

REPUBLIC OF KENYA



Paper laid by Hon. Aden Duale, M.P. - leader of Majority Party on Wednesday 4/3/2015 (Afternoon sitting) RWX

KENYA NATIONAL AUDIT OFFICE

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COMMISSION ON REVENUE ALLOCATION

FOR THE YEAR ENDED 30 JUNE 2014

21



COMMISSION ON REVENUE ALLOCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

The Commission was formed by the Constitution under section 215 in December, 2010 and is represented by the Commission Secretary who is responsible for the general policy and strategic direction of the Commission.

(b) Principal Activities

The principal activity of the Commission is to recommend the basis for equitable sharing of revenues raised nationally between the national and the county governments and sharing of revenue among the county governments.

The **Mission** of the Commission is to make recommendations for equitable sharing of revenue, financing of, and financial management for both national and county governments.

The **Vision** is to be a trusted and effective adviser on equitable distribution of resources for rapid and balanced economic growth.

(c) Key Management

The Commission's day-to-day management for the said financial year was under the following team:

- | | |
|------------------|--------------------------------|
| 1. George Ooko | Commission Secretary |
| 2. James Katule | Director Corporate Services |
| 3. Joseph Kuria | Director ICT |
| 4. Sheila Yieke | Director Legal |
| 5. Stephen Masha | Director County Fiscal Affairs |
| 6. Lineth Oyugi | Director Research |
| 7. George Muruli | Director Communication |

(d) Commission Headquarters

Commission on Revenue Allocation
14 Riverside Drive
Grosvenor suite 2nd and 3rd Floor
P.O Box 1310-00200 Nairobi
Tel: (020) 4298000

(e) Commission Contacts

Telephone: (254) (020) 4298000
E-mail: info@crakenya.org
Website: www.crakenya.org

(f) Commission Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
KICC Branch
Harambee Avenue
P. O. Box 46950-00100 Nairobi
Tel: (020) 29248501,
Fax: (020) 29248501,
3. I & M Bank
Riverside Branch,
14 Riverside Drive
P. O. Box 30238 – 00100 Nairobi

(g) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(h) Principal Legal Adviser

The Attorney General

State Law Office


Harambee Avenue





P.O. Box 40112


City Square 00200

Nairobi, Kenya

II. THE COMMISSIONERS

	<p>Micah Cheserem</p>	<p>He is a qualified Fellow of the Association of Chartered Certified Accountants of London since 1974. He is a former Governor of Central bank of Kenya and the immediate former chairperson of the Capital Markets Authority.</p>
	<p>Fatuma Abdulkadir</p>	<p>Holds a Masters in Business Administration and Bachelor of Education. She has been the National Project Coordinator in Arid Lands Resource Management Project. She has wide experience in development and implementation of government policies in Arid and Semi – Arid (ASAL) regions. She has also facilitated the implementation of programmes funded by development partners such as the EU, UNDP, WFP, FAO, UNICEF and OXFAM. She is the immediate former chair of the Kenya Food Security Meeting which coordinates humanitarian interventions of all actors including government donors and NGOs in the food security sector.</p>
	<p>Prof. Wafula Masai</p>	<p>He is a holder of a Doctorate in Economic Analysis and Planning, a Masters of Arts in Development Economics and Bachelor of Arts in Economics. For about thirty years he has served as a lecturer and Associate Professor of Economics, Chairman of Economics Department (University of Nairobi), Programmes Director at the African Centre for Economic Growth and economic policy consultant for many international agencies, Kenyan public, private and civil society organizations.</p>

