

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

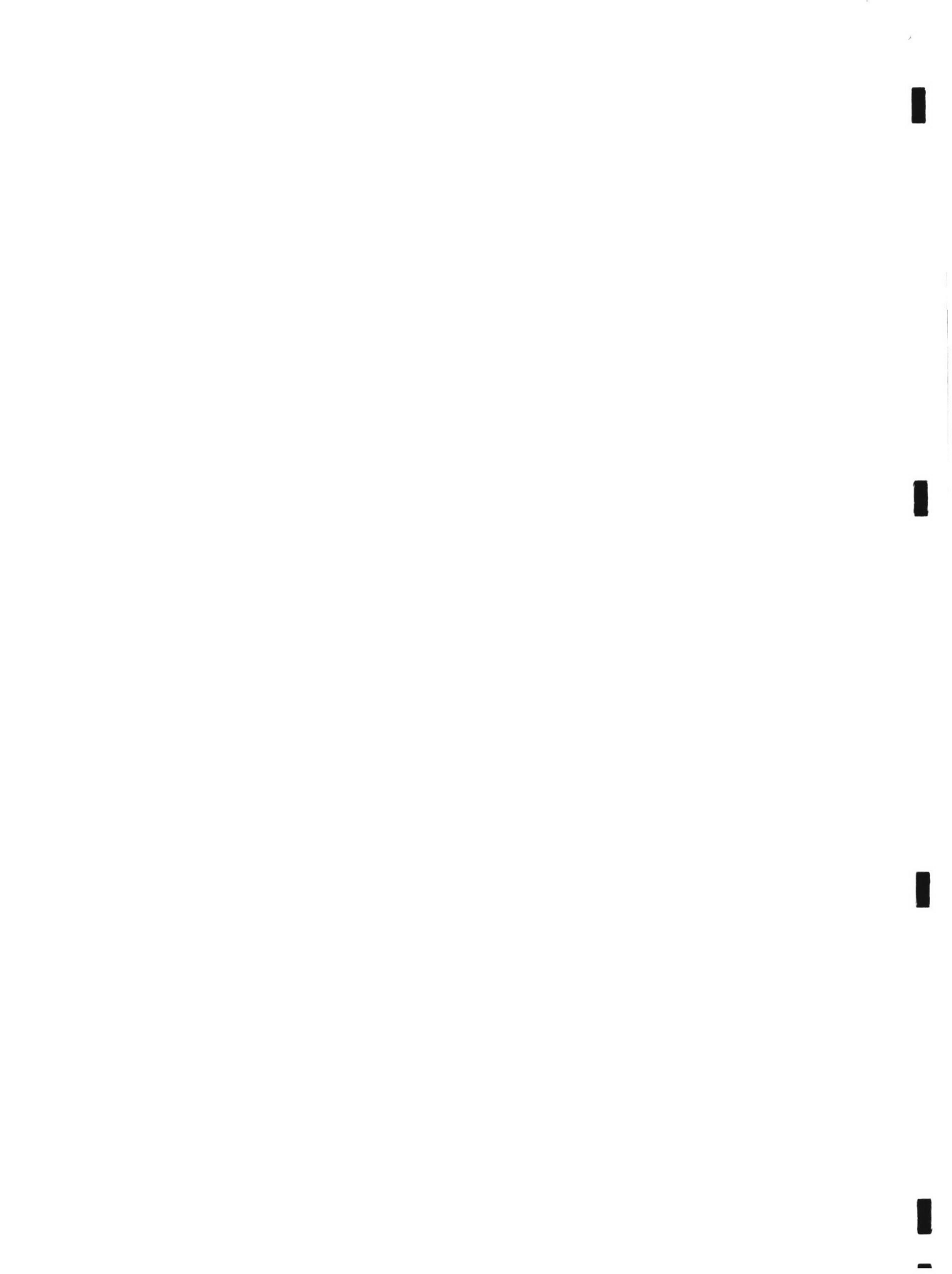
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COMPETITION AUTHORITY OF KENYA**

**FOR THE YEAR ENDED
30 JUNE 2014**





KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.

