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OFFICE OF THE AUDITOR GENERAL

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30 2014

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

OFFICE OF THE AUDITOR GENERAL

**Reports and Financial Statements
For the year ended June 30, 2014**

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OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements For the year ended June 30, 2014

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Office of the Auditor - General was first established as the office of the Controller and Auditor General in 1955. The Public Audit Act, on 9th January 2004, formed Kenya National Audit Office by merging the Office of the Auditor – General (Corporations) and the Office of the Controller and Auditor General.

At cabinet level, the Office of the Auditor - General is represented by the Auditor-General who is responsible for the general policy and strategic direction of the Office.

The Office of Auditor General (OAG) in Kenya is an independent constitutional office and is the country's Supreme Audit Institution (SAI).

The OAG is a constitutional office established under the Laws of Kenya and it draws its mandate from the Constitution of Kenya, 2010. The office is established under Chapter 12, Part 6, and Article 229 of the Constitution of Kenya and is one of the independent offices as established by the Constitution. The OAG is headed by the Auditor-General (AG) who is appointed by the President after approval by the National Assembly. It is not subject to direction or control by any person or authority.

(b) Key Management

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

- i. Auditor General,
- ii. Executive Committee (Auditor General and the Deputy Auditors General)

(c) Fiduciary Management

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

Designation	Name
Accounting Officer / Auditor General	Edward R.O. Ouko, CBS
Deputy Auditor General (Corporate Services)	Agnes Mita
Ag. Director Finance	Martha Mbau

(d) Fiduciary Oversight Arrangements

The Kenya National Audit Commission oversees the operations and the activities of the office of the Auditor General.

(e) Headquarters

P.O. Box 30084 00100
Anniversary Towers
University Way
Nairobi, KENYA

OFFICE OF THE AUDITOR GENERAL

**Reports and Financial Statements
For the year ended June 30, 2014**

(f) Entity Contacts

Telephone: (254) 20 3342330
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

(g) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Kenya Commercial Bank
Moi Avenue Branch,
P.O. Box 30081 – 00100
Nairobi, Kenya

(h) Independent Auditors

Baker Tilly Merali's
Certified Public Accountants,
1st Floor New Rehema House,
P.O. Box 67486 - 00200
Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

OFFICE OF THE AUDITOR GENERAL

**Reports and Financial Statements
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II. FORWARD BY THE AUDITOR GENERAL

During the year 2013/2014 the Office of the Auditor General had a recurrent budget allocation of Kshs. 2.76 Billion and a development budget allocation of 525 million. During the year the office absorbed 81% of recurrent translating to Kshs 2.3 Billion and 100% (525 million) of the development.

During the year the Auditor General as mandated by the Constitution engaged on the expanded mandate of auditing the 47 County Governments as well as the National Government. This called for strengthening of the office, hiring of more staff and acquisition of land on which to put an office block were some of the steps taken.

In order to efficiently and effectively achieve the mandate, more staff, motivation of the existing staff and more office space at the head office and across the county offices remain key challenges.

OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements
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III. STATEMENT OF THE OFFICE OF THE AUDITOR GENERAL MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act of year 2012 requires that at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Office of the Auditor General (OAG) is responsible for the preparation and presentation of the OAG's financial statements, which give a true and fair view of the state of affairs of the OAG at the end of the financial year ended on 30 June 2014. This responsibility includes; maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity, designing, implementing and maintaining internal controls relevant to the entity's preparation and fair presentation of the financial statements and ensuring that they are free from material misstatements, whether due to fraud or error, safeguarding the assets of the entity, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the OAG accepts responsibility for the entity's financial statements, which have been prepared on the IPSAS cash basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the OAG's financial statements give a true and fair view of the state of entity's transactions during the financial year ended 30 June 2014, and of the entity's financial position as at that date. The Accounting Officer in charge of the OAG further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the OAG confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable) and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the International Public Sector Accounting Standards Board.

Approval of the financial statements

The entity's financial statements were approved and signed by the Accounting Officer on 11 July 2016.