	<p>Amina Ahmed</p>	<p>Holds a Bachelor of Arts in Economics and French. She has been the immediate chairperson of the Kenyatta International Conference Centre and a member of the Executive Committee of the One Shilling Foundation. She previously held senior positions in Kenya Commercial Bank for a number of years.</p>
	<p>Prof. Joseph Kimura</p>	<p>Holds a PhD in Accounting, MBA in Accounting and Finance and Bachelor of Commerce in Accounting and is a Certified Public Accountant. He holds rank of Fellow of the Institute of Certified Public Accountants of Kenya and is a founder member of the Association of Financial Analysts of East Africa. Prof Kimura has held a large number of positions both in the public and private sectors including the University of Nairobi, United States International University, KASNEB and Higher Education Loans Board among others.</p>
	<p>Rose Osoro</p>	<p>Holds a Masters in Business Administration from the University of Nairobi and a Bachelor of Arts from Kenyatta University. She is a Certified Public Accountant (CPA) and Certified Public Secretary (CPS) finalist. She has extensive work experience in public finance with emphasis on budgeting and financial allocation. She is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and Kenya Institute of Management. She previously held positions at the Kenya Forestry Research Institute</p>
	<p>Prof. Raphael Munavu</p>	<p>Holds a Ph.D. in Chemistry, a Master of Science degree in Chemistry and Bachelor of Arts in Chemistry. He has held senior academic and administrative positions in Moi University, University of Nairobi; Egerton University, the Kenya National Examinations Council and the South Eastern University College (SEUCO).</p>

	<p>He has wide research and teaching experience and is a Fellow of the Kenya National Academy of Sciences (KNAS).</p>
 <p>Meshack Onyango</p>	<p>Holds a Master of Science Degree in International Banking and Finance (1983) from Herriot – Watt University, Edinburgh, Scotland and a Bachelor of Commerce degree (Accounting option) (1975) from the University of Nairobi and Certificate in Money and Capital Markets Development from the prestigious New York Institute of Finance.</p> <p>He is a financial sector payments system development expert with thirty years' experience working with the Central Bank of Kenya. He has undertaken various consultancy assignments with varied donor agencies such as UNDP, USAID among others and has been a board member at the Capital Markets Authority. He is also a member of the Kenya Institute of Directors.</p>
 <p>Dr. Kamau Thugge (Commissioner/PS Treasury)</p>	<p>He is a distinguished economist with a PhD in Economics from Johns Hopkins University. He's worked for mainly two organizations before his appointment to The National Treasury as the Principal Secretary. He started his employment in the International Monetary Fund (IMF).</p>

III. MANAGEMENT TEAM

 <p>George Ooko</p>	Commission Secretary
 <p>James Katule</p>	Director Corporate Services
 <p>Sheila Yieke</p>	Director Legal and Public Affairs
 <p>Joseph Kuria</p>	Director ICT
 <p>Lineth Oyugi</p>	Director Research and Policy

IV. CHAIRMAN'S STATEMENT

IT gives me great pleasure to present the commission's annual report for the year 2013/14 on behalf of my fellow commissioners.

The reporting year is a milestone in the history of devolution in Kenya. To start with, most counties recruited key staff to achieve modest strength within the year. Secondly, it is within the same year that counties broke ground for maiden development projects. In May 2014, the first devolution conference celebrated the milestone and brought challenges to the fore. We at this commission wish to assure all Kenyans from a point of knowledge that devolution will live to its full promise.

The main mandate of CRA is to make recommendations on revenue sharing. In this regard, the commission recommended Kshs. 230 billion as equitable share of revenue for county governments. However, Parliament approved Kshs. 190 billion, with an additional Kshs 20 billion as conditional grants. The equitable share constituted 31% of audited and approved shareable revenue of Kshs. 610 billion as computed from exchequer account for year 2010/11.

The commission developed the first generation formula developed in 2011/12 to allocate the equitable share of revenue amongst county governments. The formula will be reviewed in 2014/15, for implementation in year 2015/16.

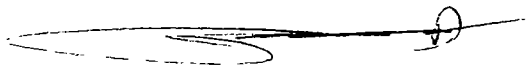
During 2013/14, we promoted sustainable development as well as accountable exercise of power by devolved governments. We made numerous recommendations to county governments and contributed to various money bills. Most notably, we extended the concept of ceilings to county governments; and made significant contributions to the Mining Bill.

