

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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of Accounts
on Tuesday
9.5.2017



REPORT

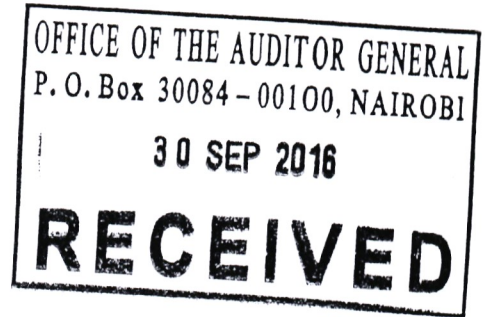
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STORES AND SERVICES FUND - MINISTRY
OF LANDS, HOUSING AND URBAN
DEVELOPMENT**

**FOR THE YEAR ENDED
30 JUNE 2016**



MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT

STORES AND SERVICES FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Supplies Branch is one of the Department under the State Department of Public Works and it is located in the Industrial Area along Likoni Road. It occupies an area of approximately 20 acres owned by the Ministry of Lands, Housing & Urban Development. Within its compound, the following Government Agencies are accommodated: - the Kenya National Examinations Council (KNEC), the Independent Electoral and Boundaries Commission (IEBC), the Kenya Police Central Engineering Workshop, the Central Kenya Police Service Armory, the Kenya Amorous School. The Ministry of Foreign Affairs Warehouse, the Ministry of Education Warehouse, the Ministry of Finance – Pensions Department, Ministry Interior and Co-ordination - Immigration Department and some staff accommodation. In addition, the Department also runs the Government Petrol Station situated along Machakos Road, Industrial Area.

Supplies Branch has seven Regional depots namely Mombasa, Kisumu, Nakuru, Nyeri, Kakamega, Embu and Garissa and four sub-depots in Kisii, Bungoma, Vei and Murang'a.

Supplies Branch was established by the Colonial Government vide Treasury Circular Ref. No. 12/57/02 of 19th January, 1960 with a capital fund of K£750,000 (Ksh.15 million). The main objective was to procure common-user items (for the Government) in bulk to realize the benefits of economies of scale, which is true as of today.

Treasury Circular Ref. No. CFN.12/18/01 OF 9TH May, 1961 recorded Supplies Branch the role of investigation of prices, the quality and source of items.

Treasury Circular No. BFN.12/18/01 of 19TH January, 1971 and Ref. AFN 226/02/075 of 30th May, 1974 highlighted the problem of splitting of orders to avoid approvals by the Tender Committees.

In 1984, the emergency of the District focused Regional Development, subsequent liberation and conflict of interest altered the monopoly of Supplies Branch.

This resulted in overstocking and weak stock control systems, frequent stock out, dead stocks, poor storage, damages, pilferages, debts and shortcomings.

Supplies Branch as a department has been operating under various Ministries, at its creation it was in the Ministry of Public Works, then later moved to the Ministry of Finance, then to the

Office of the President and back to Ministry of Works and Housing in the mid 1970's and currently in the Ministry of Lands, Housing & Urban Development.

VISION

To procure best quality common user items/services at competitive market prices within the Country.

MISSION

To ensure that the Government realizes savings in the procurement of common-user items/services both effectively and efficiently through bulk purchasing, hence realizing the economies of scale.

THE MANDATE

- 1) To ensure that the Government realizes savings in the procurement of common-user items which are needed by its Ministries/Departments, Government Institutions/Parastatals and County Governments through bulk purchasing.
- 2) Sourcing of Quantity and Term Contracts
- 3) Storage of furniture for VIP and state functions.
- 4) Sourcing and supply of fuel to Government Ministries/Departments and Institutions.

Supplies Branch is headed by the Officer-in-Charge at the level of the Senior Deputy Secretary. The Department has three divisions; Procurement which is headed by a Principal Supply Chain Management Officer and Accounts headed by a Chief Accountant and the Administration headed by a Senior Assistant Secretary.

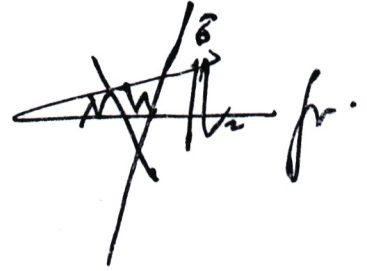
(b) Principal Activities/mission

To ensure that the Government realizes savings in the procurement of common-user items/services both effectively and efficiently through bulk purchasing, hence realizing the economies of scale.

