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KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
PUBLIC TRUSTEE

FOR THE YEAR ENDED  
30 JUNE 2014

*Paper laid*  
*By Hon. A. Bwaka MP*  
*On ~~the~~ Wed. 24.06.15*  
*(Afternoon) Muv*



# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### **REPORT OF THE AUDITOR-GENERAL ON PUBLIC TRUSTEE FOR THE YEAR ENDED 30 JUNE 2014**

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying consolidated financial statements of the Public Trustee set out on pages 18 to 32, which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of financial performance, consolidated statement of changes in net assets and a consolidated statement of cashflow for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Article 229 of the Constitution of Kenya, Section 20 of the Public Audit Act, 2003. 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.

#### **Management's Responsibility for the Financial Statements**

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

The Public Trustee is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 6 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 8 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the Public Trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

## **Basis for Qualified Opinion**

### **1. Failure to Account for Property and Other Assets Held in Trust**

Section 2 of the Public Trustee Act, Cap 168 defines an estate as all immovable property and all movable property. Further, Section 12(4) (i) provides that in the event that the Public Trustee is unable to trace parties beneficially entitled to the residue of an estate or any of them; he shall transfer the residue or proportionate part thereof as the case may be to the unclaimed property account. In addition, Subsection (5) requires the Public Trustee to distribute estates according to the rules of law within a period of 12 years computed from the date of the final completion of the account. On expiry of that period all estates or portions thereof in respect of which no claim has been lodged with the Public Trustee should lapse or is escheat to the Government.

However, despite the clear provisions of the law, the Public Trustee has only accounted for part of the movable property represented by cash and cash equivalents and investments in securities. No account has been made of the estate(s) held in form of other movable properties and immovable properties except a schedule of 28 marginal properties. Further, no unclaimed property account and analysis of estates that have lapsed have been prepared or produced for audit review.

In the circumstances, the Public Trustee has not disclosed and accounted for the property and other numerable assets held in public trust as at 30 June 2014.

### **2. Provision for Interest Due to Beneficiaries**

The amount of Kshs.468,800,000.00 shown as provision for interest due to beneficiaries is a consolidation of the provisions in each of the stations as at 30 June 2014. However, there was no policy on how the provision should be determined and every station used a different rate to determine its provision even though all investments from which the interest is earned are undertaken by the Nairobi Office.

Consequently, it has not been possible to determine the basis for the varying rates used in calculating interest provisions due to beneficiaries as at 30 June 2014.

## **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Public Trustee as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with

International Public Sector Accounting Standards and comply with the Public Finance Management Act, 2012.

**Other Matters**

I draw your attention to the following internal control weaknesses:

- a) The Public Trustee has not fully embraced the use of IT services and migrate from the existing manual system to improve efficiency and accuracy in its accounting and record keeping systems;
- b) There was no risk management policy in place during the year under review;
- c) There was also no approved disaster recovery plan and a documented and tested emergency procedure in place; should a disaster occur it may result in loss of the manual records and the Trustee may not recover or manage the recovery process properly. This would interfere with operations and in turn grossly affect the beneficiaries. My opinion is not qualified in respect to these matters.



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

**Nairobi**

**02 June 2015**



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**PUBLIC TRUSTEE OF KENYA**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2014**

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

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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

The Public Trustee of Kenya is a corporate body established under the Public Trustee Act (chapter 168) laws of Kenya. It is a department within the state law office and it is headed by the public trustee of Kenya assisted by deputy and assistant public trustees.

### 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 senior deputy administrator general I.
- The senior deputy administrator general.
- The chief accountant.

