

Republic of Kenya



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# Kenya National Audit Office

REPORT

OF

THE CONTROLLER  
AND AUDITOR-GENERAL

ON

THE ABSTRACTS OF  
ACCOUNTS OF THE TOWN  
COUNCIL OF SAGANA  
FOR THE  
YEAR ENDED  
30 JUNE 2007



## **KENYA NATIONAL AUDIT OFFICE**

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ABSTRACTS OF ACCOUNTS OF THE TOWN COUNCIL OF SAGANA FOR THE YEAR ENDED 30 JUNE 2007**

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The attached Abstracts of Accounts of the Town Council of Sagana which comprise the Balance Sheet as at 30 June 2007, Consolidated Recurrent Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes have been audited under my direction in accordance with Section 23 of the Public Audit Act, 2003.

#### **1.0 The Council's Responsibility for the Abstracts of Accounts**

The Council is responsible for the preparation of Abstracts of Accounts in accordance with the Local Government Act, Cap 265; the Local Authorities Transfer Fund (LATF) Act, 1998; the International Public Sector Accounting Standards (IPSAS) and other generally accepted accounting principles. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Abstracts of Accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **2.0 Responsibility of the Controller and Auditor General**

My responsibility is to express an independent opinion on the Abstracts of Accounts based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those Standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the Abstracts of Accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Abstracts of Accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Abstracts of Accounts, whether due to

fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Abstracts of Accounts in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council as well as evaluating the overall presentation of the financial statements.

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

### **3.0 Qualification Points**

#### **3.1 Opening Balances**

The Council was carved out of the County Council of Kirinyaga in 1997 and started operations in January 1998. However, the process of the division of the assets and liabilities between the two Councils had not been finalized by 30 June 2007. The source and accuracy of the opening balances for the 1997/1998 Accounts and for all the subsequent years, including 2006/2007, could not therefore be confirmed.

#### **3.2 Fixed Assets**

The Fixed Assets balances increased marginally from Kshs.5,175,305.64 as at 30 June 2006 to Kshs.5,275,044.00 as at 30 June 2007. However, the Fixed Assets and Inventory Registers were not maintained and regularly updated. Further, ownership documents, schedules of the assets and valuation reports were not made available for audit review. In the circumstances, it has not been possible to confirm the existence, ownership, security, location, valuation and accuracy of the Fixed Assets balance of Kshs.5,275,044.00 as at 30 June 2007.

#### **3.3 Renewals Funds**

Section 219 of the Local Government Act, Cap 265 requires the Council to create and set aside adequate renewals funds to provide for the entire or partial replacement of some or all of its assets, which, owing to depreciation or other cause, will require at some future date to be replaced. Although a

provision for depreciation of Kshs.124,678.00 was made in the Accounts as reflected in notes 3.4 and 3.5 to the Accounts, no renewals funds were created and set aside as required. The Council was therefore in breach of the law. It has not also been possible to determine how the Council intends to finance the replacement of its depreciable fixed assets, in future, in the absence of tangible renewals funds.

### **3.4 Debtors**

The Debtors balances increased marginally from Kshs.5,643,014.00 as at 30 June 2006 to Kshs.5,743,014.00 as at 30 June 2007. However, no debtors' ledger and schedules were made available for audit review. Further, amounts due in respect of property and land rates, single business permits and plot rents did not change from those reported in the previous year's Abstracts of Accounts. In addition, no provision for bad and doubtful debts was made in the Accounts. In the circumstances, the correctness and recoverability of the Debtors balance of Kshs.5,734,014.00 as at 30 June 2007 could not be confirmed.

### **3.5 Cash and Bank Balances**

The Balance Sheet Cash and Bank balances decreased from Kshs.1,277,884.20 as at 30 June 2006 to Kshs.432,444.00 as at 30 June 2007. However, the Council did not maintain the main cash book. Further, bank reconciliations statements were not prepared as required. In the circumstances, the accuracy of the Cash and Bank balances of Kshs.432,444.00 as at 30 June 2007 could not be confirmed.