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	Mariamou El Maawy
2.	Officer-In-Charge Supplies Branch	Ach Wesley nyariki
3.	Director of Administration	George Mac Goye
4.	Head of accounting unit	Johnson Njunguna



(d) Headquarters

P.O. Box 30071-00100

Supplies Branch-Likoni Road

Industrial Area

Nairobi, KENYA

(e) Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

(f) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O.Box 30084

GOP 00100

Nairobi, Kenya

(g) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2. REPORT OF THE ACCOUNTING OFFICER

The Accounting Officer submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Stores and Services Fund's affairs.

Principal activities

The principal activities of the Stores and Service Fund are to ensure that the Government realizes savings in the procurement of common-user items/services both effectively and efficiently through bulk purchasing, hence realizing the economies of scale.

Results

The results of the Stores and Service Fund for the year ended June 30, 2016 are set out on page To....

Auditors

The Auditor General is responsible for the statutory audit of the *Stores and Services Fund* in accordance with the Section.... 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.

Accounting Officer

Nairobi

Date: 30 / 09 / 2016

3. STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITIES

Section ... of the Public Finance Management Act, 2012 and, require the Accounting Officer to prepare financial statements in respect of the Stores and Services Fund, which give a true and fair view of the state of affairs of the Stores and Services Fund at the end of the financial year/period and the operating results of the Stores and Services Fund for that year/period. The Accounting Officers are also required to ensure that the Stores and Services Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Stores and Services Fund. The Accounting Officers are also responsible for safeguarding the assets of the Stores and Services Fund.

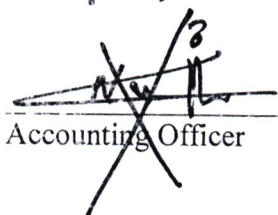
The Accounting Officers are responsible for the preparation and presentation of the Stores and Services Fund financial statements, which give a true and fair view of the state of affairs of the Stores and Services Fund for and as at the end of the financial year (period) ended on June 30, 2016. This 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 Stores and Services Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

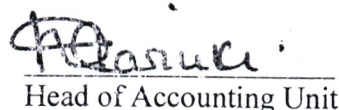
The Accounting Officer accept responsibility for the Stores and Services Fund financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Stores and Services Fund financial statements give a true and fair view of the state of Stores and Services Fund transactions during the financial year ended June 30, 2016, and of the Stores and Services Fund financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Stores and Services Fund, which have been relied upon in the preparation of the Stores and Services Fund 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 Stores and Services Fund 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 Stores and Services Fund financial statements were approved by the Accounting Officer on 30/09/2016 2016 and signed on its behalf by:


Accounting Officer


Head of Accounting Unit

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF STORES AND SERVICES FUND - MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Stores and Services Fund - Ministry of Lands, Housing and Urban Development set out on page 8 to 21 which comprise the statement of financial position as at 30 June 2016, and statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

Management's Responsibility for the Financial Statements

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

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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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 the 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 Fund'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.

Report of the Auditor-General on the Financial Statements of Stores and Services Fund - Ministry of Lands, Housing and Urban Development for the year ended 30 June 2016

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Inaccuracies in the Financial Statements

The 2015/2016 financial statements presented for audit review reflected the following inaccuracies:

1.1 Cash and Cash Equivalent

Cash and Cash Equivalent balance brought forward amounts to Kshs.224,744,758 while the prior year audited financial statements reflect a balance of Kshs.224,741,758 thus resulting to unreconciled or unexplained variance of Kshs.3,000.

1.2 Inventories

The prior year's inventories balance reflected in the financial statements amounts to Kshs.130,935,582.50 while the audited closing balance was Kshs.128,342,508.06 thus resulting to a variance of Kshs.2,593,074.44 which has not been explained.

1.3 Sale of Goods

The prior year's balance for sale of goods amounts to Kshs.32,321,404.01 while the audited balance for the account in the year 2014/2015 was Kshs.252,482,244.98. The resultant difference of Kshs.220,160,841 has not been explained. In addition, the statement of financial performance reflects sale of goods balance of Kshs.96,639,911.34 as at 30 June 2016 while the statement of cash flows reflects Kshs.90,893,142.74 thus resulting to unexplained variance of Kshs.5,746,768.60.

