kshs. 11,720,000. representing both ordinary and preference shares in a commercial bank. While I observed that the preference shares are non-cumulative, the Board of the Fund did not give their opinion as to whether the shares are worth the value reflected in the financial statements. Further, it appears as though the Fund did not receive any dividend from this investment and in the absence of any audited financial statements of this bank for the year, I am unable to give an opinion on the value of the investments.

W.K. KEMEI
AUDITOR-GENERAL (CORPORATIONS).

15th, May 1997.

LOCAL AUTHORITIES PROVIDENT FUND
ACCOUNTS FOR YEAR ENDED 30TH JUNE, 1996

PROVIDENT FUND CONTROL ACCOUNT

	<u>NOTES</u>	1995/96 <u>KSHS.</u>	1994/95 <u>KSHS.</u>
Balance brought forward		75,712,199	53,936,100
Contributions from members		9,746,569	7,332,485

INTEREST DISTRIBUTIONS

Annual interest		19,109,087	24,310,076
Transfer from Reserve Fund		<u>25,000,000</u>	<u>—</u>
		129,567,855	85,578,661
Refund of contributions		<u>8,941,840</u>	<u>9,866,464</u>
		<u>120,626,015</u>	<u>75,712,199</u>

INCOME AND EXPENDITURE ACCOUNT

INCOME

Investment income	3	27,535,890	21,527,524
Expenditure recharged to Local Authorities	4	2,869,763	1,985,737
Miscellaneous Income		225,628	93,026
Profit on Government Stock		<u>4,399</u>	<u>4,399</u>
		30,635,700	23,610,686

EXPENDITURE

Staff salaries and allowances		1,073,665	768,710
Sundry expenses	5	192,962	211,703
Board members allowances		381,418	299,470
Bank charges		32,958	12,050
Rent and rates		397,497	335,441
Telephone charges		133,324	140,846
Stationery		233,094	90,085
Audit fees		50,000	50,000
Advertisement		113,964	77,432
Computerization		260,880	—
Depreciation		135,040	72,017
Provision for bad debts		<u>2,152,095</u>	<u>1,873,962</u>
Total expenses		5,156,917	3,931,716
Surplus for the year		25,478,783	19,678,970
Interest distribution	6	<u>19,107,087</u>	<u>11,466,533</u>
Transfer to Reserve Fund		6,369,696	8,212,437
Balance b/f		<u>70,799,499</u>	<u>62,507,062</u>
Transfer for distribution from Reserve Fund		(25,000,000)	—
Balance c/f		52,169,195	70,799,499

BALANCE SHEET AS 30TH JUNE, 1996

<u>CURRENT ASSETS</u>	<u>NOTES</u>	1995/96 <u>KSHS.</u>	1994/95 <u>KSHS.</u>
Cash at bank		829,234	2,307,673
Savings Account		326,397	292,682
Prepayments		84,787	75,972
Staff debtors		23,169	—
Short term deposits	7	141,433,275	116,005,800
 <u>SUNDRY DEBTORS</u>			
Administrative expenses receivable		6,632,523	4,718,537
Interest receivable		3,150,289	1,894,961
Government stock		100,795	96,395
Deposits (under receivership)	8	<u>5,012,452</u>	<u>6,320,374</u>
		157,592,921	131,712,394
 <u>CURRENT LIABILITIES</u>			
Audit fees		90,000	50,000
Staff secondment		242,984	242,984
Telephone charges		20,017	21,842
		<u>353,001</u>	<u>314,826</u>
Net Current Assets		157,239,920	131,397,568
 <u>LONG TERM ASSETS</u>			
Long term Investments	9	14,610,013	14,610,013
Furniture, fixtures and equipment	10	945,277	504,117
		<u>15,555,290</u>	<u>15,114,130</u>
Total assets		<u>172,795,210</u>	<u>146,511,698</u>
 <u>FINANCED BY:</u>			
Provident Fund Control Account		120,626,015	75,712,199
Reserve Fund		52,169,195	70,799,499
		<u>172,795,210</u>	<u>146,511,698</u>

The notes to the Accounts remain as in the accounts submitted earlier.

Signed

Boniface Munyao
BOARD MEMBER

Millicah W. Thairu (Miss)
SECRETARY

LOCAL AUTHORITIES PROVIDENT FUND BOARD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1996

1. SIGNIFICANT ACCOUNT POLICIES

- (A) Accounting Convention: The accounts have been prepared under the historical cost convention.
- (B) Income Recognition: Interest is recognized in the Income and Expenditure account as it accrues.
- (C) Depreciation: Depreciation on Furniture, Fixtures and Equipment has been provided on the reduced balance method at the rate of 12.5% p.a
- (d) Bad and Doubtful Debts: Specific provision is made in respect of deposits held in financial institutions under receivership and administration expenses receivable from various Local Authorities.