### **3.6 Creditors and Accruals**

The Balance Sheet Creditors and Accruals balances increased from Kshs.2,000,245.00 as at 30 June 2006 to Kshs.6,298,283.00 as at 30 June 2007. Included in the balances were statutory deductions of Superannuation Fund (Kshs.1,032,512.00); KLGWU (Kshs.40,730.00); NSSF (Kshs.36,000.00); Salary arrears (Kshs.1,818,000.00); National Hospital Insurance Fund (Kshs.526,550.00); KENAO Kshs.200,000.00); and May/June salary arrears (Kshs.1,151,192.00) as reflected in note 5.1 to the Accounts. However, the Council did not make available for audit review the Creditors' ledger, detailed schedules and confirmations to support the

balances. In the circumstances, the accuracy of the Creditors and Accruals balance of Kshs.6,298,283.00 as at 30 June 2007, could not be confirmed.

### **3.7 Financial Improprieties**

The Council paid Kshs.82,036.00 in respect of leave allowances to some members of staff without deducting Pay As You Earn tax as required. Further, the Council continued to hire casual workers to perform various duties such as assisting in revenue collection and cleaning in disregard of the Ministry of Local Government's Circular 43/2006 dated 30 June 2006 which banned hiring of casual workers. The Council therefore was in breach of the law and administrative circular.

### **3.8 Non Response to the Draft Report**

The 2006/2007 Abstracts of Accounts were audited and a draft report which the Controller and Auditor General intended to issue on the Accounts was forwarded to the Council for comments on 29 April, 2008. However, no response has been received to date.

### **4.0 Opinion**

Because of the significance of the matters discussed in the preceding paragraphs 3.1 to 3.8, I am unable to express an opinion on the Abstracts of Accounts as required by Section 24 (2) of the Public Audit Act, 2003 that: all the information and explanations required for the purpose of the audit were received; the Accounts have been properly maintained and are in order; the Abstracts of Accounts present a true and fair view of the financial position of the Council as at 30 June 2007; and, the accounts comply with the Local Government Act, Cap. 265.

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

**Nairobi**

**17 November 2008**

# TOWN COUNCIL OF SAGANA

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**MINUTES OF THE CHIEF OFFICER'S MEETING HELD ON 20<sup>TH</sup> DECEMBER  
2007 AT 10.00A.M IN THE COUNCIL OFFICES.**

**IN ATTENDANCE:**

- |                          |                          |
|--------------------------|--------------------------|
| 1. Mr. Anthony G. Gatimu | - Town Clerk             |
| 2. Mr. James Kimotho     | - Town Treasurer         |
| 3. Mr. Samuel Gakuo      | - Administrative Officer |
| 4. Mr. John M. Ngangu    | - Works Officer          |
| 5. Mr. Stephen Wambugu   | - Town Surveyor          |
| 6. M/s Pauline Mugambi   | - S D Assistant          |
| 7. Isaiah Nyamu          | - Revenue Officer        |

**MIN. NO. 1/2007- PRAYERS**

The Town Clerk called the meeting to order at 10.05 a.m with an opening prayer by M/s Pauline Mugambi.

The Town Clerk informed the members that the committee has been instituted in accordance with ministerial circular No. MLG/1055/11(circular No. 24/2007 dated 23<sup>rd</sup> October 2007) clausured upon the dissolution of the councils. He added that the said committee composed of Head of departments shall make decisions on routine matters relating to the running of Councils.

**MIN. NO. 2/2007- ADOPTION OF THE ABSTRACTS OF ACCOUNTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2007**


The Treasurer took the Heads of departments through the abstracts of accounts for the year 30<sup>th</sup> June 2007.

After being read it was proposed by Mr. Samuel Gakuo and seconded by Mr. Isaiah Nyamu and thereafter

**RESOLVED**

1. The abstracts of accounts for the year ended 30<sup>th</sup> June 2007 be adopted as true and correct proceedings of the council.
2. That the abstracts of accounts for the year ended 30<sup>th</sup> June 2007 be forwarded to the Ministry for Local Government for Approval.

There being no other business the meeting ended at 11.30a.m with closing prayer by Mr. Stephen Wambugu.



**ANTHONY G. GATIMU**  
**TOWN CLERK.**

# TOWN COUNCIL OF SAGANA

## TREASURER'S REPORT

### 1.1 INTRODUCTION

I have the pleasure of presenting the accounts for Town Council of Sagana the period ended 30<sup>th</sup> June 2007.

The accounts have been prepared in accordance with section 229 (I) of the Local Government Act Cap 265.

The Town Council of Sagana had three operational divisions or responsibility centers which were further divided into two funds namely: 1 the general fund which comprises of numbers 1-3 and LATF Fund Account number 4.

