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# KENYA NATIONAL AUDIT OFFICE

STATE CORPORATIONS  
 APPEAL TRIBUNAL  
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## REPORT OF THE CONTROLLER AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
 STATE CORPORATIONS APPEAL  
 TRIBUNAL FOR THE YEAR ENDED 30  
 JUNE 2006

KENYA NATIONAL AUDIT OFFICE

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**STATE CORPORATIONS APPEAL TRIBUNAL**

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**FINANCIAL STATEMENTS FOR THE YEAR 2005/2006**

# STATE CORPORATIONS APPEAL TRIBUNAL

ACCOUNTS OF THE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2006

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# STATE CORPORATIONS APPEAL TRIBUNAL

## REPORT OF THE MEMBERS

The Tribunal submits its report together with the financial statements for the year ended 30th June, 2006, which show the state of the Tribunal's affairs.

## INCORPORATION

The Tribunal is a statutory body established under section 22 of the State Corporations Act (CAP 446 of the Laws of Kenya).

## PRINCIPAL ACTIVITIES

The principal activity of the Tribunal is to consider and determine appeals under section 21 of the State Corporations Act.

## RESULTS

The financial results of the Tribunal are on page 3 of this report.

## MEMBERS

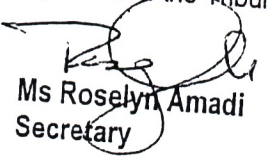
The Members who served during the year are as follows:

Mr. Nzamba Kitonga	-	Chairman
Ms Judith Guserwa	-	Member
Mr. Sammy Onyango	-	Member

## AUDITORS

The Tribunal's accounts are audited by Controller and Auditor General as provided for by the Public Audit Act, 2003.

By Order of the Tribunal

  
Ms Roselyn Amadi  
Secretary

21<sup>st</sup> DECEMBER, 2006

# STATE CORPORATIONS APPEAL TRIBUNAL

## STATEMENT OF MEMBERS' RESPONSIBILITIES

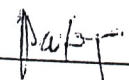
The Public Audit Act, 2003 requires the Tribunal to prepare financial statement for each financial year, which include a balance sheet showing in detail the assets and liabilities of the Tribunal, a statement of income and expenditure, and such other statements that the Tribunal may deem necessary. The State Corporations Act (CAP 446) requires the Tribunal to ensure that proper books are kept recording all the property, undertakings, funds, activities, contracts, transactions and other business of the Tribunal. The Members are also responsible for safeguarding the assets of the Tribunal.

The Members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the State Corporations Act. The Members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Tribunal and of its operating results. The Members further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Members to indicate that the Tribunal will not continue to operate as a "going concern" for at least the next twelve months from the date of this statement.

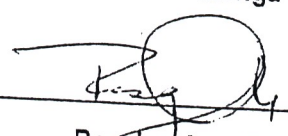
Chairman

:

  
\_\_\_\_\_  
Nzamba Kitonga

Secretary

:

  
\_\_\_\_\_  
Roselyn Amadi

Date

:

19/1/07  
\_\_\_\_\_



## **KENYA NATIONAL AUDIT OFFICE**

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF STATE CORPORATIONS APPEAL TRIBUNAL FOR THE YEAR ENDED 30 JUNE 2006**

I have audited the financial statements of State Corporations Appeal Tribunal for the year ended 30 June 2006 in accordance with the provisions of Section 14 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. The financial statements are in agreement with the books of account.

#### **Respective Responsibilities of the Tribunal and the Controller and Auditor General**

The Tribunal is responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Tribunal and of its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

#### **Basis of Opinion**

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Members of the Tribunal, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### **Tribunal Members Expenses**

During the year ended 30 June 2006, the Tribunal Members expenses amounted to Kshs.3,323,687. The expenses include a total amount of Kshs 864,000 sitting allowance paid to the Tribunal Secretary for 144 unscheduled meetings at a rate of Kshs 6,000 per sitting. This is contrary to the Treasury Circular Ref. No. ZZ. 253/1 dated 9 February 2004 which stipulates that a Secretary, being a public officer in receipt of a salary and other benefits, should be paid Kshs 6,000 per sitting only on scheduled meeting days. Accordingly the Secretary was not entitled to payment of sitting allowance totalling Kshs.864,000 for unscheduled meetings. Although the Tribunal has explained that the matter has been

discussed with the Treasury, no approval has been given to pay sitting allowance for unscheduled meetings. In the absence of approval from the Treasury, it was not possible to confirm the propriety of Kshs.864,000 and that it is properly chargeable to public funds.