In 2013/14 Financial year, counties lacked adequate technical capacity in the area of public finance management. The commission, together with partners, designed and executed a training dubbed 'Kenya Governance Strategic Execution Support (KEGOSES)' project. Senior officers from the 47 counties were trained on 5 modules of Public Finance Management.

Several challenges carried forward from the year 2012/13. These included mistrust amongst devolution stakeholders that manifested in constant wrangling and impeachments as well as lack of standards and norms on acceptable service delivery levels. We wish to report that we have so far forged collaborative partnerships which we hope will solve these problems.

Going forward, I wish to reiterate CRA's commitment to national values in all our engagements. At the core of our recommendations will always be equity and public participation, accountability and transparency.

My gratitude goes out to the National Government, County Governments, Parliament, other commissions and independent offices, development partners, fellow commissioners and the secretariat to the CRA for their support towards fulfilling our mandate.



Micah Cheserem

CHAIRMAN

Date: 30/9/2014.....

V. REPORT OF THE COMMISSION SECRETARY / CEO


The year 2013/14 is the second year of implementation of our strategic plan (2013-2015). During the year, the Commission continued to pursue its strategic direction of promoting equity in society by making transparent and evidence based recommendations on resource sharing.

In this report, we share with you an overview of the past year; the success that we had, the challenges that we faced, the lessons that we learnt and our future outlook in the medium term. At the end, we also publish our financial statements for 2013/2014 financial year.

Our success has been achieved by building amicable, synergistic and mutually beneficial relationships both internally and externally. We also reaped dividends of investing in people and systems. We realized value in consulting widely and built goodwill by embracing national values and observing principles of good governance.

This is not to say that we did not face any challenges. We continue to operate in an environment of scarcity of resources; and we have responded by wise optimization and austerity. We also operate in an unsettled political climate characterized by healthy competition for space, relevance and leadership. We are confident that when this situation settles, thought leadership will prevail in our political realm and supremacy of ideas will win over needless schism. We will only be satisfied when we see the lives of Kenyans change for the better.

As we take this time to reflect upon the past year and ponder the coming one, let me take this opportunity to thank CRA Commissioners and Staff as well as every individual and institution with whom we worked closely. We wish to let you know that your cooperation remains dear to us, for now and in the future.



George Ooko

COMMISSION SECRETARY/ CEO

Date: 30/9/2014

VI. REPORT OF THE COMMISSIONERS

The Public Audit Act, 2003 requires the Commission to prepare financial statements for each financial year, which includes a Statement of Financial Position showing in details assets and liabilities of the Commission, a Statement of Comprehensive Income, and such other Statements that the Commissioners may deem necessary. CRA Act (22) requires the Commission to ensure that proper books are kept recording all the property, undertakings, funds, activities, contracts, transactions and other business of the Commission. The Commissioners are also responsible for safeguarding assets of the Commission.

The Commissioners 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 CRA Act. The Commissioners are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Commission and of its operating results. The Commissioners further accept responsibility for 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 Commissioners to indicate that the Commission will not remain as a going concern for at least the next 12 months from the date of this statement.

Principal activities

The principal activity of the Commission is to recommend the basis for equitable sharing of revenues raised nationally between the national and the county governments and sharing of revenue among the county governments.

The **Mission** of the Commission is to make recommendations for equitable sharing of revenue, financing of, and financial management for both national and county governments.

The **Vision** is to be a trusted and effective adviser on equitable distribution of resources for rapid and balanced economic growth.

Results

The results of the Commission for the year ended June 30, 2014 are set out on page 1. to 11.

Commissioner

The members of the Commission who served during the year are shown on page V In accordance with CRA's act.

Auditors

The Auditor General is responsible for the statutory audit of the Commission in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Commission



Micah Cheserem
CHAIRMAN

Date: 30/9/2014.....

