

REPUBLIC OF KENYA



*Paper Laid  
On Tuesday 4th  
by the Leader of  
the Majority Party  
Hon Aden Duale*

**KENYA NATIONAL AUDIT OFFICE**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS ON STORES  
AND SERVICES FUND**

**FOR THE YEAR ENDED  
30 JUNE 2014**

**MINISTRY OF LAND, HOUSING  
AND URBAN DEVELOPMENT**



# REPUBLIC OF KENYA

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## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON STORES AND SERVICES FUND - MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Stores and Services Fund-Ministry of Land, Housing and Urban Development which comprise the statement of assets and liabilities for Stores Services Fund as at 30 June 2014, and the fund trading account 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 8 of the Public Audit Act, 2003.

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

The Accounting Officer-Ministry of Lands, Housing and Urban Development is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Accounting Standards 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 Accounting Officer 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 9 of the Public Audit Act, 2003. 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 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.

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

#### **Basis for Disclaimer of Opinion**

1. The Statement of Assets and Liabilities reflects Unsettled Losses Account Balance of Kshs.221,997,145.99 which includes a brought forward figure of Kshs.145,375,999.30. Further, the Unsettled Losses Account balance of Kshs.221,997,145.99 includes Kshs.7,333,214.30 relating to the year 2011/2012 and which represents losses on disposal of obsolete and non-moving items and donations of obsolete items to health institutions. However, no loss report in respect of these losses has been availed for audit review. Consequently, the completeness, accuracy and validity of the amount as reflected in the statement could not be ascertained.
2. The Financial Statements on Stores and Services Fund for the year ended 30 June 2014 have not been prepared according to International Public Sector Accounting Standards (Cash Basis of Accounting) contrary to the provisions of the Public Sector Accounting Standards Board. Consequently, the Ministry is in breach of the law.
3. As similarly reported in 2012/2013, the Statement of Assets and Liabilities reflects Debtors Account debit balance of Kshs.64,738,834.29, out of which an amount of Kshs.64,069,466.44 relates to 2012/2013 and earlier years. It has not been possible to confirm whether or when the Fund will recover these debts. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements. As a result, the valuation, accuracy and collectability of the debtors' balance of Kshs.64,738,834.29 as at 30 June 2014 could not be ascertained.
4. The Statement of Assets and Liabilities also reflects Supplies Branch Suspense and PMG Accounts debit and credit balances of Kshs.482,983,865.58 and Kshs.844,003,800.33 respectively, for which as in the previous years, supporting analyses were not availed for audit review. Consequently, it has not been possible to ascertain the validity, accuracy and completeness of the balances reflected in these financial statements.
5. The Statement also reflects a Mark-up Suspense credit balance of Kshs.46,574,470.89 as at 30 June 2014 which has had no movement for the last four years and whose supporting analysis has not been availed for audit review.
6. The Statement of Assets and Liabilities reflects Cash and Bank balance of Kshs.3,016,532.05. However, no bank reconciliation statement was availed

for audit review. Further, balance of Kshs.3,016,532.05 differs with the cashbook balance of Kshs.1,527,861.35 resulting to unreconciled/explained variance of Kshs.1,488,670.70. Consequently, the validity and accuracy of the cash and bank balance of Kshs.3,016,532.05 as at 30 June 2014 could not be confirmed.

7. The financial statements also reflect Stores Deficiency balance of Kshs.130,302,958.04 while the Trial Balance reflects a balance of Kshs.128,825,953.00, resulting to unreconciled/unexplained difference of Kshs.1,477,005.04.
8. The Trial Balance as at 30 June 2014 reflects Receipts Inter-Stores Account debit balance of Kshs.595,346,515.10 while Issues Inter-Stores has a nil credit balance. No explanation has been provided for the difference of Kshs.595,346,515.10 between the two sets of records.
9. Further, the financial statements reflect a balance of Kshs.109,984,495.31, being main store Closing stock . However, stock sheets in support of the balance were not availed for audit review, hence it has not been possible to ascertain or confirm the correctness of the closing stock balance of Kshs. 109,984,495.31 as at 30 June 2014.
10. The Statement also reflects creditors balance of Kshs.16,352,862.95 while the Trial balance shows a figure of Kshs.16,340,260.00. The difference of Kshs.12,602.95 between the two sets of records has not been explained.