Deputy Auditor General (Corporate Services)

Auditor General of Kenya

OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements For the year ended June 30, 2014

IV. INDEPENDENT AUDITOR'S REPORT

Parliamentary Service Commission (PSC)
P. O. Box 41842 - 00100
Nairobi – Kenya

Report on the statements of assets and liabilities and the appropriations in aid accounts

We have audited the accompanying financial statements which comprised a statement of assets and liabilities, statement of receipts and payments, statement of cash flows and notes to the financial statements of the OAG in accordance with the terms of reference and the requirements of Article 226 (4) of the Constitution of Kenya 2010 for the period from 1 July 2013 to 30 June 2014. The statement of financial position and the statement of receipts and payments comprised transactions captured into the OAG IFMIS accounting software on cash basis in which expenses are recognized when paid rather than when incurred. Income was accounted for when received rather than when earned.

Respective responsibility of the OAG and the auditors

The statement of assets and liabilities and the statement of receipts and payments are the responsibility of the OAG. The OAG is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the Constitution of Kenya 2010. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an independent opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing (ISA's). These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of 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 judgment, 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 controls relevant to the OAG 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 its internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the OAG as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion. We have highlighted our audit findings and recommendations in the management letter issued separately.

Emphasis of matter

Our audit involved a review of transactions for the OAG for the period from 1 July 2013 to 30 June 2014 with the findings detailed in the management letter.

Receivables in the statement of financial position include Kshs. 176,557,917 relating to amounts due from the defunct Local Authorities which are over one year past due against which no provision for impairment has been made. We circularised 40 number accounts receivables out of which 5 number State Corporations replied. The total ledger account balances in the OAG records for the 5 number State Corporations was Kshs. 43,439,804 while the total of the confirmation balances was Kshs.30,737,650 i.e. a difference of Kshs. 12,702,154. The omissions / misstatement of the receivables account balances present doubt on the correctness of the OAG financial statements as at 30 June 2014.

OFFICE OF THE AUDITOR GENERAL

**Reports and Financial Statements
For the year ended June 30, 2014**

Opinion

In our opinion, except for the possible effect of the matters described in the emphasis of matter paragraph, the financial statements give a true and fair view of the state of the financial affairs of the OAG as at 30 June 2014 and of its surplus and cash flows for the period then ended in accordance with the International Public Sector Accounting Standards and comply with the requirements of the Kenyan Public Audit Act 2003, Public Financial Management Act and The Constitution of Kenya 2010. This report is solely intended for the information and use by The Office of The Auditor General (Kenya National Audit Office) and Parliamentary Service Commission.

Madhav Bhandari
Partner
Baker Tilly Merali's
Practicing Certificate No. 1213

**First Floor, New Rehema House
Rhapta Road, Westlands
P. O. Box 67486 – 00200
Nairobi, Kenya**

Date: 12/2/2016

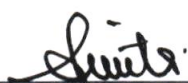
OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements
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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2013 / 2014	2012 / 2013
		Kshs	Kshs
RECEIPTS			
Exchequer releases	1	2,791,214,550	1,580,000,000
Other Receipts	2	153,019,619	173,064,009
TOTAL RECEIPTS		2,944,234,168	1,753,064,009
PAYMENTS			
Compensation of Employees	3	1,336,072,536	1,223,227,802
Use of goods and services	4	685,925,251	528,640,591
Acquisition of Assets	5	778,317,835	59,281,631
TOTAL PAYMENTS	6	2,800,315,622	1,811,150,024
SURPLUS / (DEFICIT)	11	143,918,546	(58,086,015)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 11 July 2016 and signed by:



Deputy Auditor General (Corporate Services)



Auditor General of Kenya

OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements
For the year ended June 30, 2014

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2013 / 2014	2012 / 2013
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and bank balances			
Bank balances	9A	68,494,927	21,917,031
Cash balances	9B	3,410,716	2,381,570
Total Cash and bank balances		71,905,643	24,298,601
Outstanding Imprests, advances & deposits	7	22,355,839	16,301,321
TOTAL FINANCIAL ASSETS		94,261,482	40,599,922
REPRESENTED BY			
GENERAL ACCOUNT OF VOTE (GAV)	8	94,261,482	40,599,922
NET FINANCIAL POSITION		94,261,482	40,599,922

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 11 July 2016 and signed by:



Deputy Auditor General (Corporate Services)