VII. STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires the Accounting Officer to prepare financial statements in respect of that Commission, which give a true and fair view of the state of affairs of the Commission at the end of the financial year/period and the operating results of the Commission for that year/period. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

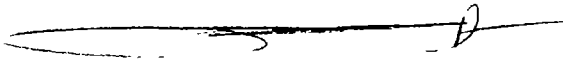
The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year (period) ended on June 30, 2013. This responsibility includes: (i) maintaining 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 Commission; (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 Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2014, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commissioners to indicate that the Commission 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 Commission's financial statements were approved by the Commission on 30th September, 2014 and signed on its behalf by:



Micah Cheserem
CHAIRMAN

Date:30/9/2014.....

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COMMISSION ON REVENUE ALLOCATION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Commission on Revenue Allocation, set out on pages 1 to 15, which comprise the statement of financial position as at 30 June 2014, statement of comprehensive income, 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 8 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) Accrual Basis and Public Finance Management Act, 2012 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

Auditor-General's Responsibility

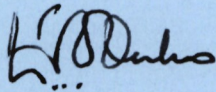
My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with 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 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 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 Commission'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.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission on Revenue Allocation as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Commission on Revenue Allocation Act, 2011.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

26 January 2015

IX. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014


	Note	2013-2014 Kshs	2012-2013 Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	1	268,348,000	340,000,000
		268,348,000	340,000,000
Revenue from exchange transactions			
Finance income - outstanding receivables	2	-	4,952,000
Other income	3	14,462,743	3,172,101
		14,462,743	8,124,101
Total revenue		282,810,743	348,124,101
Expenses			
Employee costs	4	137,937,592	116,789,139
Commissioner's Expenses	5	17,617,422	25,173,327
Depreciation and amortization expense	6	44,227,749	39,150,083
Repairs and maintenance	7	5,405,185	2,598,710
General expenses	8	113,005,231	109,539,687
Finance costs	9	1,627,456	723,427
Total expenses		319,820,636	293,974,372
Other gains/(losses)			
Gain on sale of assets		-	-
Gain on foreign exchange transactions		-	-
Unrealized gain on fair value of investments		-	-
Impairment loss		-	-
Surplus before tax		(37,009,893)	54,149,729
Taxation		-	-
Surplus for the period		(37,009,893)	54,149,729
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		(37,009,893)	54,149,729

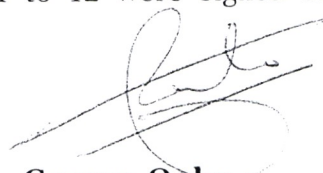
The notes set out on pages 7 to 12 form an integral part of the Financial Statements

X. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	10	116,212,317	130,628,278
Receivables from non-exchange transactions	11	34,296,898	35,599,924
		150,509,215	166,228,202
Non-current assets			
Property, plant and equipment	12	112,303,543	154,555,207
Intangible assets	13	1,297,570	2,044,409
		113,601,113	156,599,616
Total assets		264,110,328	322,827,818
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	5,277,668	26,985,265
		5,277,668	26,985,265
Non-current liabilities			
Non-current employee benefit obligation		-	-
		-	-
Total liabilities		5,277,668	26,985,265
Net assets		258,832,660	295,842,553
Reserves		(37,009,893)	54,149,728
Accumulated surplus		295,842,553	241,692,825
Total net assets and liabilities		258,832,660	295,842,553

The Financial Statements set out on pages 1 to 12 were signed on behalf of the Commission by:


Micah Cheserem
CHAIRMAN


George Ooko
COMMISSION SECRETARY

Date...30/9/2014.....

Date...30/9/2014.....