### **Opinion**

Except for the foregoing reservation, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the State Corporations Appeal Tribunal as at 30 June 2006 and of its deficit and cash flows for the year then ended and comply with State Corporations Act, (Cap. 446).



**P.N KOMORA  
CONTROLLER AND AUDITOR GENERAL**

Nairobi

07 February 2007

State Corporation Appeal Tribunal  
Statement of Financial Performance  
For the year ended 30th June 2006

Operating revenue	Note	2006 Kshs	2005 Kshs
Government Grants		9,300,000	8,000,000
Other operating revenue		49,458	33,656
<b>Total operating revenue</b>		<u>9,349,458</u>	<u>8,033,656</u>
<b>Operating expenses</b>			
Tribunal members expenses			
Personnel emoluments	2		
Training and other personnel costs	3	3,323,687 ✓	3,945,181
Office supplies and expenses	4	683,117 ✓	521,300
Transport and travel	5	418,225	398,211
Utilities	6	392,844 ✓	360,707
Office rent and office services	7	290,288	222,668
Consultancy and other professional services	8	533,993 ✓	477,567
Depreciation	9	2,525,264 ✓	1,845,712
	10	411,905 ✓	217,125
		904,740 ✓	1,042,047
<b>Total operating expenses</b>		<u>9,484,063</u>	<u>9,030,519</u>
Surplus/(deficit) from operating activities		<u>(134,605)</u>	<u>(996,863)</u>
Gains on sale computers		34,500	-
Total non-operating revenue		<u>34,500</u>	<u>-</u>
<b>Net deficit for the year</b>		<u>(100,105)</u>	<u>(996,863)</u>

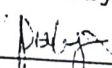
# State Corporation Appeal Tribunal

## Statement of Financial Position


As at 30th June 2006

ASSETS	Note	2006 Kshs	2005 Kshs
Current Assets			
Short term deposits	13	1,000,000	1,000,000
Filing Fees	12	494,759	486,781
Receivables	11	497,761	863,928
Bank and cash balances	14	244,288	392,403
		<u>2,236,808</u>	<u>2,743,112</u>
Non-current assets			
Infrastructure & equipment	10	2,267,998	2,748,419
		<u>4,504,806</u>	<u>5,491,531</u>
Total assets			
<b>LIABILITIES</b>			
Current liabilities			
Filing Fees	12	494,759	486,781
Payables	15	544,974	1,485,854
Employee benefits	16	46,282	-
		<u>1,086,015</u>	<u>1,972,635</u>
Total liabilities			
Net Assets		<u>3,418,791</u>	<u>3,518,896</u>
<b>NET ASSETS/EQUITY</b>			
Accumulated surplus		<u>3,418,791</u>	<u>3,518,896</u>

The accounts on page 3 to 9 were approved by the Board on 27th September, 2006 and signed in behalf by:

  
Nzamba Kitonga

Chairman

  
Roselyn Amadi

Secretary

**State Corporation Appeal Tribunal**  
**Statement of Changes in Net Assets/Equity**  
**for the year Ended 30th June 2006**

	<b>Accumulated Surpluses</b>
	<b>Kshs</b>
<b>Balance as at 30 June, 2004</b>	<b>4,515,789</b>
Net deficit for the period	(996,863)
<b>Balance as at 30th June, 2005</b>	<u><b>3,518,926</b></u>
<b>Balance as at 30 June, 2005</b>	<b>3,518,896</b>
Net deficit for the period	(100,105)
<b>Balance as at 30th June, 2006</b>	<u><u><b>3,418,791</b></u></u>