Auditor General of Kenya

OFFICE OF THE AUDITOR GENERAL

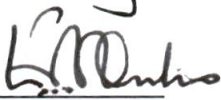
Reports and Financial Statements
For the year ended June 30, 2014

VII. STATEMENT OF CASHFLOW

Receipts for operating income	Note	2013 / 2014 (Kshs)	2012 / 2013 (Kshs)
Exchequer Releases	1	2,791,214,550	1,580,000,000
Other Revenues	2	153,019,619	173,064,009
		2,944,234,168	1,753,064,009
Payments for operating expenses			
Compensation of Employees	3	1,336,072,536	1,223,227,802
Use of goods and services	4	685,925,251	528,640,591
Total payments for operating expenses		2,021,997,787	1,751,868,393
Net cash flow from operating activities		922,236,381	1,195,616
Adjusted for:			
Adjustments during the year	10	(96,311,504)	74,213,983
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	(778,317,835)	(59,281,631)
Net cash flows from Investing Activities		(778,317,835)	(59,281,631)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings		-	-
Proceeds from Foreign Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		47,607,042	16,127,968
Cash and cash equivalent at beginning of the year		24,298,601	8,170,633
Cash and cash equivalent at end of the year		71,905,643	24,298,601

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 11 July 2016 and signed by:


Deputy Auditor General (Corporate Services)


Auditor General of Kenya

OFFICE OF THE AUDITOR GENERAL

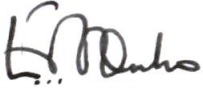
Reports and Financial Statements
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VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) - (d)	(f) = (d / c) %
RECEIPTS						
Exchequer releases	2,680,505,700	605,336,581	3,285,842,281	2,791,214,550	494,627,731	89%
Other Receipts	110,000,000	-	110,000,000	153,019,619	(43,019,619)	137%
TOTALS	2,790,505,700	605,336,581	3,395,842,281	2,944,234,169	451,608,112	
PAYMENTS						
Compensation of Employees	1,108,505,976	230,000,002	1,338,505,978	1,336,072,536	2,433,433	99.8%
Use of goods and services	737,599,724	166,222,108	903,821,832	685,925,251	217,896,581	75%
Acquisition of Assets	834,400,000	209,114,471	1,043,514,471	778,317,835	265,196,636	75%
TOTALS	2,680,505,700	605,336,581	3,285,842,281	2,800,315,622	485,526,650	85%

The entity financial statements were approved on 11 July 2016 and signed by:


Deputy Auditor General (Corporate Services)


Auditor General of Kenya

OFFICE OF THE AUDITOR GENERAL

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VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Budget Utilisation Difference	% of Utilisation
	(a)	(b)	(C) = (a) + (b)	(d)	(e) = (c) - (d)	(f) = (d / C) %
RECEIPTS						
Exchequer releases	2,680,505,700	605,336,581	3,285,842,281	2,791,214,550	494,627,731	89%
Other Receipts – A/A	110,000,000	-	110,000,000	153,019,619	(43,019,619)	115%
TOTALS	2,790,505,700	605,336,581	3,395,842,281	2,944,234,169	451,608,112	90%
PAYMENTS						
Compensation of Employees	1,108,505,976	230,000,002	1,338,505,978	1,336,072,536	2,433,433	99.8%
Use of goods and services	737,599,724	166,222,108	903,821,832	685,925,251	217,896,581	75%
Acquisition of Assets	334,400,000	184,114,471	518,514,471	253,317,835	265,196,636	49%
TOTALS	2,180,505,700	580,336,581	2,760,842,281	2,275,315,622	485,526,650	81%

The entity financial statements were approved on 11 July 2016 and signed by:


Deputy Auditor General (Corporate Services)


Auditor General of Kenya

OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements
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IX. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c - d)	(f) = (d / c) %
RECEIPTS						
Exchequer releases	500,000,000	25,000,000	525,000,000	525,000,000	-	100%
PAYMENTS						
Acquisition of Assets	500,000,000	25,000,000	525,000,000	525,000,000	-	100%
TOTALS	500,000,000	25,000,000	525,000,000	525,000,000	-	100%

The entity financial statements were approved on 11 July 2016 and signed by:


Deputy Auditor General (Corporate Services)


Auditor General of Kenya

OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements For the year ended June 30 2014

X. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The OAG prepared its financial statements for the year ended 30 June 2013 under the IPSAS accruals basis. The National Treasury (TNT) issued a circular reference number AG 4/16/1 Vol. II / (178) dated 21 September 2015 requiring the OAG and all Government of Kenya (GoK) entities and departments to adopt the IPSAS cash basis of accounting to enable comparison and consolidation of the financial statements of these entities funded by the Exchequer.