### d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Public Trustee	Eunice J. Sawe – MBS
2.	The Senior Deputy Public Trustee	Mary N. Njuya – OGW
3.	The Senior Deputy Public Trustee	Concepta N. Wasilwa
4.	The Chief Accountant	Mildred E. Akoth

**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

3<sup>rd</sup> Floor

Telephone: (254) 2227461

E-mail: p.t@ag.go.ke

Website: [www.attorney-general.go.ke](http://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  
GOP 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

<b>Name</b>	<b>Main area of responsibility</b>
1. Eunice J. Sawe – LLB, (MBS)	Overall administration and coordination of Trustee Services, Estates and Trust funds.
2. Mary N. Njuya – LLB, (OGW)	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 2013 -2014. 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 service 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. 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. This will give rise to a further improvement in our customer satisfaction and support of an innovative and collaborative workforce. We look forward to continuing our client centric journey of excellence and to realizing the vision of being a world leading trustee organisation

It is my pleasure to present the Annual Report for the year ended 30 June 2014. The organization achieved a surplus for the financial year of Ksh.65,907,000/= compared with a surplus last year of Ksh.13,404,000.00. Factors contributing to the result were:

- Total revenue from activities was 19% higher compared to last year.
- Total expenses from ordinary activities increased by 10% during the year.
- Corporate investments remained constant.
- Dedicated team of staff.

**PUBLIC TRUSTEE**

Eunice J. Sawe, MBS

Sign:..........

Date: 21/4/2015.....

## 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.7,919,992,000.00 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 ranged from 5% to 8% per annum and averaged 6.5%.

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. 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 submit the report together with the financial statements for the year ended June 30, 2014 which show the state of the Public Trustee's affairs.

### **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, 2014. 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, 2014 are set out on pages 14 through 18.

### **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: 21/4/2015.....

## IX. STATEMENT OF FINANCIAL PERFORMANCE

<b>PUBLIC TRUSTEE CONSOLIDATED ACCOUNT</b>			
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>			
<b>FOR THE YEAR ENDED 30TH JUNE 2014</b>			
		<b>YR</b>	<b>YR</b>
	<b>Note</b>	<b>2013/2014</b>	<b>2012/2013</b>
		<b>KSH.</b>	<b>KSH.</b>
<b>Revenue</b>			
<b>Income from exchange services</b>			
Public trustee fee	<b>3</b>	45,636,000.00	43,820,000.00
<b>Income from non exchange services</b>			
<b>Finance income - external investments</b>			
Interest received on treasury bills		263,263,000.00	414,221,000.00
Interest received on current account		101,723,000.00	98,402,000.00
Other income		2,959,000.00	20,045,000.00
<b>Finance income- outstanding receivables</b>			-
Accrued interest on treasury bills		165,875,000.00	27,036,000.00
Accrued interest on deposits	<b>4</b>	20,915,000.00	20,087,000.00
<b>Total Revenue</b>		<b><u>600,371,000.00</u></b>	<b><u>623,611,000.00</u></b>
<b>Administration Expenses</b>	<b>5a</b>		
Contracted services		6,265,000.00	4,325,000.00
Professional fee		3,351,000.00	1,982,000.00
Wages		1,602,000.00	723,000.00
Field services		5,327,000.00	3,025,000.00
General expenses	<b>b</b>	533,000.00	345,000.00
Repairs and maintenance	<b>c</b>	762,000.00	369,000.00
Financing cost		118,000.00	199,000.00
Printing, postages and courier services	<b>d</b>	2,070,000.00	1,848,000.00
<b>Total expenses</b>		<b>20,028,000.00</b>	<b>13,816,000.00</b>
<b>Surplus/(deficit) before appropriation</b>		<b>580,343,000.00</b>	<b>609,795,000.00</b>
Public trustee fees account		45,636,000.00	43,820,000.00
Provision for interest due to beneficiaries		468,800,000.00	552,571,000.00
<b>Surplus/(deficit) for the year</b>		<b>65,907,000.00</b>	<b>13,404,000.00</b>

The notes set out on pages 18 to 23 form an integral part of the Financial Statements

X.