1.4 Borrowings

The statement of financial position reflects prior-year borrowings totalling to Kshs.844,003,247 while the audited statement of financial position as at 30 June 2016 reflects a balance of Kshs.844,003,247 under the Paymaster General (PMG) Account. It is not clear and management has not explained the correlation of the two creditors. In addition, supporting documentation was not presented for audit review.

1.5 Bulk Purchases of Stores

The statement of financial performance for the year-ended 30 June 2016 reflects payment for bulk purchases of stores and fuel of Kshs. 120,017,323.45 while the statement of cash flows reflects a balance of Kshs.76,186,588.45. The resultant difference of Kshs.43,830,735 has not been explained or reconciled.

In the circumstances, the validity and accuracy of the financial statements for the year ended 30 June 2016 could not be ascertained.

2. Bulk Purchases of Stores and Fuel

Note 8.4 to the financial statements indicate bulk purchases of stores and fuel of Kshs.82,135,913.45 and Kshs.37,881,410 respectively. However, schedules provided for

audit review reflected balances of Kshs.83,572,057 and Kshs.36,445,266.45 for stores and fuel resulting to difference of Kshs.1,436,143.55 and Kshs.1,436,143.55 respectively which however, have not been explained. Further, supporting schedules for purchase of fuel worth Kshs.36,445,226.45 indicate that the purchase was done in 2014 and therefore does not relate to the year under review. Management has not explained the anomaly. In addition, purchases of fuel during the year amounting to Kshs.13,508,501 was excluded from these financial statements.

Under the circumstances, it has not been possible to confirm the accuracy of bulky purchases of stores and fuel balance of Kshs.120,017,323.45 reflected in the financial statements for the year ended 30 June 2016.

3. Cash and Cash Equivalents

The following anomalies were noted in relation to cash and cash equivalents of Kshs.155,840,625.50 included in the statement of financial position as at 30 June 2016:

- 3.1 The cash and cash equivalent balance of Kshs.155,840,625.50 reflected in the statement of financial position is at variance with the cashbook balance of Kshs.212,993 resulting to unexplained variance of Kshs.155,627,632.50.
- 3.2 Further, no evidence was presented for audit review to confirm that the Fund appointed a Board of Survey at the end of the financial year to verify the actual cash balance of Kshs.117,613 reflected in Note 8.5 (b) to the financial statements.
- 3.3 The bank reconciliation statement presented for audit review reflected receipts in the bank statement and not in the cashbook of Kshs.90,785.50 and receipts in the cash book and not in the bank statement of Kshs.499,641.48. In addition, Kshs.5,387,451.60 described in the bank reconciliation statement as a cashbook under cast could not be confirmed.

In the circumstances, the validity and accuracy of cash and cash equivalent balance of Kshs.155,840,625.50 as at 30 June 2016 cannot be confirmed.

4. Trade and Other Payables

Trade and other payables from exchange transactions balance reflected in the statement of financial position as at 30 June 2016 was Kshs.52,994,135. However, supporting schedules reflect a balance of Kshs.51,915,535 thus resulting to a variance of Kshs.1,078,600 which has not been explained or reconciled. Further, records available indicate that other unpaid purchases totaling to Kshs.52,280,900 were excluded from the trade and other payables balance of Kshs.52,994,135 but no reason was given for their omission. Under the circumstances the trade and other payables from exchange transactions balance of Kshs.52,994,135 included in the statement of financial position as at 30 June 30 June 2016 could not be confirmed.

5. Inventories

The statement of financial position as at 30 June 2016 reflects inventories totalling to Kshs.130,121,256.10. However, the balance could not be confirmed since stock sheets for the year were not presented for audit review. Further, the Fund did not hold a stock taking exercise at the end of the financial year as required. Consequently, the accuracy

and validity of the inventories balance of Kshs.130,121,256.10 reflected in the statement of financial position as at 30 June 2016 cannot be confirmed.

6. Payment Received in Advance

The statement of financial position as at 30 June 2016 reflects payments received in advance totalling to Kshs.149,591,532. However, the dates when the payments were received by the Stores and Services Fund were not presented for audit review. Further, the bank statements were not provided to confirm whether they were indeed received. Under the circumstances, the balance of Kshs.149,591,532 denoted as payments received in advance as at 30 June 2016 cannot be confirmed.

7. Sale of Goods

The statement of financial performance for the year ended 30 June, 2016 reflects a balance of Kshs.96,639,911.34 while the supporting schedules presented for audit review reflected a balance Kshs.100,274,267.44 thus resulting to a difference of Kshs.3,634,356 which has not been explained. In addition, the Fund did not maintain a sales ledger and therefore the source of the sales data could not be confirmed for the year ended 30 June 2016.