29 JAN 2015

RECEIVED



ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2014

COMPETITION AUTHORITY OF KENYA

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of the Competition Authority Of Kenya, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority as at the end of the financial year ended on June 30, 2014. 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 Authority; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2014, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's 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 Authority 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 Authority's financial statements were approved by the Board and signed on its behalf on *28th January 2015* by:

Judith Abrahams Guserwa 

Ag. Chairman

Wang'ombe Kariuki 

Director General



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON COMPETITION AUTHORITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Competition Authority of Kenya set out on pages 9 to 26, which comprise the statement of financial position as at June 30, 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts 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 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.

Directors Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The Board is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 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 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Competition Authority as at 30 June, 2014 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Competition Act No.12 of 2010.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi


4 March 2015

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014

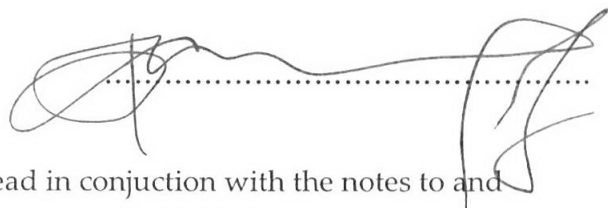
| ASSETS | NOTE | 2013/2014 |
|---|------|--------------------|
| Current Assets | | Kshs |
| Cash and Cash Equivalents | 11 | 95,355,886 |
| Receivables From exchange transactions | 12a | 4,226,261 |
| Receivables From non-exchange transactions | 12b | 20,091,986 |
| | | 119,674,133 |
| Non-Current Assets | | |
| Property, Plant & Equipment | 13 | 52,112,889 |
| Intangible Assets | 14 | 5,770,000 |
| | | 57,882,889 |
| TOTAL ASSETS | | 177,557,021 |
| LIABILITIES | | |
| Current Liabilities | | |
| Trade & Other payables from Exchange Transactions | 15 | 13,424,818 |
| Provisions | 16 | 2,681,230 |
| | | 16,106,048 |
| Non-Current Liabilities | 15 | 8,552,542 |
| TOTAL LIABILITIES | | 24,658,590 |
| Net Current Assets | | 103,568,085 |
| Net Assets | | 152,898,431 |
| Represented by: | | |
| Equity | | |
| Equity Contribution by the Treasury | 12.2 | 52,420,435 |
| Accumulated Surplus | | 100,477,997 |
| | | 152,898,431 |

The financial statements set out on pages 9 to 25 were approved by the Board of Directors on...*28th January 2015* ... and were signed on its behalf by:

Judith Abrahams Guserwa
Ag.Chairman

.....

Wang'ombe Kariuki
Director General

.....

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 15 to 25.

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2014

2013/2014

| | NOTE | <u>Kshs</u> |
|---|------|--------------------|
| Revenue | | |
| Revenue from non-exchange transactions | | |
| Exchequer Receipts | 3 | 290,000,000 |
| Fines & Penalties | 3 | 5,300,000.00 |
| Other Income | 3 | 810 |
| | | 295,300,810 |
| Revenue from exchange transactions | | |
| Sale of tenders | 4 | 1,660,000 |
| Commission on IPPD Salary Processing | 4 | 10,740 |
| Contribution by Communications Authority | 4 | 600,000 |
| Gifts & Donations | 4 | 10,000 |
| | | 2,280,740 |
| Total Revenue | | 297,581,549 |
| Expenditure | | |
| Staff Emoluments | 5 | 80,955,350 |
| Board Expenses | 6 | 10,966,965 |
| Depreciation and Amortisation | 13 | 7,722,284 |
| Repairs & Maintenance | 8 | 1,490,777 |
| Contracted Services | 9 | 11,573,670 |
| Audit fees | | 696,000 |
| Finance Costs | 11 | 83,007 |
| General Expenses | 10 | 83,615,499 |
| | | 197,103,553 |
| Surplus/(Deficit) for the year | | 100,477,997 |

The notes set out on pages 15-25 form an integral part of the financial statements

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2014

| | | Contribution by Treasury | Accumulated Fund | Total Fund |
|--------------------------------|------|-----------------------------|---------------------|--------------------|
| | NOTE | Kshs | Kshs | Kshs |
| 1 July 2013 | | - | - | - |
| Contribution for the year | 12.2 | 52,420,435 | - | 52,420,435 |
| Charge for the year | | | - | - |
| Surplus/(Deficit) for the Year | | - | 100,477,997 | 100,477,997 |
| At 30 June 2014 | | <u>52,420,435</u> | <u>100,477,997</u> | <u>152,898,431</u> |