XI. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

Attributable to the owners of the controlling entity

	Accumulated surplus Kshs '000
Balance as at 30 JUNE 2012	241,692,825
Surplus/(deficit) for the period	54,149,728
Transfers to/from accumulated surplus	-
Balance as at 30 JUNE 2013	<u><u>295,842,553</u></u>
Surplus for the period	(37,009,893)
Transfers to/from accumulated surplus	-
Balance as at 30 JUNE 2014	<u><u>258,832,660</u></u>

XII. STATEMENT OF CASH FLOWS

	Note	2013-2014 Kshs	2012-2013 Kshs
Cash flows from operating activities			
Net cash flows from operating activities	15	(13,187,487)	86,513,893
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	12	(1,092,175)	(26,024,766)
Purchase of intangible assets	13	(136,300)	(2,031,635)
Net cash flows used in investing activities		(1,228,475)	(28,056,401)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(14,415,962)	58,457,492
Cash and cash equivalents at 1 JULY	10	130,628,278	72,170,786
Cash and cash equivalents at 30 JUNE	10	116,212,317	130,628,278

XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	293,437,054	(25,089,054)	268,348,000	268,348,000	-
Finance Income	-	-	-	-	-
Other Income (A.I.A)	1,200,000	-	1,200,000	14,462,743	13,262,743
Total income	294,637,054	(25,089,054)	269,548,000	282,810,743	13,262,743
Expenses					
Compensation of employees	143,135,828	(15,000,000)	128,135,828	137,937,592	(9,801,764)
Commissioner's Expenses		-	-	17,617,422	(17,617,422)
General Expenses (Operation and Maintenance)	150,751,226	(10,089,054)	140,662,172	162,638,165	(21,975,993)
Finance cost	750,000	-	750,000	1,627,456	(877,456)
Total expenditure	294,637,054	(25,089,054)	269,548,000	319,820,635	(50,272,635)
Surplus for the period	-	-	-	(37,009,892)	63,535,378

XIV. NOTES TO THE FINANCIAL STATEMENTS

VI. SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Accounting

The Financial Statements have been prepared in accordance to and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Accrual Basis Financial Reporting under the Accrual basis of Accounting and relevant legal framework of Kenya. The financial statement comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Commission.

The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the accrual basis following the Government's standard chart of accounts.

The accrual basis of accounting recognises transactions and events when they are incurred.

2. Non-Current Assets

Non-Current assets are stated at Cost or valuation 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

these assets over their expected useful life.

3. The Depreciation rates used are as follows:

Motor vehicle	25%
Furniture & Fitting	12.5%
Office Equipment & Accessories	30%
Computers & Printers	30%
Computer Software	33%

4. Retirement Benefits Obligations

The Commission maintains a private Pension Scheme with Jubilee Insurance and administered by ICEA. Further, the employees are members of the statutory National Social Security Fund (NSSF).

5. Recognition of Revenue and expenses

Income is recognized in the period in which it's received. Government funding is only recognized on receipt. Income is not accrued

if its recoverability is considered doubtful.

The revenue constitutes all funds accruing to the Commission in the form of Exchequer allocations, Appropriation in Aid, and Donor funding.

6. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise Cash in hand & Cash book balance as at 30th June, 2014.

7. Exchange Rate

The Commission maintained a USD account mainly for payment of rent for the office premises. The Exchange rate used at the time of deposit was **86.8**.

8. 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. Such bills are accrued in the year in which they are incurred.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from other governments – gifts and services-in-kind

	2013-2014 Kshs	2012-2013 Kshs
Unconditional grants (Operational Grant-GOK)		
1st Quarter Exchequer	101,148,000	100,000,000
2nd Quarter Exchequer	75,000,000	100,000,000
3rd Quarter Exchequer	70,000,000	110,000,000
4th Quarter Exchequer	22,200,000	30,000,000
	268,348,000	340,000,000
Conditional grants		
Other organizational grants	0	0
	0	0
Total government grants and subsidies	268,348,000	340,000,000

2. Finance income - outstanding receivables

	2013-2014 Kshs	2012-2013 Kshs
Part of 4th Quarter Exchequer	0	4,952,000
Total receivables finance income – outstanding	0	4,952,000