- 1) Clerk's Department
- 2) Finance Department
- 3) Councilor's Department
- 4) LATF

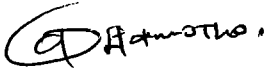
### 1.2 RESPONSIBILITY CENTER ACCOUNT STATEMENTS.


Each individual responsibility center financial performance is given separately. These performance statements of receipts and expenditure are in Kenya Shillings which are compared to the approved budget for the year.

The detailed performance statements for 2006/2007 are summarized in a summary Account to give a one-page clear picture of the operations of the general fund.

### 1.3 BALANCE SHEET


Whereas other financial statements are based on a receipts and expenditure convention; balance sheet is based on a 'converted receipt (or income) and expenditure basis by the introduction of debtors and creditors outstanding.

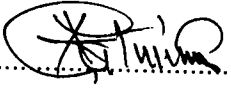
Signed..........Dated.....24<sup>th</sup>..... Day of.....Dec.....2007  
Town Treasurer

Signed..........Dated.....24<sup>th</sup>..... Day of.....DEC.....2007  
Town Clerk

**SAGANA TOWN COUNCIL  
BALANCE SHEET AT AT 30.06.2007**

| DESCRIPTION NOTES                      | 30.6.2006<br>KSHS. | 30.6.2007<br>KSHS. |
|--|--------------------|--------------------|
| <b>FIXED ASSETS</b>                    |                    |                    |
| Other long Capital outlay              | 5175305.64         | 5275044 ✓          |
| <b>TOTAL FIXED ASSETS</b>              | <u>5175305.64</u>  | <u>5275044</u>     |
| <b>CURRENT ASSETS</b>                  |                    |                    |
| Debtors                                | 5643014            | 5743014 ✓          |
| General Fund Account                   | 1272330            | 116637.8 ✓         |
| LATF Account                           | 5554.2             | 268606.2 ✓         |
| Cash at hand                           |                    | 47200 ✓            |
| Unsurrendered imprest                  |                    | 144827 ✗           |
| <b>TOTAL</b>                           | <u>6921898.2</u>   | <u>6320285 ✓</u>   |
| <b>Total current assets</b>            | 6921898.2          | 6320285            |
| <b>CURRENT LIABILITIES</b>             |                    |                    |
| Creditors & Accruals                   | 2000245            | 6298383            |
| <b>Total current liabilities</b>       | <u>2000245</u>     | <u>6298383</u>     |
| <b>NET CURRENT ASSETS</b>              | 4921653.2          | 21902              |
| ✓ <b>AUTHORITY NET WORTH</b>           | <u>10096968.8</u>  | <u>5296946 //</u>  |
| <b>REPRESENTED BY AUTHORITY EQUITY</b> |                    |                    |
| General Fund                           | 7196897.89         | 2553086            |
|  | 2900060.95         | 2743860.95         |
| <b>TOTAL</b>                           | <u>10096968.8</u>  | <u>5296946 //</u>  |

Signed.....  .....date..... 7<sup>th</sup> .....day of..... July .....2008  
Town Treasurer

Signed.....  .....date..... 8<sup>th</sup> .....day of..... July .....2008  
Town Clerk

**THE TOWN CLERK  
SAGANA TOWN COUNCIL**

**FINAL ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2007**

**CASHFLOW STATEMENT**

**RECURRENT ACTIVITIES**  
2006/2007

2005/2006

2006/07 ✓

Kshs.

Kshs.

**INCOME**

|              |             |           |
|--------------|-------------|-----------|
| Land taxes   | 378,290     | 952,117   |
| Licences     | 5,934,440   | 6,387,180 |
| Cess         | -           | -         |
| LATF         | 6,657,463.9 | 5,984,121 |
| Fees charges | 896,270.9   | 766,750   |

**TOTAL INCOME**

13,868,464.8      14,090,168

**EXPENSES**

Total Expenditure      11,923,608      14,246,368

**Net Recurrent Activities**      1,944,846.8      -156,200

**Working Capital Changes**

Current Asset      -793,640 ✓  
Creditors and Accruals      426,496      -4,298,138