The Statement of Changes in net assets is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 15 to 25.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2014

| | 2013/2014 |
|---|--------------------|
| Cashflows from Operating Activities | NOTE |
| | K\$'s |
| Surplus from operating Activities | 100,477,997 |
| Add back Depreciation | 7,722,284 |
| | 108,200,281 |
| <u>Adjustments for Changes in Working Capital</u> | |
| Increase in Receivables from Exchange Transactions | (4,226,261) |
| Increase in Receivables from Non-Exchange Transactions | (20,091,986) |
| Increase in Payables from Exchange Transactions | 21,977,360 |
| Increase in provisions | 2,681,230 |
| | 340,343 |
| Net Cashflows from Operating Activities | 108,540,624 |
| Cashflows from Investing Activities | |
| Purchase of Non-Current Assets | (36,240,073) |
| Purchase of Intangible Assets | - |
| | (36,240,073) |
| Cashflows from Financing Activities | |
| Treasury Contributions | 23,055,335 |
| | 23,055,335 |
| | - |
| Net Increase/(Decrease) in cash and cash equivalents | 95,355,886 |
| Cash and cash equivalents at 1st July 2013 | - |
| Cash and Cash Equivalents as at 30th June 2014 | 95,355,886 |

The Statement of Cash flows is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 15 to 25.

COMPETITION AUTHORITY OF KENYA

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30TH JUNE 2014

| | Original Budget 2013-2014 Kshs. | Budget Adjustments 2013-2014 Kshs. | Final Budget 2013-2014 Kshs. | Actual on Comparison Basis 2013-2014 Kshs | Performance Difference 2013-2014 Kshs |
|--|--|---|---------------------------------------|--|--|
| Revenue | | | | | |
| Exchequer Allocation | 280,000,000 | 30,000,000 | 310,000,000 | 290,000,000 | 20,000,000 |
| Fines, Penalties and Levies | - | - | - | 5,300,000 | (5,300,000) |
| Sale of Tender Documents | 500,000 | 1,010,000 | 1,510,000 | 1,660,000 | (150,000) |
| Rendering of Services (IPPD Sal.Processin | - | - | - | 11,549 | (11,549) |
| Public Contribution & Donations | - | - | - | 10,000 | (10,000) |
| Other Income, subsidies from Partners | - | - | - | 600,000 | (600,000) |
| Total Income | 280,500,000 | 31,010,000 | 311,510,000 | 297,581,549 | 13,928,451 |
| Expenses | | | | | |
| Personal Emoluments | 100,100,000 | - | 100,100,000 | 74,122,270 | 25,977,730 |
| Insurance | 10,500,000 | - | 10,500,000 | 6,833,080 | 3,666,920 |
| Staff Welfare | 3,500,000 | (2,000,000) | 1,500,000 | 1,455,530 | 44,470 |
| Communication Supplies and Services | 5,060,000 | (1,600,000) | 3,460,000 | 2,315,178 | 1,144,822 |
| Costs | 7,700,000 | (2,853,600) | 4,846,400 | 4,846,400 | - |
| Foreign Travel, Subsistence, & other costs | 8,000,000 | 10,785,000 | 18,785,000 | 18,681,010 | 103,990 |
| Printing, Advertising & Info. Supplies | 9,000,000 | 7,500,000 | 16,500,000 | 16,186,919 | 313,081 |
| Office rent, rates, utilities and parking | 26,200,000 | 5,800,000 | 32,000,000 | 26,965,859 | 5,034,141 |
| Training Expenses | 20,000,000 | (7,790,000) | 12,210,000 | 4,839,951 | 7,370,049 |