8. Missing Receipt Books

The statement of financial performance reflects total revenue of Kshs.96,639,911.34. However, receipt numbers MR 6654401 to 6654450 dated September 2015 to March 2016 and receipt numbers 6654351 to 6654400 dated April 2016 were not availed for audit review. Further, the management has not explained whether revenue collected from May to June 2016 was receipted using official receipts. In the circumstances, the total revenue balance of Kshs.96,639,911.34 included in the statement of financial performance for the year ended 30 June 2016 could not be confirmed.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



FCPA Edward R. O. Ouko
AUDITOR-GENERAL

Nairobi

13 March 2017

4. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2016

Revenue from exchange transactions		2015-2016	2014-2015
Sale of goods	3	96,639,911.34	32,321,404.01
Total revenue		96,639,911.34	32,321,404.01
Expenses			
Bulk purchases of stores & Fuel	4	120,017,323.45	37,371,692.00
Total expenses		120,017,323.45	37,371,692.00
Deficit for the period		-23,377,412.11	-5,050,287.99

The Financial Statements set out on pages 1 to 17 were signed on behalf of the Ministry by:

Accounting Officer

Ministry of lands, housing and urban development

Date.....30/06/16.....

5. STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

Assets		2015-2016	2014-2015
Current Assets			
Cash and cash equivalents	5	155,840,625.50	224,744,758.40
Receivables from exchange transactions	6	65,320,195.69	65,320,195.69
Inventories	7	130,121,256.10	130,935,582.50
		351,282,077.29	421,000,536.59
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	8	52,994,135.00	9,163,400.00
Payments received in advance	8	149,591,532.00	239,763,314.20
		202,585,667.00	248,926,714.20
Non-Current Liabilities			
Borrowings		844,003,247.00	844,003,247.00
		844,003,247.00	844,003,247.00
Total liabilities		1,046,588,914.00	1,092,929,961.20
Reserves		120,975,370.20	120,975,370.20
Accumulated surplus/Deficit		-816,282,206.91	-792,904,794.81
Total net assets and liabilities		351,282,077.29	421,000,536.59

6. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2016

	Reserves		
	Capital replacement development reserve	Accumulated surplus	Total
	Kshs '000	Kshs '000	Kshs '000
Balance as at 30 JUNE 2014	120,975,370.20	-787,854,506.80	-666,879,136.60
Surplus/(deficit) for the period			
Transfers to/from accumulated surplus	-	-5,050,287.99	-
Balance as at 30 JUNE 2015	120,975,370.20	-792,904,794.81	-671,929,424.60
Surplus for the period			
Transfers to/from accumulated surplus		-23,377,412.11	-
Balance as at 30 JUNE 2016	120,975,370.20	-816,282,206.92	-695,306,836.70

7. STATEMENT OF CASH FLOWS

Cash flows from operating activities	2015 - 2016	2014-2015
Sale of goods	5,746,768.60	32,321,404.01
	5,746,768.60	32,321,404.01
Payments		
Goods and services	76,186,588.45	37,371,692.00
Net cash flows from operating activities	70,439,819.85	-5,050,287.99
Cashflowsfromfinancingactivities		
Increasein deposits	1,535,768.6	228,267,185.00
Net cash flows used in financing activities	-68,904,051.25	228,216,897.05
Net increase/(decrease)in cash and cash equivalents	-68,904,051.25	223,216,897.05
Cashandcashequivalentsat1JULY	224,744,758.40	1,527,861.35
Cashandcashequivalentsat30 JUNE	155,840,625.50	224,744,758.40

8. NOTES TO THE FINANCIAL STATEMENTS

8.1 Statement of compliance and basis of preparation

The Stores and services Fund 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 Fund. This is the first year for the presentation of the IPSAS accounting.

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.

8.2 Summary of significant accounting policies

a) Revenue recognition

(i) Revenue from exchange transactions

Rendering of services

The Stores and Services Fund recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the department.

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.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows

Ø Raw materials: purchase cost using the weighted average cost method

Ø Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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 Stores and Services Fund.

h) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Contingent liabilities

The Entity does not recognize a contingent liability, 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.

Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

Related parties

The Entity 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the councilors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers

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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the

financial year.