## STATEMENT OF FINANCIAL POSITION

PUBLIC TRUSTEE CONSOLIDATED ACCOUNT			
STATEMENT OF FINANCIAL POSITION			
FOR THE YEAR ENDED 30TH JUNE 2014			
	Note	YR	YR
		2013/2014	2012/2013
		KSH.	KSH.
<b>Current assets</b>			
Cash and cash equivalents	6	4,431,851,000.00	3,246,904,000.00
<b>Receivables from non exchange transactions</b>			
Treasury bills	7	3,905,152,000.00	5,010,617,000.00
Interest receivable	8	186,491,000.00	162,301,000.00
Deposits	9	430,400,000.00	430,400,000.00
<b>Investment at cost</b>	10		
<b>Consolidated Bank Ord Shares</b>		<b>13,212,000.00</b>	<b>13,212,000.00</b>
<b>Consolidated Bank Non Cum Shares</b>		<b>48,400,000.00</b>	<b>48,400,000.00</b>
Deposit Protection Fund City Finance Bank		25,126,000.00	25,126,000.00
Deposit Protection Fund Trust Bank Ltd		1,663,000.00	1,663,000.00
<b>Total Assets</b>		<b>9,042,295,000.00</b>	<b>8,938,623,000.00</b>
<b>Liabilities</b>			
Trade & other payables from Exchange transaction		-	-
Beneficiaries Funds	11	7,451,192,000.00	7,329,656,000.00
Provision Due to beneficiaries		468,800,000.00	552,571,000.00
<b>Total liabilities</b>		<b>7,919,992,000.00</b>	<b>7,882,227,000.00</b>
<b>Net assets</b>		<b>1,122,303,000.00</b>	<b>1,056,396,000.00</b>
Accumulated surplus		1,056,396,000.00	1,042,992,000.00
Surplus/ (deficit) for the year		65,907,000.00	13,404,000.00
<b>Total net assets and liabilities</b>		<b>1,122,303,000.00</b>	<b>1,056,396,000.00</b>

The Financial Statements set out on pages 14 to 17 were signed on behalf of the Public Trustee by:

**PUBLIC TRUSTEE**

Eunice J. Sawe, MBS

Sign:..........

Date: 21/4/2015.....

<b>PUBLIC TRUSTEE CONSOLIDATED ACCOUNT</b>		
<b>CASH FLOWS STATEMENT</b>		
<b>FOR THE YEAR ENDED 30TH JUNE 2014</b>		
	<b>YR</b>	<b>YR</b>
	<b>2013/2014</b>	<b>2012/2013</b>
	<b>KSH.</b>	<b>KSH.</b>
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Other income	2,959,000.00	20,045,000.00
<b>Total receipts</b>	<b><u>2,959,000.00</u></b>	<b><u>20,045,000.00</u></b>
<b>Payments</b>		
Contracted Services	6,265,000.00	4,325,000.00
Professional Fee	3,351,000.00	1,982,000.00
Wages	1,602,000.00	723,000.00
Field Services	5,327,000.00	3,025,000.00
General expenses	533,000.00	345,000.00
Repairs and maintenance	762,000.00	369,000.00
Printing, postages and courier services	2,070,000.00	1,848,000.00
<b>Total payments</b>	<b>19,910,000.00</b>	<b>12,617,000.00</b>
<b>Net cash out flows from operating activities</b>	<b>(16,951,000.00)</b>	<b>7,428,000.00</b>
<b>Cash flows from Investing activities</b>		
<b>Receipts</b>		
Interest Received from Treasury Bills	263,263,000.00	414,221,000.00
Interest Received on Current Account	101,723,000.00	89,402,000.00
	<b>364,986,000.00</b>	<b>512,623,000.00</b>
	<b>364,986,000.00</b>	<b>512,623,000.00</b>
<b>Cash flow from Financing Activities</b>		
<b>Receipts</b>		
Receipts from Administration account	7,524,265,000.00	7,123,505,000.00
Receipts from Trust Account	996,059,000.00	889,522,000.00
	<b>8,520,324,000.00</b>	<b>8,013,027,000.00</b>
<b>Payments</b>		
Financing costs	118,000.00	199,000.00
Advances and Final dues Admin Accounts	6,876,444,000.00	5,568,590,000.00
Advances and Final dues Trust account	806,850,000.00	725,129,000.00
	<b>7,683,412,000.00</b>	<b>6,293,918,000.00</b>
<b>Net cash inflow from Financing Activities</b>	<b>836,912,000.00</b>	<b>1,718,109,000.00</b>
Net cash inflows	1,184,947,000.00	2,238,160,000.00
<b>Cash and Cash Equivalents as at 1<sup>st</sup> July 2014</b>	<b>3,246,904,000.00</b>	<b>1,008,744,000.00</b>
<b>Cash and Cash Equivalents as at 30<sup>th</sup> June 2014</b>	<b>4,431,851,000.00</b>	<b>3,246,904,000.00</b>