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS-CONT'D
FOR THE YEAR ENDED 30TH JUNE 2014

| | Original Budget 2013-2014 Kshs. | Budget Adjustments 2013-2014 Kshs. | Final Budget 2013-2014 Kshs. | Actual on Comparison Basis 2013-2014 Kshs | Performance Difference 2013-2014 Kshs |
|--|--|---|---------------------------------------|--|--|
| Official Entertainment & facilities hire | 2,200,000 | 5,800,000 | 8,000,000 | 4,153,532 | 3,846,468 |
| Board Allowances & expenses | 10,000,000 | 1,175,000 | 11,175,000 | 10,966,965 | 208,035 |
| Specialised Services,Policy,Research and Market Enquiries | 9,500,000 | (2,900,000) | 6,600,000 | 2,495,129 | 4,104,871 |
| Office and General Supplies and Services | 8,000,000 | (8,000,000) | - | - | - |
| Contracted Services | 37,100,000 | (9,476,400) | 27,623,600 | 12,269,670 | 15,353,930 |
| Subscriptions | 3,000,000 | - | 3,000,000 | 242,047 | 2,757,954 |
| MotorVehicle Running Expenses | 2,500,000 | - | 2,500,000 | 1,614,417 | 885,583 |
| Routine Maintenance - Other Assets | 4,000,000 | - | 4,000,000 | 972,392 | 3,027,608 |
| Purchase of Assets | 43,500,000 | 3,500,000 | 47,000,000 | 36,240,073 | 10,759,927 |
| Other operating expenses | 700,000 | 60,000 | 760,000 | 420,920 | 339,080 |
| Provision for Depreciation | | | - | - | - |
| | <u>310,560,000</u> | <u>-</u> | <u>310,560,000</u> | <u>225,621,341</u> | <u>84,938,659</u> |

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation-IPSAS 1

The Authority's 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 (Kshs.) which is the functional and reporting currency of the Authority and all values are rounded to the nearest cent. The accounting policies have been consistently applied.

The financial statements have been prepared on the basis of the historical cost, except where otherwise stated in the accounting policies below. The Cash Flow statement is prepared using the indirect method. The Financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue Recognition

i) Revenue from non-exchange transactions-IPSAS 23

Exchequer allocations

The Authority recognizes Revenue from exchequer allocation when the monies are received and asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

ii) Revenue from exchange transactions-IPSAS 9

Rendering of Services-Fines, penalties, levies

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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

Sale of tender 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 Authority.

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

b) Budget Information - IPSAS 24

The annual budget is prepared on the accrual basis, i.e, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or significant differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, Plant and Equipment - IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

It is the policy of the Authority to charge full depreciation on all its non-current assets in the year of purchase and no depreciation in the year of disposal.

d) Intangible Assets - IPSAS 31

Intangible assets acquired separately are initially recognized at cost. Cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or infinite.

e) Provisions - IPSAS 19

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent Liabilities

The Authority 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.

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

f) Changes in accounting policies and estimates- IPSAS 3

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

g) Employee Benefits - IPSAS 25

Retirement Benefits Plans

The Authority is in the process of registering a retirement benefit scheme to cater for its permanent and pensionable employees. Further an amount equivalent to 31% of basic salary has been set aside as gratuity for all employees. The Authority's contribution towards employee pension scheme was thus limited to employers portion of NSSF contribution. The Authority's contribution towards NSSF on behalf of its employees are charged to the income statement for the year.

h) Foreign Currency transactions - IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of Financial Position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

i) Related Parties - IPSAS 20

The Authority regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Directors including the Director General.

The following transactions were carried out with related parties:

| | 2013/2014 |
|--|--------------|
| Key Management Compensations | Kshs. |
| i) Salaries and Other short term employment Benefits | 22,905,446 |
| ii) Allowances paid to Board Members | 5,273,804 |
| iii) Grants From Related Parties- Grants from GOK | 290,000,000 |

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

j) Leases

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases.

Amortisation of prepaid operating lease rentals is charged to the statement of comprehensive income on a straight line basis.

k) Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Significant Judgements and sources of estimation uncertainty-IPSAS 1

The preparation of the Authority's 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.