Cash inflow after working capital changes      2,371,352.8      - 5,247,978

**RETURN ON INVESTMENT &  
SERVICE OF FINANCE**

Interest paid  
Interest received

**INVESTING ACTIVITIES**

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Increase in Fixed Asset | 92,887.64        | 99,739.20        |
| Increase in investment  | -                | -                |
|                         | <u>92,887.64</u> | <u>99,739.20</u> |

Cash outflow after investing activities      2,278,465.16      -5,347,717.20

**FINANCING ACTIVITIES**

|                                     |                     |                   |
|-------------------------------------|---------------------|-------------------|
| Increase in Equity capital          | 1,605,998.46        | -4,501,277        |
| Increase/decrease in Equity capital | <u>1,605,998.46</u> | <u>-4,501,277</u> |

Cash inflow after financing Activities      672,466.7      - 846,440.2

Cash and cash Equivalent at the beginning of the year      606,417.5      1,278,884.2

Cash & cash equivalent at then end of the year      1,278,884.2      432,444

SAGANA TOWN COUNCIL  
 CONSOLIDATED  
 RECURRENT ACCOUNT  
 FOR THE YEAR ENDED  
 30TH JUNE 2007

| Department                      | Personnel        | Operation        | Capital pr       | Maintenanc     | Total Expenditu   | Receipts                | Surplus(deficit)   |
|---------------------------------|------------------|------------------|------------------|----------------|-------------------|-------------------------|--------------------|
| CLERKS                          | 2,933,226        | 1,267,377        |                  | 555,249        | 4,755,852         | 1,282,320               | -3,473,532         |
| TREASURERS                      | 2,419,071        | 401,220          |                  | 74,825         | 2,895,116         | 6,823,727.00            | 3,928,611.00       |
| CIVIC                           | 1,266,463        | 670,340          |                  |                | 1,936,803         |                         | -1,936,803         |
| LAFT                            | 2,160,153        | 1,488,248        | 1,010,166        |                | 2,498,414         | 5,984,121.00            | 1,325,554.00       |
| <b>TOTAL</b>                    | <b>8,778,913</b> | <b>3,827,185</b> | <b>1,010,166</b> | <b>630,074</b> | <b>14,246,338</b> | <b>14,090,168.00</b>    | <b>-156,200.00</b> |
| Percentage of gross expenditure | 46%              | 42%              | 7%               | 5%             | 100%              |                         |                    |
|                                 |                  |                  |                  |                |                   | Net recurrent surplus/d | -156,200           |
|                                 |                  |                  |                  |                |                   | General fund B/F        | 2900060.95         |
|                                 |                  |                  |                  |                |                   | Balance on general      | 2743860.95         |
|                                 |                  |                  |                  |                |                   | Corporate adjustment    |                    |
|                                 |                  |                  |                  |                |                   | Interest earned         |                    |
|                                 |                  |                  |                  |                |                   | Interest Paid           |                    |
|                                 |                  |                  |                  |                |                   | General fund balance    | 2743860.95         |

| Corporate receipt | Kshs                | % of corp receipt |
|-------------------|---------------------|-------------------|
| Land rate         | 952,117             | 12%               |
| Licences          | 6,387,180           | 80%               |
| Fess &charges     | 766,750.00          | 8%                |
| <b>TOTAL</b>      | <b>8,106,047.00</b> | <b>100%</b>       |