3. Other income (A.I.A)

	2013-2014 Kshs	2012-2013 Kshs
Interest on Bank Deposit	8,607,612	2,012,101
Sale of Tender	44,000	1,160,000
Sale of Newspapers	1,131	-
	8,652,743	3,172,101
Donor funding		
<i>Ford Foundation</i> - KEGOSES Project	5,810,000	-
	5,810,000	-
Total other income	14,462,743	3,172,101

Ford Foundation gave a grant of USD 70,000 to CRA for KEGOSES Project which was to build capacity on Financial management by the County Governments.

United Nations Development Programme (UNDP) Sponsored CRA's retreat at Fairmount President's Club

in Nanyuki on development of recommendation for the vertical revenue sharing formulae for 2014/2015.
Financial Year.

World Bank facilitated the development of model laws for County governments in conjunction with CRA.

4. Employee costs

	2013-2014	2012-2013
	Kshs	Kshs
Basic salaries	76,906,365	59,257,299
Top up for seconded staff	514,320	2,774,761
House Allowance	15,556,671	12,008,550
Commuter Allowance	8,018,916	6,091,177
Responsibility Allowance	4,274,839	4,040,000
Telephone Allowance	2,858,245	2,369,983
Special Duty	1,723,742	1,694,452
Leave Allowance	1,250,000	1,002,159
Security Allowance	720,000	745,714
Acting Allowance	308,705	-
Pension contribution	10,235,827	92,600
Accrued Pension	1,648,331	399,345
Gratuity	4,678,231	1,114,338
Provision for Gratuity	-	16,267,102
Medical Insurance	7,677,415	6,080,906
Medical - Ex Gratia	241,944	-
Travel Insurance	67,720	-
Group Life Insurance	1,197,221	-
Wages	59,100	217,500
Terminal Dues		413,361
Other cash deductions	-	2,219,892
	<u>137,937,592</u>	<u>116,789,139</u>

The cost of staff salaries and benefits has increased significantly because the Commission hired more staff in the course of the year which also increased the cost of medical insurance. Provision for Pension has also been made for the accrued Pension.

5. Commissioner's Expenses

	2013-2014 Kshs	2012-2013 Kshs
Telephone Allowance	2,784,000	2,694,858
Leave Allowance	415,000	415,000
Security Allowance	5,921,289	10,102,068
Domestic Travel costs	597,036	3,630,970
Foreign Travel Costs	2,365,265	2,915,566
Training Expenses	1,410,602	1,586,370
Medical Insurance	4,018,930	2,091,030
Hospitality Supplies & Services	2,600	-
Special Expenditure	-	406,000
Club Membership	102,700	1,331,465
	<u>17,617,422</u>	<u>25,173,327</u>

6. Depreciation and amortization expense

	2013-2014 Kshs	2012-2013 Kshs
Computer & Printers	6,452,089	5,788,205
Office Equipment	1,872,567	349,820
Furniture & Fittings	11,645,124	9,952,721
Motor Vehicle	23,374,830	22,608,606
Intangible Assets	883,139	450,730
Total depreciation and amortization	<u>44,227,749</u>	<u>39,150,083</u>

7. Repairs and maintenance

	2013-2014 Kshs	2012-2013 Kshs
Routine maintenance of Motor vehicles	4,189,187	2,307,509
Routine maintenance of Assets	1,215,998	291,201
Total repairs and maintenance	<u>5,405,185</u>	<u>2,598,710</u>

8. General expenses

The following are included in general expenses:

	2013-2014 Kshs	2012-2013 Kshs
Utilities Supplies -Electricity	1,979,881	1,508,979
Utilities Supplies -Water	231,027	-
Communication Supplies & Services	4,347,645	3,422,184
Domestic Travel costs	14,743,190	8,574,064
Foreign Travel Costs	3,970,696	4,195,379
Printing Advertising & Information	12,288,436	17,504,857
Rent Expenses	31,353,790	29,424,931
Training Expenses	6,055,846	8,379,452
Hospitality Supplies & Services	6,806,417	5,452,567
Insurance Costs (Motor Vehicle & Plant and Machinery)	4,732,384	3,624,398
Specialised Materials & Supplies	3,309,836	1,128,574
Office & General Expenses	5,269,942	7,080,100
Fuel oils and Lubricants	4,805,526	4,499,176
Security Guards	1,927,000	3,858,988
Cleaning Services	2,042,475	
Contracted Professional Services	2,904,893	10,422,039
	106,768,984	109,075,687
Audit fee	464,000	464,000
KEGOSES Project	5,772,247	-
Total General Expenses	113,005,231	109,539,687

9. Finance costs

	2013-2014 Kshs	2012-2013 Kshs
Bank Charges	1,627,456	723,427
Borrowings (amortized cost)	0	0
Finance leases (amortized cost)	0	0
Unwinding of discount	0	0
Bank overdrafts	0	0
Total finance costs	1,627,456	723,427

10. Cash and cash equivalents

	2013-2014 Kshs	2012-2013 Kshs
KCB - Cash Book	115,417,724	128,900,754
I&M - Cash Book	770,951	1,719,573
Cash-on-hand (Petty Cash)	23,642	7,951
Short-term deposits	0	0
Total cash and cash equivalents	<u>116,212,317</u>	<u>130,628,278</u>

11. Receivables from non-exchange contracts**Current receivables**

	2013-2014 Kshs	2012-2013 Kshs
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Prepayments

Medical Insurance	8,167,843	5,475,523
Group Life	640,710	774,262
Motor Vehicle	1,922,122	2,247,047
Plant & Machinery	1,696,885	1,405,253
Dstv and Others	144,478	475,094
	12,572,038	10,377,180

Deposit

Rent	18,753,322	18,753,322
Fuel	1,000,000	1,000,000
	19,753,322	19,753,322

The rent deposit refers to 6 months' rent deposit and it's inclusive of parking fees and service charge for the same period.

Debts

Outstanding Salary advance from Staff	1,573,727	302,500
Outstanding Imprest from staff	86,275	
Others	311,536	214,922
	1,971,538	517,422

Income Receivable

Part of 4th Quarter Exchequer	0	4,952,000
	-	4,952,000
Less: impairment allowance	0	0

Total current receivables

	<u>34,296,898</u>	<u>35,599,924</u>
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12. Property, plant and equipment

	Computers & Printers	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
<i>Cost or Valuation:</i>	Shs	Shs	Shs	Shs	Shs
As at 1st July, 2012	14,439,696	625,257	70,297,260	87,369,529	172,731,742
Additions during the year	6,560,172	5,611,772	22,283,513	6,129,791	40,585,248
Disposal	0	0	0	0	0
Transfer/Adjustments	0	0	0	0	0
As at 30th June 2013	20,999,868	6,237,029	92,580,773	93,499,320	213,316,990
Additions during the year	507,095	29,745	594,718	0	1,131,558
Disposal	0	0	0	0	0
Transfer/Adjustments	0	(24,883)	(14,500)	0	(39,383)
As at 30th June 2014	21,506,963	6,241,891	93,160,991	93,499,320	214,409,163
Depreciation and impairment					
At 1 July 2012	2,275,148	196,261	3,840,654	13,750,368	20,062,430
Depreciation	5,788,205	349,820	9,952,721	22,608,606	38,699,352
Impairment	0	0	0	0	0
At 30 June 2013	8,063,353	546,081	13,793,375	36,358,974	58,761,783
Depreciation	6,452,089	1,872,567	11,645,124	23,374,830	43,344,610
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Transfer/adjustment	0	(622)	(151)	0	(773)
At 30 June 2014	14,515,442	2,418,027	25,438,348	59,733,804	102,105,620
Net book values					
At 30 June 2014	6,991,522	3,823,865	67,722,643	33,765,516	112,303,543
At 30 June 2013	12,936,515	5,690,948	78,787,398	57,140,347	154,555,207