## **I. 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.

### **2. 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) Budget information**

The Public Trustee did not have a policy on budgeting. However, in the subsequent years, this policy has been put in place.

### **c) 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.

### **d) 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.

**e) 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.

**f) 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.

**g) 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.

#### **h) 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.

#### **i) 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 30<sup>th</sup> 2014 as well as the preceding financial year (year ended June 30<sup>th</sup> 2013) for comparative purposes.

#### **j) 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 various commercial banks at the end of the financial year.

**k) Subsequent events**

- l) 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, 2014.

**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.

#### 4. Revenue

	2014	2013
<b>Income from non exchange services</b>	45,636,000.00	43,820,000.00
<b>Finance income - external investments</b>		
Interest received on treasury bills	263,263,000.00	414,221,000.00
Interest received on current accounts	101,723,000.00	98,402,000.00
Accrued interest on deposits	20,915,000.00	20,087,000.00
Other income:- postage and sundries received	2,959,000.00	20,045,000.00
<b>Finance income- outstanding receivables</b>		
Accrued interest on treasury bills	165,875,000.00	27,036,000.00
<b>Total revenue</b>	<b>600,371,000.00</b>	<b>623,611,000.00</b>

#### 5. Expenses

##### a. Administrative costs

	2014	2013
Contracted services	6,265,000.00	4,325,000.00
Professional fee	3,351,000.00	1,982,000.00
Field services	5,327,000.00	3,025,000.00
wages	1,602,000.00	723,000.00
<b>Total</b>	<b>16,545,000.00</b>	<b>11,055,000.00</b>

##### b. General Expenses

	2014	2013
Office tea	256,000.00	123,000.00
Drinking water	130,000.00	113,000.00
Sanitation	147,000.00	109,000.00
<b>Total</b>	<b>533,000.00</b>	<b>345,000.00</b>

### C. Repairs and maintenance

Equipment	546,000.00	169,000.00
Others	216,000.00	200,000.00
<b>Total</b>	<b>762,000.00</b>	<b>369,000.00</b>

### d. Printing, postages and courier services

Accountable documents	346,000.00	243,000.00
Printing papers	236,000.00	235,000.00
Cartridges	536,000.00	245,000.00
Courier services	456,000.00	596,000.00
Rental box	43,000.00	43,000.00
Postage	369,000.00	389,000.00
Fax services	84,000.00	97,000.00
<b>Total</b>	<b>2,070,000.00</b>	<b>1,848,000.00</b>

### 6. Cash and cash equivalents

	<b>2014</b>	<b>2013</b>
Administration Account	3,640,337,000.00	2,712,067,000.00
Investment Income Account	168,694,000.00	293,482,000.00
Public Trustee Trust Estates Account	452,133,000.00	149,818,000.00
Sundry Expenses Account	170,687,000.00	91,537,000.00
<b>Total (Ksh)</b>	<b>4,431,851,000.00</b>	<b>3,246,904,000.00</b>