**TOWN COUNCIL OF SAGANA  
FINAL ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2007**

| SUBJECT HEAD                                     | 2005/2006<br>ACTUALS Kshs | 2006/2007<br>Approved Kshs | Budget<br>variance % | Actual Kshs    |
|--|---------------------------|----------------------------|----------------------|----------------|
| <b>SERVICE INCOME</b>                            |                           |                            |                      |                |
| <b>Land taxes</b>                                |                           |                            |                      |                |
| TOL licence                                      | 1300                      | 60370                      |                      |                |
| Plot rent  | 376990                    | 500000                     |                      | 952117         |
| Land rates                                       |                           | 20000                      |                      |                |
| Cilor  |                           | 250000                     |                      |                |
| <b>TOTAL LAND TAXES</b>                          | <b>378290</b>             | <b>830370</b>              |                      | <b>952117</b>  |
| <b>TRADE PERMITS</b>                             |                           |                            |                      |                |
| S.B.P  | 986400                    | 1300000                    |                      | 1226050        |
| Quarry cess                                      | 913920                    |                            |                      | 1326400        |
| Plot rent arrears                                | 459320                    |                            |                      |                |
| Penalty on S.B.P                                 |                           | 120750                     |                      |                |
| Market stall                                     |                           | 20000                      |                      |                |
| Licence application fee                          |                           | 120270                     |                      |                |
| Fund/stand premiums                              |                           | 20000                      |                      |                |
| Bus park   | 3574800                   | 3007500                    |                      | 3834730        |
| Cess   |                           |                            |                      |                |
| <b>TOTAL TRADE PERMIT<br/>FEES &amp; CHARGES</b> | <b>5934440</b>            | <b>4588520</b>             |                      | <b>6387180</b> |
| Miscellaneous income.                            | 254450                    | 500000                     |                      | 220770         |
| Resurvey   | 14400                     | 30000                      |                      | 7200           |
| Nursery School fund                              | 58300                     | 67000                      |                      | 32150          |
| Penalty on S.B.P                                 |                           |                            |                      |                |
| Penalty on P/arrears Refuses                     | 83110                     | 150000                     |                      | 86233          |
| Refuse collection                                | 97740                     | 110000                     |                      | 139260         |
| Produce Inspection fee                           | 45588.2                   | 60000                      |                      |                |
| Market gate fee                                  | 262680                    | 891523                     |                      | 265137         |
| Bank Interest                                    | 2.7                       |                            |                      |                |
| By laws  | 52000                     |                            |                      |                |
| Approval fee(PLAN)                               | 30000                     | 50000                      |                      | 16000          |
| <b>TOTAL FEES &amp; CHARGES</b>                  | <b>898270.9</b>           | <b>1858523</b>             | <b>0</b>             | <b>766750</b>  |
| <b>TOTAL INCOME</b>                              | <b>7211000.9</b>          | <b>7277413</b>             |                      | <b>8106047</b> |
| LATF ALLOCATION                                  | 665463                    | 6504655                    |                      | 5984121        |
| <b>TOTAL INCOME EXPENDITURE</b>                  |                           |                            |                      |                |
| <b>PERSONNEL</b>                                 |                           |                            |                      |                |
| Super fund                                       | 503120                    | 800787                     |                      | 825792         |
| Salary wages                                     | 3684700                   | 5520660                    |                      | 2819411        |
| Provident Fund                                   | 163464                    | 339095                     |                      | 245874         |
| N.S.S.F  | 47400                     |                            |                      |                |
| Special duty                                     | 25666                     |                            |                      | 18086          |
| Casual wages                                     | 185200                    |                            |                      |                |
| Leave allowance                                  | 18489                     | 218020                     |                      | 55259          |
| House Allowance                                  | 1914764                   | 2809500                    |                      | 1472554        |
| Councillor Allowances                            | 879000                    | 1212000                    |                      | 1025261        |
| Chairman Allowances                              | 260000                    | 288000                     |                      | 241202         |