**State Corporation Appeal Tribunal**  
**Cashflow statement**

For the year ending 30th June 2006

	Note	2006 KSHS	2005 KSHS
<b>Cash flow From Operating Activities:</b>			
Net deficit from operations			
Adjustments:		(134,605)	(996,863)
Depreciation			
Operating surplus / (deficit) before working capital changes		<u>904,740</u>	<u>1,042,047</u>
		770,135	45,184
Decrease/(increase) in receivables			
(Decrease)/increase in payables and accruals		366,167	(778,538)
Increase in employee benefits		(940,880)	512,198
Cash generated from operations		<u>46,282</u>	-
Investing activities:		<u>241,704</u>	<u>(221,156)</u>
Purchase of fixed assets			
Proceeds from sale of equipments	10	(424,319)	(186,125)
		34,500	0
Net Cash outflow from investing activities		<u>(389,819)</u>	<u>(186,125)</u>
Net Increase in cash & cash equivalents		(148,115)	(407,281)
Cash & cash equivalents at the beginning of the period		1,392,403	1,799,684
Cash & cash equivalents at the end of the period	13	<u>1,244,288</u>	<u>1,392,403</u>
<b>Represented by:</b>			
Short term deposits		1,000,000	1,000,000
Bank and cash balances		244,288	392,403
		<u>1,244,288</u>	<u>1,392,403</u>

STATE CORPORATIONS APPEAL TRIBUNAL  
Notes to the Accounts for the Financial year 2005/2006

1. Significant accounting policies

(a) Basis of accounting

The financial statements comply with International Public Sector Accounting Standards (IPSAS) for accrual accounting. The measurement base applied is historical cost as adjusted for revaluation of assets.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

(b) Revenue recognition

Revenue from the Government grants is recognised when received. Other sources of revenue are recognised to the extent that the related revenue can be reliably measured.

(c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated Depreciation.

Depreciation is calculated on the cost of the fixed assets on a straight line basis, at annual rates estimated to write off the cost of these assets over the expected useful life.

The Depreciation rates used are as follows:

Motor vehicle	
Furniture & fitting	25%
Computers hardware & software	12.5%
Equipment	30%
(d). Taxation	12.5%

No provision has been made for income tax. The Tribunal's income is mainly from grants.

(e) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand and deposits held on call.

(f) Comparatives

Where necessary, comparatives figures have been adjusted where applicable to conform to changes in the current presentation.

(g) Retirement benefit obligation.

The Tribunal employees receive gratuity at 31% of basic salary.

(h) Incorporation

The Tribunal is a state corporation established under the State Corporation Act (Cap 446 of the laws of Kenya).

(i) Currency

These Accounts are presented in Kenya Shillings (Kshs)

2. Tribunal expenses

	2006 Kshs	2005 KShs
Monthly Honoraria	960,000	360,000
Allowances	1,906,000	3,446,500
Seminars, travel & accomodation	457,687	138,681
	<u>3,323,687</u>	<u>3,945,181</u>

STATE CORPORATIONS APPEAL TRIBUNAL  
Notes to the Accounts for the Financial year 2005/2006

	2006 Kshs	2005 KShs
3. Staff salaries & benefits		
Salaries	553,828	521,300
Gratuity	129,289	
	<u>683,117</u>	<u>521,300</u>

	2006 Kshs	2005 KShs
4. Training & other personnel costs		
Medical	24,885	25,300
Facilitation allowances	351,490	317,000
Training & capacity building	17,250	31,831
Other-allowances & benefits	24,600	24,000
	<u>418,225</u>	<u>398,211</u>

	No.	No.
Number of employees	4	4

	2006 Kshs	2005 Kshs
5. Office supplies & expenses		
Stationery, postage, & supplies	122,873	96,042
Office tea & general office expenses	128,579	111,347
Newspapers, books & periodicals	37,200	37,642
Official entertainment	104,192	115,676
	<u>392,844</u>	<u>360,707</u>