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 Authority 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 Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

Authority

- Ø The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- Ø The nature of the processes in which the asset is deployed
- Ø Availability of funding to replace the asset
- Ø Changes in the market in relation to the asset

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

REVENUE

3. Revenue from Non-Exchange Transactions

| | 2013/2014 |
|---------------------|----------------|
| | Kshs |
| Exchequer Transfers | 290,000,000 |
| Fines and Penalties | 5,300,000 |
| Other Income | 810 |
| | 295,300,809.85 |
| | 295,300,809.85 |

4. Revenue from Exchange Transactions

| | 2013/2014 |
|--|--------------|
| | Kshs |
| Sale of Tenders | 1,660,000 |
| Contribution by Communications Authority | 600,000 |
| Commission on IPPD Salary Processing | 10,740 |
| Gifts & Donations | 10,000 |
| | 2,280,739.60 |
| | 2,280,739.60 |

5. Employee Costs

| | 2013/2014 |
|----------------------------------|------------------------|
| | Kshs |
| Salaries and Allowances | 71,362,421 |
| Contribution to Pensions (NSSF) | 78,620 |
| CAK Staff Medical Insurance | 6,833,08 ⁰ |
| Provision for Staff Entitlements | 2,681,2 ³⁰ |
| | 80,955,3 ⁵⁰ |
| | 80,955,3 ⁵⁰ |

6. Board Expenses

| | 2013/2014 |
|----------------------|------------|
| | Kshs |
| Sitting allowance | 4,313,804 |
| Honoraria | 60,000 |
| Training & Induction | 5081,070 |
| Telephone | 20,000 |
| Insurance | 592,091 |
| | 10,966,965 |
| | 10,966,965 |

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

12.3. Staff Gratuity

| | Kshs. |
|--|-------------------------|
| 1st July 2013 | - |
| Accrued in the year | 7,260,142 |
| Relating to contract staff | <u>5,447,020</u> |
| Relating to Pensionable staff | 1,813,122 |
| Accrued from Salary adjustments Contract Staff | 268,373 |
| Pensionable Staff | 742,271 |
| 30th June 2014 | <u><u>8,270,787</u></u> |

The Authority pays Gratuity to all its staff on contract upon expiry of their employment. In addition, gratuity at the rate of 31% of basic salary is accrued to all pensionable staff pending their admission into the retirement benefits scheme upon commencement. Total gratuity amounting to Kshs.8,270,787 has been recognized in staff emoluments in the current period.

13. Property, Plant and Equipment.

| (i) | Motor Vehicles Kshs '000 | Office Equipment Kshs '000 | Computer Equipment Kshs '000 | Furniture & Fittings Kshs '000 | Total Kshs '000 |
|---------------------------------------|--------------------------------|----------------------------------|------------------------------------|--------------------------------------|--------------------------|
| <u>2013/2014</u> | 25.0% | 12.5% | 30.0% | 12.5% | |
| <u>Cost/Valuation</u> | | | | | |
| 1-Jul-13 | - | - | - | - | - |
| Additions | 16,813,707 | 455,960 | 6,231,781 | 12,738,625 | 36,240,073 |
| Disposals | - | - | - | - | - |
| 30-Jun-14 | <u>16,813,707</u> | <u>455,960</u> | <u>6,231,781</u> | <u>12,738,625</u> | <u>36,240,073</u> |
| <u>Accumulated Depreciation</u> | | | | | |
| 1-Jul-13 | - | - | - | - | - |
| Charge for the Year | 4,203,427 | 56,995 | 1,869,534 | 1,592,328 | 7,722,284 |
| Disposals | - | - | - | - | - |
| 30-Jun-14 | <u>4,203,427</u> | <u>56,995</u> | <u>1,869,534</u> | <u>1,592,328</u> | <u>7,722,284</u> |
| Old assets Valuation as at 30.06.2014 | <u>6,700,000</u> | <u>4,814,000</u> | <u>3,435,400</u> | <u>8,645,700</u> | <u>23,595,100</u> |
| <u>Netbook Value</u> | | | | | |
| 30-Jun-14 | <u><u>19,310,280</u></u> | <u><u>5,212,965</u></u> | <u><u>7,797,646</u></u> | <u><u>19,791,997</u></u> | <u><u>52,112,889</u></u> |

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

| | | |
|-----|---------------------------------|-------------------|
| 11. | Cash and cash equivalents | 2013/2014 |
| | | Kshs |
| | KCB-KICC Main operating account | 86,803,344 |
| | KCB-KICC Staff Gratuity account | 8,552,542 |
| | | <u>95,355,886</u> |
| | Finance Charges | 2013/2014 |
| | | Kshs |
| | General Bank Charges | 83,007 |
| | | <u>83,007</u> |

The Authority's cash and cash equivalents consists of bank balances as at year end.