The financial statements for the year ended 30 June 2014 have been prepared in accordance and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on cash basis Financial Reporting as directed by the Accountant General Office / The National Treasury.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the entity.

2. Recognition of revenue and expenses

The entity recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the entity. In addition, the entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

3. Cash and cash equivalents

Cash and cash equivalents comprise cash in 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 the Kenya Commercial Bank Limited at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers which were not surrendered or accounted for at the end of the financial year. For the cash flow statement purposes, cash and cash equivalents comprise bank balances held in the Central Bank of Kenya and the Kenya Commercial Bank but excluded imprests and advances.

4. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance sheet' items to provide a sense of the overall net cash position of the entity at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements For the year ended June 30, 2014

5. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis and for the same period as the financial statements. The entity's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the entity's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

6. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation arising from the movement from the IPSAS modified cash basis to the IPSAS cash basis.

7. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2014.

8. Purchase of Land

The Office of the Auditor General purchased land initial reference number 9 R 438 / 1 of an initial lease period of 99 years from 1 July 1904 to 1 July 2003 under the previous British Colonial Government. The parcel of land was transferred to National Social Security Fund (NSSF) on 21 August 1995 for Kshs. 225 Million under a lease term of 85 years. The OAG purchased the land from NSSF in year 2013 / 2014 for Kshs. 525 million after the land survey and valuation by Lloyd Masika Limited (independent valuers) on 20 January 2012. The land is currently registered as L.R. No. 209 / 297.

9. Change in accounting policy

The OAG changed from the IPSAS accruals basis of financial reporting in accordance with IPSAS 3 (Accounting Policies, changes in accounting estimates and errors) and in compliance with the directive issued by The Treasury / Accountant General which required all Government entities funded by the Exchequer to adopt the cash basis IPSAS. The presentation format provided by the National Treasury / Accountant General excluded non-current assets including land, current assets and current liabilities from being disclosed on the face of the face of the statement of assets and liabilities. Whereas the accruals basis IPSAS 17 (Property, plant and equipment) prescribe the disclosure of items of property, plant and equipment, current assets and current liabilities on the face of the statement of the statement of assets and liabilities, the cash basis IPSAS does not prescribe that treatment. Consequently, the purchase of non-current assets (including land) have been expensed during the period 1 July 2013 to 30 June 2014.

OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements
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XI. NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASES

	2013 / 2014 (Kshs)	2012 / 2013 (Kshs)
Total Exchequer release for quarter 1	520,000,000	300,000,000
Total Exchequer release for quarter 2	670,000,000	390,000,000
Total Exchequer release for quarter 3	550,000,000	400,000,000
Total Exchequer release for quarter 4	1,195,000,000	490,000,000
Total Exchequer releases	2,935,000,000	1,580,000,000
Exchequer recoveries	(143,785,450)	-
Net Exchequer releases	2,791,214,550	1,580,000,000

2. OTHER REVENUES

	2013 / 2014 (Kshs)	2012 / 2013 (Kshs)
Receipts from Audit Fees - Collected as AIA	151,565,619	173,064,009
Receipts from the Sale of Tenders	1,454,000	-
Total	153,019,619	173,064,009

3. COMPENSATION OF EMPLOYEES

	2013 / 2014 (Kshs)	2012 / 2013 (Kshs)
Basic salaries of permanent employees	694,276,533	593,589,761
Personal allowances paid as part of salary	641,796,003	629,638,041
Total	1,336,072,536	1,223,227,802

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4. USE OF GOODS AND SERVICES