#### **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.



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

**Nairobi**

**12 May 2015**

MINISTRY OF LAND HOUSING AND URBAN DEVELOPMENT  
 DIRECTORATE OF PUBLIC WORKS  
STORES AND SERVICES FUND ACCOUNT FOR 2013/2014 FINANCIAL YEAR

|                                | <u>FUND TRADING ACCOUNT</u> |                        |                        |
|--------------------------------|-----------------------------|------------------------|------------------------|
|                                | <u>2013/14</u>              | <u>2013/2014</u>       | <u>2012/2013</u>       |
| Gross sales                    |                             | 88,110,452.40          | 403,117,511.50         |
| Cost of sales                  |                             |                        |                        |
| Opening stock                  | 142,252,823.02              |                        | 154,101,505.81         |
| Stores Deficiency              | -                           |                        | -                      |
| Cash Purchases                 | 67,729,671.90               |                        | 423,032,642.85         |
| Goods Available for sale       | 209,982,494.92              |                        | 577,134,148.66         |
| Less: Closing Stock            | - 109,984,495.31            |                        | - 142,252,823.02       |
| Goods Available for sale       |                             | 99,997,999.61          | 434,881,325.64         |
|                                | - 109,984,495.31            |                        |                        |
| Surplus/(Deficit) for the Year |                             | <u>- 11,887,547.21</u> | <u>- 31,763,814.14</u> |

Date.....30 SEPT 2015.....

Signed..........

MARIAM el MAAWY  
 ACCOUNTING OFFICER

MINISTRY OF LAND HOUSING AND URBAN DEVELOPMENT  
 DIRECTORATE OF PUBLIC WORKS  
 STATEMENT OF ASSETS AND LIABILITIES FOR  
 STORES AND SERVICES FUND AS AT 30TH JUNE 2014

| Current Assets                        | 2013/2014             | 2012/2013             |
|---------------------------------------|-----------------------|-----------------------|
| Cash at bank                          | 3,016,532.05          | 28,551,858.40         |
| RD Cheques                            | 402,051.40            | -                     |
| Debtors                               | 64,738,834.29         | 64,069,466.44         |
| Stores Deficiency                     | 130,302,958.04        | 130,302,958.04        |
| Supplies Branch Suspence              | 482,983,865.58        | 482,983,865.58        |
| Inter stores Closing Stock            | 2,593,074.50          | 2,593,089.50          |
| Main Store Closing Stock              | 109,984,495.31        | 142,252,823.02        |
| <b>Total Assets</b>                   | <b>794,021,811.17</b> | <b>850,754,060.98</b> |
| Financed By:                          |                       |                       |
| Capital                               | 120,975,370.20        | 120,975,370.20        |
| P.M.G                                 | 844,003,800.33        | 844,003,800.33        |
| Unsettled Losses                      | - 221,997,145.99      | - 145,375,999.30      |
| Surplus/(Deficit) for the Year c/d    | - 11,887,547.21       | - 31,763,814.14       |
|                                       | <b>731,094,477.33</b> | <b>787,839,357.09</b> |
| <b>Current Liabilities</b>            |                       |                       |
| Creditors                             | 16,352,862.95         | 16,340,260.00         |
| Mark-up Suspence                      | 46,574,470.89         | 46,574,470.89         |
| Timing Difference                     | -                     | -                     |
| <b>Total Liabilities</b>              | <b>62,927,333.84</b>  | <b>62,914,730.89</b>  |
| <b>Total Liabilities and Reserves</b> | <b>794,021,811.17</b> | <b>850,754,087.98</b> |

Date..... 30 SEPT 2014 .....

Signed.....  .....

MARIAM el MAAWY  
 ACCOUNTING OFFICER

MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT  
DIRECTORATE OF PUBLIC WORKS  
STORES AND SERVICES FUND ACCOUNT FOR 2013/14 FINANCIAL YEAR

|                                      | 2013/14             | 2012/13              |
|--------------------------------------|---------------------|----------------------|
| Deficit for the year                 | - 11,887,547.21     | -31,763,814.14       |
| <b>ADJUSTMENT IN WORKING CAPITAL</b> |                     |                      |
| Increase in debtors                  | 714,367.85          | -11,831,895.90       |
| Decrease in closing stock            | - 669,367.85        | 11,848,682.79        |
| Decrease in creditor                 | 32,268,327.71       | 16,340,260.00        |
| RD Cheques                           | 402,051.40          |                      |
| Decrease in creditors                | - 12,602.95         | -26,891,083.90       |
| Increase in unsettled losses         | - 76,621,146.69     | 17,030,133.95        |
| Adjustment for stores deficiency     | 30,270,576.39       | -3,854,476.40        |
| <b>Change in working capital</b>     | - 25,535,341.35     | -29,122,193.60       |
| Opening cash & cash equivalent       | 28,551,873.40       | 57,674,067.00        |
| Closing cash balance                 | <b>3,016,532.05</b> | <b>28,551,873.40</b> |

Date..... 30 SEPT 2014.....

Signed..... .....