| | | |
|------|--|-------------------|
| 12.1 | Receivables | |
| a) | Receivables from Exchange Transactions | 2013/2014 |
| | | Kshs |
| | Staff Debtors | 2,066,000 |
| | Prepayments (Rent) | 2,055,984 |
| | Prepayments (Fuel Deposit) | 104,277 |
| | | <u>4,226,261</u> |
| b) | Receivables from Non-Exchange Transactions | 2013/2014 |
| | | Kshs |
| | Exchequer Amount due from The National Treasury | 20,000,000 |
| | Other Debtors (African Competition Forum-Medical Refund) | 91,986 |
| | 30th June 2014 | <u>20,091,986</u> |

Exchequer amount represents outstanding AIE as per Authority's approved budget which was yet to be disbursed by the National Treasury as at the closure of the Financial year. Other debtors represent outstanding refundable medical expenses settled on behalf of ACF staff.

| | | |
|-------|---|------------------|
| 12.2. | Amount Contributed by the National Treasury | 2013/2014 |
| | | Kshs |
| | Bank Balance Surrendered to the Authority by Treasury | 25,407,19 |
| | Imprest Debtors o/s as at 30th June 2013 Surrendered to the | 634,95 |
| | Fuel Deposit Balance as at 01st July 2013 | 27,738 |
| | Fixed Assets as per valuation | 29,36,100 |
| | Outstanding tax liability as at 30th June 2013 | (4,117) |
| | Consultancy Creditors (Eliud & Associates) as at 30th June 2013 | (1,28,300) |
| | Staff Gratuity to January 2013-June 2013 | (1,22,400) |
| | | <u>57,20,435</u> |

The amounts represent assets and liabilities surrendered to the Authority by the National Treasury.

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

| | | 2013/2014 |
|-----|--------------------------------------|-------------------|
| 7. | Depreciation and Armotisation | Kshs |
| | Property,plant and Equipment | <u>7,722,284</u> |
| 8. | Repairs & Maintenance | 2013/2014 |
| | | Kshs |
| | Motor Vehicles | 518,385 |
| | Property,plant and Equipment | 972,392 |
| | | <u>1,490,777</u> |
| 9. | Contracted Services | 2013/2014 |
| | | Kshs |
| | Consultancy | 7,383,594 |
| | Hire of security | 1,037,400 |
| | Office Cleaning Expenses | 1,954,675 |
| | Legal Services | 1,198,000 |
| | | <u>11,573,670</u> |
| 10. | General Expenses | 2013/2014 |
| | | Kshs |
| | Travelling and Accomodation-Local | 4,350,390 |
| | Travelling and Accomodation-Foreign | 18,681,010 |
| | Utilities | 4,350,035 |
| | Staff Welfare | 1,455,530 |
| | Printing and Stationery | 6,547,901 |
| | Rent and Rates | 22,615,824 |
| | Hire of Transport | 496,010 |
| | Publicity and Awareness | 2,495,129 |
| | Computer Expenses | 323,685 |
| | Training -Local | 4,836,751 |
| | Motor Running Expenses-Fuel | 423,461 |
| | Office Running Expenses | 2,041,385 |
| | Newspapers & Periodicals | 273,793 |
| | Advertising and Public Relations | 9,639,018 |
| | Motor Vehicle Insurances | 672,571 |
| | Training Levy | 3,200 |
| | Entertainment | 4,153,532 |
| | Enforcement of RTPs | 13,128 |
| | Subscription to Professional Bodies | 242,047 |
| | Forex Gain/(Loss) | 1,100 |
| | | <u>83,615,499</u> |

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

13.(ii) Furniture & Fittings

The Authority received several assets from the National Treasury at the onset of its first full year as an independent Authority. The Authority was not required to pay for the property hence did not incur any cost on the same. To recognize the property in its books, the Authority appointed a professional valuer to value the items. The values of these items have therefore been included as part of property plant & equipment in the financial statements.

14. Intangible Assets

| | |
|---|------------------|
| Cost. | 2013/2014 |
| 1st July 2013 | - |
| Additions | - |
| 30th June 2014 | <u>-</u> |
| Old assets as at Valuation 30th June 2014 | 5,770,000 |
| Net Book Value | |
| 30th June 2014 | <u>5,770,000</u> |

The intangible assets are made up of computer software in use by the Authority, Biometric access for the doors of the building occupied by the Authority and LAN.