|  |                  |                 |                |
|--|------------------|-----------------|----------------|
| Hon./Special D.Allow.                      |                  |                 |                |
| Acting Allow                               |                  |                 |                |
| <b>Total Personnel</b>                     | <b>7681803</b>   | <b>11188062</b> | <b>6703439</b> |
| <b>OPERATION</b>                           |                  |                 |                |
| <b>Premises Related</b>                    |                  |                 |                |
| Electricity & Water                        | 10578.25         | 30000           | 30074          |
| <b>Total premises</b>                      | <b>10578.25</b>  | <b>30000</b>    | <b>30074</b>   |
| <b>Transport related</b>                   |                  |                 |                |
| Petrol, Oil, Diseal & Tyres                | 134367           | 280000          | 251820         |
| Motor Veh. Insurance & Lice                | 31007            | 35050           | 20000          |
| <b>Total transport</b>                     | <b>165374</b>    | <b>315050</b>   | <b>271820</b>  |
| <b>Supplies and services</b>               |                  |                 |                |
| Washing & soap detergent                   | 660              | 10000           | 4680           |
| Printing and stationery                    | 34710            | 120000          | 91134          |
| Prininting of receipt book                 | 125150           | 80000           | 11800          |
| Preparation of Abstract                    | 180000           | 50000           | 80000          |
| Office Machine                             |                  | 20000           | 26212          |
| Newspaper                                  |                  |                 |                |
| Medical expenses                           |                  |                 |                |
| Post Box Rent                              | 4000             |                 | 4000           |
| Legal fee                                  | 5000             | 150000          | 58600          |
| Furniture & fittings                       |                  | 50000           | 39100          |
| Donkey Cart                                | 15000            |                 |                |
| Materials                                  | 7528             |                 |                |
| Cost of bonds                              | 3500             |                 |                |
| Clothing & Uniforms                        | 9670             | 40000           | 9840           |
| Bank charges                               | 15900            | 5000            | 13010          |
| <b>Total supplies</b>                      | <b>401118</b>    | <b>525000</b>   | <b>338376</b>  |
| <b>Administration</b>                      |                  |                 |                |
| Advert & Publications                      | 28900            | 80000           | 79994          |
| Chairman Travelling expenses               | 9670             | 50000           | 50000          |
| Miscallenous expences                      |                  | 50000           | 49981          |
| Donations                                  |                  |                 |                |
| Entertainment                              | 16530            | 10000           | 10000          |
| Hiv/Aids                                   |                  | 50000           |                |
| Relief of Distress                         |                  | 50000           |                |
| ASK show                                   | 15000            |                 |                |
| Seminars & tours                           |                  | 400000          | 375000         |
| Subscription ALGAK/ALGE                    |                  | 110000          | 160000         |
| Subsistence allow                          | 46120            | 150000          | 234460         |
| Tobbacco cess 80%                          |                  |                 |                |
| Telephone and postage                      | 22155            | 80000           | 74606          |
| Training courses                           |                  |                 |                |
| Transfer allowances                        |                  |                 |                |
| Traveling and subsistence                  | 134510           | 100000          | 579917         |
| <b>Total administration</b>                | <b>272885</b>    | <b>1130000</b>  | <b>1613958</b> |
| <b>TOTAL OPERATIONS</b>                    | <b>849955.25</b> | <b>2000050</b>  | <b>2254228</b> |
| REPAIR, ALTERATION & MAINTANANCE RECURRENT |                  |                 |                |
| <b>Premises related</b>                    |                  |                 |                |
| Building and office repairs                | 900              | 50000           | 35710          |
| Bus park maintainance                      | 28000            | 60000           | 60000          |
| Maintanance fo towns                       |                  | 400000          | 399969         |
| Machine maintainance                       |                  | 10000           | 4495           |
| <b>Total premises</b>                      | <b>28900</b>     | <b>520000</b>   | <b>500174</b>  |
| <b>Transport &amp; plant related</b>       |                  |                 |                |
| M/vehicle repairs                          | 39097            | 180000          | 81930          |
| Donkey cart repairs                        |                  |                 |                |
| Maintance of access road                   |                  | 100000          | 48000          |
| <b>Total transport</b>                     | <b>39097</b>     | <b>280000</b>   | <b>129930</b>  |

|   |                   |                 |  |                   |
|---|-------------------|-----------------|--|-------------------|
| <b>Furniture, equip &amp; tools</b>       |                   |                 |  |                   |
| office machines                           | 2339              | 50000           |  |                   |
| office machines                           |                   |                 |  |                   |
| <b>Total furniture, equip &amp; tools</b> | <b>2339</b>       | <b>50000</b>    |  |                   |
| <b>TOTAL RAM</b>                          | <b>70336</b>      | <b>850000</b>   |  | <b>630104</b>     |
| <b>TOTAL GRF EXPENSES</b>                 | <b>8602094.25</b> | <b>14038112</b> |  | <b>9587771</b>    |
| <b>LATF EXPENSES</b>                      |                   |                 |  |                   |
| Debt resolution                           |                   |                 |  |                   |
| Salaries                                  |                   |                 |  | 2160153           |
| Super fund 2004/2005                      | 821358            |                 |  | 400000            |
| Super fund penalties                      | 59011             |                 |  |                   |
| NHIF                                      |                   |                 |  | 53280             |
| Transfer to G.R.F                         | 1879100           |                 |  | 1200000           |
| Crusher                                   | 52500             |                 |  |                   |
| NSSF                                      |                   |                 |  | 28800             |
| ALGAK                                     |                   |                 |  | 150000            |
| KRA tax back dated                        |                   |                 |  | 387277            |
| KRA PAYE                                  |                   |                 |  | 143012            |
| Provident fund                            |                   |                 |  | 209844            |
| Strategic plan                            |                   |                 |  | 100000            |
| Others                                    | 9450              |                 |  | 16035             |
| <b>TOTAL OPERATION EXPENSES</b>           | <b>2811969</b>    |                 |  | <b>4848401</b>    |
| <b>TOTAL OPERATIONS</b>                   |                   |                 |  |                   |
| <b>Capital projects</b>                   |                   |                 |  |                   |
| Contruccion of Buspark                    |                   |                 |  | 84685             |
| Ngando Comm                               | 50000             |                 |  | 83873             |
| Mungetho Comm                             | 50000             |                 |  | 127747            |
| Kianyaga BW                               | 125000            |                 |  | 83873             |
| Chakaka M.G                               | 37500             |                 |  | 137997            |
| Road Project                              | 39480             |                 |  |                   |
| Kangaru Ngwataniro                        | 62500             |                 |  |                   |
| Ap Post                                   | 80000             |                 |  |                   |
| Wakigo Self HELP                          | 37500             |                 |  | 156497            |
| Kithumbu Water project                    |                   |                 |  | 166497            |
| Kanjai - Gitwe Rd                         |                   |                 |  | 168997            |
| <b>TOTAL CAPITAL EXPENSES</b>             | <b>481980</b>     |                 |  | <b>1010166</b>    |
| <b>TOTAL LATF EXPENSES</b>                | <b>3293949</b>    |                 |  | <b>4658567</b>    |
| <b>TOTAL EXPENCES</b>                     | <b>11896043.3</b> |                 |  | <b>14246338</b> ✓ |