	2013 / 2014	2012 / 2013
	Kshs	Kshs
Utilities, supplies and services	15,782,717	20,010,050
Communication, supplies and services	56,927,157	41,603,177
Domestic travel and subsistence	128,545,987	127,266,211
Foreign travel and subsistence	5,661,618	8,984,606
Printing, advertising and inform. supplies & services	5,691,925	11,092,904
Rentals of produced assets	109,299,245	102,084,005
Training expenses	38,649,870	24,394,985
Hospitality supplies and services	1,883,771	3,584,192
Insurance costs	115,000,044	75,099,701
Specialised materials and services	1,572,314	1,923,108
Office and general supplies and services	17,251,479	53,234,910
Other operating expenses	159,156,981	5,344,960
Routine maintenance – vehicles	15,505,978	18,750,620
Routine maintenance – other assets	12,249,811	34,462,315
Membership Subscription	2,746,354	804,847
Total	685,925,251	528,640,591

5. ACQUISITION OF ASSETS

Non - financial assets	2013 /2014 (Kshs)	2012 / 2013 (Kshs)
Purchase of Vehicles and Other Transport Equipment	56,000,000	40,000,000
Overhaul of Vehicles and Other Transport Equipment	334,082	1,741,647
Purchase of Office Furniture and General Equipment	2,476,587	12,551,107
Purchase of ICT Equipment, Software and Other ICT Assets	194,507,166	4,988,877
Acquisition of Land	525,000,000	-
Total	778,317,835	59,281,631

OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements
For the year ended June 30, 2014

6. CHANGES IN STATEMENT OF RECEIPTS AND PAYMENTS

The change in Accounting Policy from IPSAS Accrual to IPSAS Cash basis has led to the following restatement in total expenditure for the year ended 2012 / 2013 as below.

		Previous	Current	
	Note	2012/13	2012 / 2013	Variance
		Kshs	Kshs	Kshs
RECEIPTS				
Exchequer releases	1	1,580,000,000	1,580,000,000	-
Other Receipts	2	196,300,060	173,064,009	23,236,051)
TOTAL RECEIPTS		1,776,300,060	1,753,064,009	(23,236,051)
PAYMENTS				
Compensation of Employees	3	1,223,227,802	1,223,227,802	-
Use of goods and services	4	656,200,104	528,640,591	127,559,513
Acquisition of Assets	5	-	59,281,631	(59,281,631)
	6	1,879,427,906	1,811,150,024	68,277,882
TOTAL PAYMENTS				
Transfer From Capital Grants		26,987,500	-	(26,987,500)
Surplus(Deficit)		(76,140,346)	(58,086,015)	18,244,985

CHANGES IN RECEIPTS		
As previously stated		196,300,060
Adjustment relating to Accrued Audit fees		(23,236,051)
Restated amount		173,064,009

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CHANGES IN PAYMENTS	Kshs
As previously stated	1,879,427,906
Add: Acquisition of Assets now reclassified to expenditure	59,281,631
Less: Reversal of Depreciation & Amortization	(96,644,796)
Less: Accrued Expenses now not applicable	(38,212,605)
Add: Expenses realized	7,297,888
Restated amount	<u>1,811,150,024</u>

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7. OUTSTANDING IMPRESTS & ADVANCES

	2013 / 2014	2012 / 2013
	Kshs	Kshs
Outstanding Imprests	17,723,763	12,926,095
Outstanding Advances	632,076	875,226
Hospital Deposits	4,000,000	2,500,000
Total	22,355,839	16,301,321

8. GENERAL ACCOUNT OF VOTE (GAV)

Kshs

OPENING BALANCE		Kshs	40,599,922
Add:	Closing Cash and Bank Balance	71,905,643	
	Closing Imprests and advances	22,355,839	
Less:	Closing Cash and Bank Balance	(24,298,601)	
	Opening Imprests and advances	(16,301,321)	
Total Movement			53,661,560
CLOSING BALANCE			94,261,482

The National Treasury issued a Circular reference number (AG/A/2014/(93) regarding clearance of old unsupported balances in the Financial Statements for the year 2012 / 2013 and prior years. The National Treasury appointed a task force to review the unsupported balances and OAG made submissions to the task force which then approved the write-off of long outstanding balances in the GAV and Recurrent Exchequer Accounts.