13. Intangible assets - software

Cost

At 1 July 2012	508,244
Additions	2,031,635
At 30 June 2013	2,539,879
Additions – internal development	136,300
At 30 June 2014	2,676,179

Amortization and impairment

At 1 July 2012	44,740
Amortization	450,730
At 30 June 2013	495,470
Amortization	883,139
Impairment loss	0
At 30 June 2014	1,378,609
Net book values	
At 30 June 2014	1,297,570
At 30 June 2013	2,044,409

14. Trade and other payables from

	2013-2014 Kshs	2012-2013 Kshs
Trade payables (Suppliers Invoices)	3,165,337	9,854,818
Audit Fees	464,000	464,000
Accrued Pension	1,648,331	399,345
Gratuity	-	16,267,102
Other payables	-	-
Total trade and other payables	<u>5,277,668</u>	<u>26,985,265</u>

15. Cash generated from operations

	2013-2014 Kshs	2012-2013 Kshs
Surplus/Deficit for the year before tax	(37,009,893)	54,149,728
Adjusted for:		
Depreciation	44,226,976	39,150,083
(Non-cash grants received)	-	0
(Contributed assets)	-	0
Impairment	-	0
(Gains and losses on disposal of assets)	-	0
Contribution to provisions	-	0
Contribution to impairment allowance	-	0
(Finance income)	-	0
Finance cost	-	0
Working capital adjustments:		
(Increase in inventory)	-	0
(Increase in receivables)	1,303,026	(8,730,788)
Increase in deferred income	-	0
Increase in payables	(21,707,597)	1,944,870
Increase in payments received in advance	-	0
Net cash flows from operating activities	<u>(13,187,487)</u>	<u>86,513,893</u>

16. PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal person 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 external audit report	Issue / Observation from Auditor	Management Comments	Focal point person to resolve the issue (Name and Designation)	Status: (Resolved/Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
CRA/386/2012/2013/19	1. Unsupported payments for Electricity bill	CRA is billed as per its sub metre within the bulk metre. CRA is involved in monthly reading of the metre to ensure that it only pays for actual consumption and as per the Kenya power rates. Copies of the bills were attached that tally the total expenditure.	Maureen Junge (Accountant)	Resolved	N/A
	2. Irregular salary to HR & Admin Manager	Recruitment of HR & Admin manager was based on Commission's structure. Her shortlisting took into consideration the fact that the employee had been working with the Commission since inception and had a grasp of the legal matters.	George Ooko(CEO)	Resolved	N/A

**ANNEX 1 - ANALYSIS OF PENDING
ACCOUNTS PAYABLE**

Supplier of Goods or Services	Vote Item	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2014	Outstanding Balance 2013	Comments
		a	b	c	d=a-c		
Construction of buildings							
Sub-Total							
Construction of civil works							
Sub-Total							
Supply of goods							
NSSF	2110100	10,200		0	10,200		
Gold Touch	2211000	2,472,310		0	2,472,310		
Kenya Toners Ltd	2211100	42,000		0	42,000		
14 Riverside	2210101	150,000		0	150,000		
Pewin Cabs	2210300	16,994		0	16,994		
Rex Kiosk	2210500	62,459		0	62,459		
Crown Beverages Ltd	2210800	42,454		0	42,454		
Leisure Lodge Resort	2210801	368,550		0	368,550		
CIC Insurance	2210900	370		0	370		
Sub-Total		3,165,337	0	0	3,165,337		
Supply of services							
Auditor General	2211310	464,000		0	464,000		
Sub-Total		464,000	0	0	464,000	0	
Grand-Total		3,629,337	0	0	3,629,337	0	