15. Payables

| | |
|--|-------------------|
| a) Payables from Exchange Transactions | 2013/2014 |
| Current-Payables | Kshs. |
| Local Creditors | 9,014,990 |
| Withholding Taxes | 80,040 |
| Staff Creditors | 10,000 |
| Payroll Deduction Creditors | 3,000 |
| Accrued staff Salary adjustments | 3,306,144 |
| Accrued staff Gratuity adjustments | 1,010,645 |
| | <u>13,424,818</u> |
| Non-Current-Payables | 2013/2014 |
| Staff Gratuity | Kshs. |
| | 8,552,542 |
| | <u>8,552,542</u> |

Payables represent the outstanding payments to suppliers & payroll deductions including staff welfare associations.

| | |
|----------------------------|------------------|
| 16. Provisions | 2013/2014 |
| | Kshs. |
| Staff Leave Days Provision | <u>2,681,230</u> |

A provision is made for the estimated liability for annual employees' leave outstanding at the reporting date

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

a) Credit Risk Management Continued.

2013/2014

Kshs.

| | |
|--------------------------|--------------------|
| Cash at Bank | 95,355,886 |
| Amount Due from Treasury | 20,000,000 |
| Prepaid Rent | 2,055,984 |
| Fuel Deposit | 104,277 |
| | <u>117,516,147</u> |

All the Authority's receivables are fully performing and are expected to be repaid.

b) Liquidity Risk Management

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of The Authority ensures that it has sufficient cash on demand to meet expected operational expenses save for the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to board review and approval. The amounts below best describes the Authority's exposure to liquidity risk as at 30.06.2014.

2013/2014

Kshs.

| | |
|---------------------------------------|-------------------|
| Trade payables all due within 30 days | 9,014,990 |
| Staff Creditors | 10,000 |
| Payroll Deductions | 3,000 |
| Staff Gratuity Accrued | 8,552,542 |
| | <u>17,580,532</u> |

20. Taxation

The Authority is exempt from taxation under the Income tax act chapter 470.

21. Subsequent Events

The Authority received a number of Furniture, Computer Equipment and two vehicles from The National Treasury. The values of these were however not provided. The Authority therefore appointed a professional valuer to do the valuation and provide the values. This process was completed on 30th October 2014 and the values shown below were provided by the valuer's. The Financial statements have therefore been adjusted to reflect the same.

2013/2014

Kshs.

| | |
|---------------------------------------|-------------------|
| Furniture & Equipment | 8,645,700 |
| Office Equipment | 4,814,000 |
| Biometric Control Access System & LAN | 5,770,000 |
| Computers & Other ICT Equipment | 3,435,400 |
| Motor Vehicles | 6,700,000 |
| | <u>29,365,100</u> |

22. Comparatives

Being the Authority's first period for preparation of Financial statements, no comparatives have been shown alongside current year figures.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

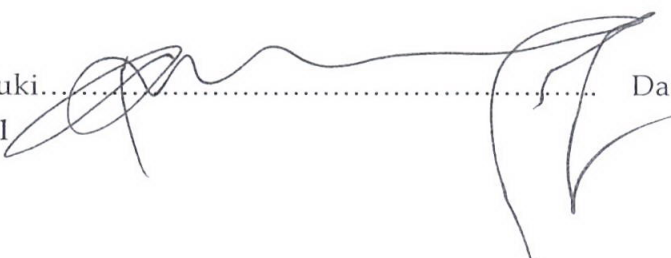
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue/ Observations from Auditor | Management Comments | Focal Person to resolve the Issue | Status: (Resolved/ Not Resolved) | Time frame: |
|--|----------------------------------|-----------------------------|-----------------------------------|----------------------------------|-------------|
| | | No outstanding Audit Issues | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Guidance Notes:

- i) Use the same reference Numbers as contained in the external Audit Report;
- ii) Obtain the "The Issue/Observation" and "management comments", required above, from final external audit report that is signed by management;
- iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Authority responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Judith Abrahams Guserwa  Date:..28th January 2015
 Ag. Chairman

Wang'om be Kariuki.....  Date:..28th January 2015
 Director General