## 7. Treasury Bills

	2014	2013
Administration account	2,627,276,000.00	3,416,049,000.00
Investment account	885,211,000.00	973,264,000.00
Trustee trust estates account	241,714,000.00	503,369,000.00
Sundry account	137,774,000.00	102,981,000.00
East African Muslim Welfare Trust	13,177,000.00	14,954,000.00
<b>Total (Ksh)</b>	<b>3,905,152,000.00</b>	<b>5,010,617,000.00</b>

## 8. Interest receivable

Interest receivable on Treasury bills	2014	2013
Administration account	111,124,000.00	93,214,000.00
Investment account	38,139,000.00	25,141,000.00
Trustee trust estates account	10,386,000.00	4,315,000.00
Sundry account	5,926,000.00	1,240,000.00
<b>Total</b>	<b>165,875,000.00</b>	<b>123,910,000.00</b>

Interest receivable on deposits	20,915,000.00	38,128,000.00
<b>total</b>	<b>20,915,000.00</b>	<b>38,128,000.00</b>

## 9. Deposits

Deposits	2014	2013
Administration account	145,000,000.00	145,000,000.00
Investment account	265,000,000.00	265,000,000.00
Trustee trust estates account	400,000.00	400,000.00
Sundry account	20,000,000.00	20,000,000.00
<b>Total deposits</b>	<b>430,400,000.00</b>	<b>430,400,000.00</b>

## 10. Investment at Cost

	2014	2013
Investment at cost refers to deposits held with various defunct financial institutions which were converted into non-cumulative preference shares and ordinary shares under the consolidated bank of Kenya. The figure has remained constant over the years as the institution did not declare bonus, shares or dividends.		
Consolidated bank of Kenya Ltd 2,196,155 4% non-cumulative preference shares of KSH.20 each	43,923,000.00	43,923,000.00
City finance bank Ltd 25126 ordinary shares Of ksh.1000 each	25,126,000.00	25,126,000.00
Trust bank Ltd 415,761 ordinary shares of Ksh.5 each at a discounted rate of ksh.4	1,663,000.00	1,663,000.00
Consolidated bank of Kenya Ltd 660600 ordinary shares of KSH.20 each	13,212,000.00	13,212,000.00
<b>Total</b>	<b>83,924,000.00</b>	<b>83,924,000.00</b>
<b>Sundry Account</b>		
4% non cumulative preference shares at Ksh. 20 each -consolidated bank of Kenya Ltd	4,477,000.00	4,477,000.00
<b>Total Investment</b>	<b>88,401,000.00</b>	<b>88,401,000.00</b>

**11. Beneficiary funds**

	<b>2014</b>	<b>2013</b>
Public Trustee Trust Estates Account	758,778,000.00	639,802,000.00
East African Muslim Welfare Trust	13,178,000.00	13,178,000.00
Public Trustee Administration Account	7,148,036,000.00	7,229,247,000.00
<b>Beneficiary funds</b>	<b>7,919,992,000.00</b>	<b>7,882,227,000.00</b>

**m) Events after the reporting period**

There are no material non – adjusting events after the reporting date.

**PUBLIC TRUSTEE**

Eunice J. Sawe, MBS

Sign:.....

Date: 21/4/2015.....

XI. STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS		
FOR THE YEAR ENDED 30TH JUNE 2014		
Attributable to the owners of the controlling entity		
	Accumulated Surplus	Total
Accumulated Surplus as at 1 <sup>st</sup> July 2013	1,056,396,000.00	1,042,992,,000.00
Surplus/(deficit)for the period	65,907,000.00	13,404,000.00
	1,122,303,000.00	1,056,396,000.00
Transfer to/from accumulated surplus	-	-
Accumulated Surplus as at 30 <sup>th</sup> June 2014	1,122,303 000.00	1,056,396,000.00