Changes in accounting policies and estimates

The Stores and Services Fund recognizes the effects of changes in accounting policy retrospectively. The effect of changes in accounting policy are applied prospectively if retrospective application is impractical.

Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

Significant judgments and sources of estimation uncertainty

The preparation of the supplies branch 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 judgments, estimates and assumptions made.

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 Entity 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 supplies branch. Such changes are reflected in the assumptions when they occur.

There have been no events subsequent to financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

8.3 Sale of stores & fuel

	2016	2015
	Shs 000	Shs 000
Sale of stores	87,074,268.36	628,053.20
Sale of fuel	9,565,642.98	31,693,350.81
	96,639,911.34	32,321,404.01
Total revenue from the sale of goods		

Revenue is recognized when common user items are received by Stores and Services Fund on behalf of MDA'S and goods are inspected and accepted by inspection and acceptance committee in the presence of MDA representative and significant risk transferred to the buyer. Supplies Branch charges a commission of 0.0375 on the value of invoice for all common user items and 50 cents for fuel sold to MDA's.

8.4 Bulk purchases

	2016	2015
	Shs	Shs
Stores	82,135,913.45	1,038,412.00
Fuel	37,881,410.00	36,333,230.00
Total bulk purchases	120,017,323.45	37,371,692.00

8.5 Analysis of the cash and cash equivalents

Name of the Bank	Bank Account Number	Currency	2016 Shs 000	2015 Shs 000
Central Bank of Kenya	1000195387	Kshs	154,742,602.05	224,744,758.40
Total			154,742,602.05	224,744,758.40

(b) Cash on hand and in transit

Form of cash holding e.g liquid cash, Mpesa, Tangaza, e.t.c	2016 Shs 000	2015 Shs 000
cash	117,613.00	nil
cheques	980,437.50	nil
Total	1,098,050.50	

8.6 Receivables from exchange transactions

	2016 Shs 000	2015 Shs 000
Current receivables		
Stores & fuel	65,320,195.69	65,320,195.69

Total current receivables

65,320,195.69

65,320,195.69

Non-current receivables

Total receivables

65,320,195.69

65,320,195.69

7. Inventories

2016

2015

Shs 000

Shs 000

Other goods held for resale

130,121,256.10

130,935,582.50

Total inventories

130,121,256.10

130,935,582.50

8.9 Trade and other payables from exchange transactions

2016

2015

Shs 000

Shs 000

Trade payables

52,994,135.00

9,163,400.00

Payments received in advance

149,591,532.00

239,763,314.20

Total trade and other payables

202,585,667.00

248,926,714.20

8.10 Borrowings

	2016	2015
	Shs 000	Shs 000
PMG - overdraft	844,003,247	844,003,247
Total borrowings	844,003,247	844,003,247

This was an overdraft with Central bank taken over by the National Treasury.

8.11 Events after the reporting period

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

8.12 Related Parties

Sale of goods

Ministry of Finance

National Youth Service

a. Contingent Liabilities

The Fund does not have any contingent liabilities in the year.

b. Comparative Figures

The Fund comparative figures have been restated due to adoption of the IPSAS accrual basis template.

9. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)
1	Presentation of financial statements	Adopted IPSAS template in the current financial year 2016	Accounting Officer Miriam El Maawy
2	Un-settled losses balance	Transferred to statement of net assets	Accounting Officer Miriam El Maawy
3	Debtors balance	To follow up on recoverability in 2017 under the new management	Accounting Officer Miriam El Maawy
4	Unsupported balances	The amount of kshs. 482,983,865.58 has been written off in the current year 2016. The issue on the amount of kshs. 844,003,800.33 will be resolved in the year 2017	Accounting Officer Miriam El Maawy
5	Mark-up suspense	This has been	Accounting Officer

		written off to the statement of bet assets	Miriam El Maawy
6	Un-explained difference	This has been resolved in the current year financial statements 2016	Accounting Officer Miriam El Maawy
7	Inter-stores closing stock	This has been resolved in the current year financial statements 2016	Accounting Officer Miriam El Maawy
8	Creditors balances	This has been resolved in the current year financial statements 2016	Accounting Officer Miriam El Maawy
9	Cash at bank	The amount was recognized in the cash book in the current year 2016	Accounting Officer Miriam El Maawy
10	Closing stock	To be resolved	Accounting Officer Miriam El Maawy

Accounting Officer

Ministry of lands, housing and urban development

Date.....

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