MARIAM el MAAWY  
ACCOUNTING OFFICER

| TRIAL BALANCE            |  | DEBIT                   |  | CREDIT                  | TRAIL BAL                    |  | DEBIT                   | CREDIT                  |
|--------------------------|--|-------------------------|--|-------------------------|------------------------------|--|-------------------------|-------------------------|
| 2012-2013                |  |                         |  |                         | 2013-2014                    |  |                         |                         |
| CAPITAL                  |  |                         |  | 120,975,370.20          | CAPTIAL                      |  |                         | 120,975,370.20          |
| PMG                      |  |                         |  | 844,003,800.33          | PMG                          |  |                         | 844,003,800.33          |
| REICEIPT MARK -UP        |  |                         |  |                         |                              |  |                         | 3,819,565.07            |
| STOCK IN HAND            |  | 154,101,505.81          |  |                         | STOCK IN HAND                |  | 109,984,495.31          |                         |
| CASH PURCHASES           |  | 423,032,642.85          |  |                         | CASH PURCHASES               |  | 88,110,452.40           |                         |
| STORES SURPLUS           |  |                         |  |                         |                              |  |                         |                         |
| RECEIPTS INTER STORES    |  | 595,346,515.10          |  |                         | RECEPTS INTER STORES         |  | 595,346,515.10          |                         |
| ISSUES TO MINISTRIES     |  |                         |  |                         |                              |  |                         |                         |
| ISSUES TO CASH SALES     |  |                         |  | 403,117,511.50          | ISSES TO CASH SALES          |  |                         | 67,675,495.77           |
| R D CHEQUES              |  |                         |  |                         |                              |  | 402,051.40              |                         |
| STORES DEFICENCY         |  | 130,302,985.04          |  |                         | STORES DEFICENCY             |  | 128,825,953.09          |                         |
| ISSUES INTER STORES      |  |                         |  |                         |                              |  |                         |                         |
| TRANSFER                 |  |                         |  | 592,753,425.60          | ISSUES INTER STORES TRANSFER |  |                         |                         |
| UNSETTLED LOSES          |  | 145,375,999.30          |  |                         |                              |  | 221,997,145.99          |                         |
| SUPPLIES BRANCH SUSPEN   |  | 482,983,865.58          |  |                         |                              |  | 482,982,865.58          |                         |
| MARK UP SUSPENCE ACCOUNT |  |                         |  | 46,574,470.89           |                              |  |                         | 46,574,470.89           |
| CASH AT HAND             |  | 28,551,858.40           |  |                         |                              |  | 3,016,532.05            |                         |
| CASH IN TRANSIT          |  |                         |  |                         |                              |  |                         |                         |
| CREDITORS                |  |                         |  | 16,340,260.00           |                              |  |                         | 16,340,260.00           |
|                          |  |                         |  |                         |                              |  |                         |                         |
| DIRECT ISSUES            |  | 64,069,466.44           |  |                         |                              |  | 64,069,466.44           |                         |
|                          |  |                         |  |                         |                              |  |                         |                         |
|                          |  |                         |  |                         |                              |  |                         |                         |
|                          |  |                         |  |                         |                              |  |                         |                         |
|                          |  | <b>2,023,764,838.52</b> |  | <b>2,023,764,838.52</b> |                              |  | <b>1,099,388,962.26</b> | <b>1,099,388,962.26</b> |

## Supplies Branch Suspence Account

|                                   | Kshs           |
|-----------------------------------|----------------|
| Balance as at 30th june 2004      | 187,850,551.70 |
| Journal Entries as at 200/2005 FY | 288,271,499.85 |
| Balance as at 30th june 2005      | 476,122,056.53 |
| Adjustments in the 2006/2007 FY   | 4,199,213.45   |
| Balance b/f                       | 480,322,514.30 |
| Net Surplus/Deficiency            | 2,661,351.30   |
| <br>                              |                |
| Balance as at 30th june,2009      | 482,983,865.60 |

This balance is historical and has never changed

## Inter stores closing stock

Inter stores closing stock of Kshs 2,593,074.50 refers to stocks that are held on behalf of other stores.

### Stores deficiency

Stores deficiency of Kshs 130,983865.58 as a result of losses due to absolute stock, breakages and losses during auction.

**Notes To The Accounts**

**Cash and Cash Equivalents**

Cash and Cash Equivalents represents cash at hand and in the bank.

**Accounts receivables**

Debtors in the accounts represents all the sales credit to our customers.

**Closing Stock**

All the warehouse inventories are valued at cost.

**Unsettled Losses**

This represents the difference in cost and net realisable value of all goods sold through public auction other than normal sales.

**Creditors**

Trade creditors are outstanding payments for goods received to the warehouse and billed for by our suppliers.

**Mark-up**

The Mark-up account increased by increased by Kshs 3819565.07. This arose as result of the Mark-up charged on the fuel and General stores. The calculation forms part of the annex.



## MARK-UP TABULATION

2013/2014

Kshs

|                     |          |         |      |      |            |
|---------------------|----------|---------|------|------|------------|
| Total petrol issued | 488084.3 | mark-up | 0.50 | cent | 244,042.16 |
| Total diesel issued | 543226.4 | mark-up | 0.5  | cent | 271,613.19 |

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515655.35

TOTAL ISSUES STORES/FUEL

88,626,107.75

Less fuel issues

515,655.75

Total for stores

88,110,452.40

Mark up@ 0.0375

3,304,141.97

Mark up fuel b/d

515,423.10

Total to mark up suspence a/c

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3,819,565.07