	2006 Kshs	2005 Kshs
6. Transport & travel expenses		
Travelling & accomodation	11,050	3,430
Vehicle repair, service & fuel	209,664	152,373
Vehicle insurance & other charges	69,554	66,865
	<u>290,268</u>	<u>222,668</u>

	2006 Kshs	2005 Kshs
7. Utilities		
Telephone	406,393	338,367
Internet & e-mail	127,600	139,200
	<u>533,993</u>	<u>477,567</u>

	2006 Kshs	2005 Kshs
8. Office rent & office services		
Rent	2,112,462	1,442,158
Service charge -provision	166,455	77,404
Insurance -property		72,698
Office cleaning	102,194	32,187
Repair & service-office equipment	144,153	221,265
	<u>2,525,264</u>	<u>1,845,712</u>

	2006 Kshs	2005 Kshs
9. Consultancy & other services		
Consultancy	291,740	
Bank charges	20,165	17,125
Audit fees	100,000	200,000
	<u>411,905</u>	<u>217,125</u>

STATE CORPORATIONS APPEAL TRIBUNAL  
Notes to the Accounts for the Financial year 2005/2006

10. Infrastructure and equipment

	Motor Vehicles KShs	Computer Equipment & Software KShs	Furniture & Fittings KShs	Equipment (Telephone, Fax, Other) KShs	Total KShs
Cost:					
At 1st July, 2004					
Add: additions during the year	1,806,713	1,513,898	4,715,944	1,730,373	9,766,928
At 30th June 2005			43,060	143,065	186,125
Depreciation:	1,806,713	1,513,898	4,759,004	1,873,431	9,953,053
At 1 July, 2004					
Charge for the year	1,806,713	1,211,159	2,354,087	790,627	6,162,585
At 30 June, 2005		227,054	589,492	225,501	1,042,047
	1,806,713	1,438,213	2,943,579	1,016,127	7,204,632
Cost:					
At 1st July, 2005					
Add: additions during the year	1,806,713	1,513,897	4,759,003	1,873,438	9,953,051
Less: disposals during the year		376,000		48,319	424,319
At 30th June 2006		(481,400)			(481,400)
Depreciation:	1,806,713	1,408,497	4,759,003	1,921,757	9,895,970
At 1 July, 2005					
Charge for the year	1,806,713	1,438,213	2,943,579	1,016,127	7,204,632
Disposal during the year		75,685	594,875	234,180	904,740
At 30 June, 2006		(481,400)			(481,400)
	1,806,713	1,032,498	3,538,454	1,250,307	7,627,972
Net book value:					
At 30 June 2006		375,999	1,220,549	671,450	2,267,998
At 30 June 2005		75,684	1,815,424	857,311	2,748,419
At 30 June 2004		75,685	1,815,425	857,310	2,748,420

11. Receivables

Staff advances  
Telephone deposits  
Interest receivable  
Prepaid rent, rent deposit & insurance

2,500	
30,390	15,390
2,049	2,049
462,822	846,489
497,761	863,928

12 Filing fees

Beginning balance  
Collected during the year  
Interest  
Total  
Less: Bank charges  
Net amount held and payable

486,781	363,170
570	129,611
11,408	
498,759	492,781
(4,000)	(6,000)
494,759	486,781

The Tribunal collects filing fees on behalf of the Government. The money is being held by the Tribunal while awaiting modalities for remitting the same to the Government.

13. Short term deposits

Short term deposits maturing within 30 days  
are invested as follows:  
National Bank of Kenya

2006 KShs	2005 KShs
1,000,000	1,000,000
1,000,000	1,000,000

14. Bank and cash balances

Petty cash  
Bank balance-National Bank of Kenya

10,000	10,000
234,288	382,403
244,288	392,403

15. Payables

Accrued members allowances  
Statutory deductions  
Audit fees  
Creditors  
Telephone  
Rent-service charge

	1,190,000
56,305	10,956
300,000	200,000
5,680	
16,534	7,494
166,455	77,404
544,974	1,485,854

16. Employee benefits

Gratuity

46,282	
46,282	