2. NON-REMITTANCE OF CONTRIBUTIONS BY LOCAL AUTHORITIES

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

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

1. Nyeri County Council	July, 1987	-	June, 1996
2. Kakamega Municipal Council	July, 1989	-	June, 1996
3. Kisii Municipal Council	January, 1983	-	June, 1996
4. Kitale Municipal Council	January 1990	-	June, 1996
5. Gusii County Council	July, 1988	-	June, 1996
6. Kajiado Urban Council	June, 1987	-	June, 1996
7. Kipsigis County Council	March, 1989	-	June, 1996
8. Homa Bay County Council	January, 1970	-	June, 1996
9. Kwale County Council	January, 1990	-	June, 1996
10. Kitui County Council	July, 1993	-	June, 1996
11. Wajir County Council	January, 1983	-	June, 1996
12. Kakamega County Council	July, 1989	-	June, 1996
13. Garissa Town Council	December 1989	-	June, 1996
14. Tala/Kangundo Town Council	July, 1990	-	June, 1996
15. Pokot County Council	January, 1984	-	June, 1996
16. Kilifi County Council	July, 1986	-	June, 1996
17. Laikipia County Council	July, 1992	-	June, 1996
18. Isiolo County Council	August 1993	-	June, 1996
19. Mavoko Municipal Council	May, 1986	-	June, 1996
20. Murang'a County Council	December, 1992	-	June, 1996

3. **INVESTMENT INTEREST KSHS. 27,835,890**

The above amount represents interest earned on Treasury Bills, Savings Account and Long term Government Securities.

4. **EXPENDITURE RECHARGED TO LOCAL AUTHORITIES KSHS. 2,869,763.**

This is administration expenses incurred during the accounting period. The expenditure is recharged to various Local Authorities in accordance with Section 4(4) of the Local Authorities Provident Fund Act Cap. 272.

5. **SUNDRY EXPENSES KSHS. 192,961.**

The expenses are as follows.

	<u>Amount (Kshs.)</u>
Postage	8,366
Legal charges	40
Office and Equipment Maintenance	50,875
Luncheon and entertainment	40,516
Training and seminars	43,700
Travelling and subsistence	40,194
Insurance policies	9,270
	<u>192,961</u>

6. **INTEREST AND SURPLUS DISTRIBUTION KSHS. 19,109,087**

This is the amount of interest that has been distributed to the contributors in accordance with Section 12 of the Act (Cap.272).

7. **SHORT-TERM DEPOSITS KSHS. 141,433,275**

These are short term deposits held in Central Bank in form of Treasury bills.

8. **SUNDRY DEBTORS - DEPOSITS HELD IN FINANCIAL INSTITUTIONS UNDER RECEIVERSHIP**

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

The amount is as follows:-

Continental Credit Company Limited	4,000,000
Pioneer Credit Company Limited	3,919,217
Capital Finance Company Limited	1,160,000
Middle Africa Finance Limited	2,300,000
Union Credit Limited	1,700,000
	<u>13,079,217</u>

PROVISION

Balance as at 30th June 1995	6,758,843
Provision for the year	<u>1,307,921</u>
	8,066,764

Balance as at 30th June, 1996 5,012,452

9. **LONG-TERM INVESTMENTS KSHS. 14,610,013**

(a) Kenya Government Stock

	<u>Expiry Date</u>	<u>Nominal Value</u> (Kshs.)	<u>Cost</u> (Kshs.)
1. 6.25% Kenya Stock	15.10.1998	1,000,000	890,013
2. 10% Kenya Stock	30.09.2010	2,000,000	<u>2,000,000</u>
			2,890,013

(b) Consolidated Bank of Kenya

<u>Type of shares</u>	<u>No of shares</u>	<u>Nominal value</u> (Kshs.)	<u>Cost</u> (Kshs.)
Ordinary Shares	127,000	20	2,540,000
4% Non-cumulative	459,000	20	<u>9,180,000</u>
			<u>11,720,000</u>
Total Amount			<u>14,610,013</u>

10. **FURNITURE, FIXTURES AND EQUIPMENT KSHS. 945,277**

<u>COST</u>	<u>KSHS</u>
Balance as at 30th June ,1995	687,174
Additions during the year	576,200
	<u>1,263,374</u>

DEPRECIATION

Balance as at 30th June ,1995	183,097
Provision for the year	135,040
	<u>318,097</u>

NET BOOK VALUES

As at 30th June, 1996	945,277
As at 30th June, 1995	504,117