**TOWN COUNCIL OF SAGANA  
FINANCIAL ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2007**

**ADMINISTRATIVE DEPARTMENT**

**MISSION STATEMENT**

To coordinate all the activities within the Council by advising on legal, general and administration issues both to civic leaders and other officers

| SUBJECT HEAD                   | 2005/2006<br>Actuals kshs | 2006/2007<br>Approved kshs | Budget Vari | 2006/2007<br>Actuals Kshs |
|--------------------------------|---------------------------|----------------------------|-------------|---------------------------|
| <b>SERVICE INCOME</b>          |                           |                            |             |                           |
| Miscellaneous income           | 254450                    | 500000                     |             | 220770                    |
| Stand premium                  |                           | 20000                      |             |                           |
| Penalty on plot rent           | 83110                     | 150000                     |             | 86233                     |
| Interest/penalties on rates    |                           | 20000                      |             |                           |
| Plot rent                      |                           | 500000                     |             | 952117                    |
| Approval fee (PLAN)            | 30000                     | 50000                      |             | 16000                     |
| Resurvey fee                   | 14400                     | 20000                      |             | 7200                      |
| Penalty on S.B.P               |                           |                            |             |                           |
| S.B.P                          |                           |                            |             |                           |
| Land rates                     |                           | 20000                      |             |                           |
| <b>TOTAL INCOME</b>            | <b>381960</b>             | <b>1280000</b>             |             | <b>1282320</b>            |
| <b>EXPENDITURE PERSONNEL</b>   |                           |                            |             |                           |
| Salary & wages                 | 1953640                   | 3050160                    |             | 1588787                   |
| House wages                    | 1081632                   | 1698000                    |             | 809905                    |
| Casual wages                   | 185200                    |                            |             |                           |
| N.S.S.F                        | 23400                     | 24000                      |             |                           |
| Provident fund                 | 123052                    | 194298                     |             | 135221                    |
| Super fund                     | 275289                    | 452088                     |             | 454186                    |
| Leave allowance                | 13268                     | 117720                     |             | 29816                     |
| Car & Cycle allowance          |                           |                            |             |                           |
| Hon./ Special D. allowance     |                           |                            |             |                           |
| <b>Total personnel</b>         | <b>3655481</b>            | <b>5536266</b>             |             | <b>3017915</b>            |
| <b>OPERATION</b>               |                           |                            |             |                           |
| Electricity & water            | 38220                     | 30000                      |             | 30074                     |
| <b>Premises related</b>        |                           |                            |             |                           |
| Motor veh. Insurance & licence | 20961                     | 25000                      |             | 20000                     |
| Petrol, Oil, diesel & tyres    | 119288                    | 180000                     |             | 179880                    |
| <b>Total transport</b>         | <b>178469</b>             | <b>235000</b>              |             | <b>229954</b>             |
| <b>Supplies and Services</b>   |                           |                            |             |                           |
| Sign board                     |                           |                            |             |                           |
| Narc Manifesto                 |                           |                            |             |                           |
| Clothing and uniforms          | 9670                      | 20000                      |             | 9600                      |
| Council logo                   |                           |                            |             |                           |
| Newspaper                      |                           |                            |             |                           |
| Donkey cart                    |                           |                            |             |                           |
| Materials                      | 7528                      |                            |             |                           |
| Furniture & Fittings           | 150                       | 40000                      |             | 39100                     |
| Washing soap & detergent       | 660                       | 10000                      |             | 4680                      |