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9A: BANK ACCOUNTS

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exchange rate (if in foreign currency)	2013 - 2014 (Kshs)	2013 - 2014 (Kshs)
CBK, 100182598. & Kshs	Kshs	Recurrent	-	67,775,718	21,917,031
KCB, Moi Avenue Branch Ac. 1107839173. & Kshs	Kshs	Recurrent	-	719,209	-
Total				68,494,927	21,917,031

9B: CASH IN HAND

	2013 - 2014 Kshs	2012 - 2013 Kshs
Cash in Hand – Held in domestic currency	3,410,716	2,381,570
Cash in Hand – Held in foreign currency	0.00	0.00
Total	3,410,716	2,381,570

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Cash in hand should also be analysed as follows:

	2013 – 2014 Kshs	2012 – 2013 Kshs
Head Office	3,410,716	2,381,570
Location 2	0.00	0.00
Location 3	0.00	0.00
Other Locations	0.00	0.00
Total	3,410,716	2,381,570

The cash balance increased from Kshs. 2.3 million to Kshs. 3.4 million because of deliberate planning by the Office of Auditor General based on past experience. Every beginning of the financial year normally comes with prolonged cash constraints due to delay in loading of the budget by the National Treasury and subsequently no Exchequer is normally issued for normal operations sometimes extending up to Mid-August.

On this basis the office requested Treasury in late June 2014 to issue cash to sustain the office during the 5 weeks period of the succeeding financial year.

CASHFLOW ADJUSTMENTS

	2013-2014 (Kshs)	2012-2013 (Kshs)
Exchequer receipt included in 2013/14 but received in bank in July 2014	(50,000,000)	-
Exchequer Recovery included in 2013/14 but executed in the bank in September 2014	(5,291,340)	-
Appropriation in Aid received previous year accrued income (as per 2011-12 financial statements)	-	33,034,916
Exchequer issued in July 2013 but effectively utilized for payment of 2012/2013 Expenses	(40,000,000)	-
Adjustments for KCB Bank Balance earlier included in the expenses	(719,209)	
2012/2013 Expenses included in the Payments but unpaid due To Inadequacy of Exchequer receipts		41,179,067
Opening Balance in KCB account not included in Cash-flow	(260,716)	-
Miscellaneous Adjustments	(40,239)	-
Cash-flow Adjustments during the year	(96,311,504)	74,213,983

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10. RECONCILIATION OF CASHFLOW TO SURPLUS

	2013-14 (Kshs)
Surplus as Per Statement of Receipts and Payments	143,918,546
Less: Outstanding Imprests	(22,355,839)
Less: Exchequer received in July 2014 but included in Exchequer Receipts for 2013/14	(50,000,000)
Add: Opening Balance in KCB account not included in Cash flow	260,716
Miscellaneous Adjustments	<u>82,220</u>
Closing Cash and Bank Balance	71,905,643

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ANNEX 1 - ANALYSIS OF PAYABLES

1. PAYABLES	2013 -2014	2012 -2013
	Kshs	Kshs
Suppliers	25,521,657	150,406,183
Staff	2,527,458	-
	28,049,115	150,406,183

The pending payables to suppliers relate to the supplier Invoices for services and goods, supplied to the office, which had not been paid by 30th June 2014. The pending bills for staff relate to claims by staff for reimbursement for medical and travel expenses.

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ANNEX 2 - ANALYSIS OF RECEIVABLES

RECEIVABLES (AIA)	2013 /2014	2012 /2013
	Kshs	Kshs
Defunct Local Authorities	176,557,917	176,557,917
State Corporations	294,651,604	257,931,772
	471,209,521	434,489,689

The amount due from the defunct local authorities has been filed with the Transition Authority. The Authority has advised the Office to suspend following up on those amounts from the respective county governments via its letter reference number TA/2/5/VOL. VII (81) dated 23 July 2014.

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs)	Historical Cost (Kshs)
	2013/14	2012/13
Land	525,000,000	-
Transport equipment	219,517,786	147,059,433
Office equipment, furniture and fittings	288,470,990	57,746,231
ICT Equipment, Software and Other ICT Assets	423,342,041	156,085,818
Intangible assets	5,766,696	5,766,696
Total	1,462,097,513	366,658,178

Note: Valuation of Motor Vehicles was done in December 2015 and the figures have been updated. The Valuation of office furniture and equipment is planned to take place in 2015 /16 with technical assistance from directorates of housing at the ministry of Lands, housing and urban development.