|                                      |                 |                 |                 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Printing of receipt book             |                 |                 |                 |
| Post Box Rent                        | 4000            |                 | 4000            |
| Printing & Stationery                | 30810           | 70000           | 56904           |
| Legal fee                            | 5000            | 150000          | 58600           |
| Office machine                       |                 | 50000           | 16212           |
| <b>Total supplies</b>                | <b>57818</b>    | <b>340000</b>   | <b>189096</b>   |
| <b>Administration</b>                |                 |                 |                 |
| Heavy duty allowance                 |                 |                 |                 |
| Training Course & exams              |                 | 100000          | 1200            |
| Travelling & subsistence             | 80830           | 400000          | 399917          |
| Medical allowance                    |                 |                 |                 |
| workmen comp                         |                 |                 |                 |
| Miscellaneous expenses               |                 | 50000           | 49981           |
| Advert & publications                | 28900           | 80000           | 79994           |
| Tel. & postages                      | 22165           | 80000           | 72556           |
| Transfer allow                       |                 |                 |                 |
| Subscription ALGAK/ALGE              |                 | 110000          | 160000          |
| ASK show                             | 15000           |                 |                 |
| Relief of distress                   |                 |                 |                 |
| HIV/AIDS                             |                 | 50000           |                 |
| Donations                            |                 |                 |                 |
| Honorariu allow                      |                 |                 |                 |
| <b>Total Administration</b>          | <b>146895</b>   | <b>870000</b>   | <b>763648</b>   |
| <b>TOTAL OPERATIONS</b>              |                 |                 |                 |
| REPAIRS,ALTERATION & MAINTANANCE     |                 |                 |                 |
| RECURRENT EXPENSES                   |                 |                 |                 |
| Premises related                     |                 |                 |                 |
| Office repairs                       | 900             | 50000           | 35710           |
| <b>Total premises</b>                | <b>900</b>      | <b>50000</b>    | <b>35710</b>    |
| <b>Transport &amp; plant related</b> |                 |                 |                 |
| M/vehicle repairs                    | 37147           | 80000           | 71600           |
| Maintanance of access road           |                 | 400000          | 399969          |
| Drainage maintanance                 |                 | 10000           | 48000           |
| <b>Total transport</b>               | <b>37147</b>    | <b>490000</b>   | <b>519569</b>   |
| <b>TOTAL EXPENSES</b>                | <b>4076710</b>  | <b>7521266</b>  | <b>4755892</b>  |
| <b>NET SURPLUS (DEFICIT)</b>         | <b>-3694750</b> | <b>-6241266</b> | <b>-3473572</b> |

TOWN COUNCIL OF SAGANA

FINAL ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2007

FINANCE DEPT.

**MISSION STATEMENT**

To coordinate all the activities within the council by advising on legal, general and administration issues both to civic leaders and other officers

|                                |                  |                |                |
|--------------------------------|------------------|----------------|----------------|
| Produce Inspection fee         | 45568.2          | 60000          |                |
| Plot Rent                      | 376990           |                |                |
| TOL Licence                    | 1300             | 60370          |                |
| Single Business Permit         | 986400           | 1300000        | 1226050        |
| Fund/Stand Premiums            |                  |                |                |
| Bus Park                       | 3574800          | 3007500        | 3834730        |
| Penalty on P/Arrears           |                  |                |                |
| Penalty on SBP                 |                  | 120750         |                |
| Licence application fee        |                  |                |                |
| Market stall                   |                  |                |                |
| Bank interest                  | 2.7              |                |                |
| Quarry cess                    | 913920           |                | 1326400        |
| Plot Rent Arrears              | 459320           |                |                |
| <b>TOTAL INCOME</b>            | <b>6358300.9</b> | <b>4548620</b> | <b>6387180</b> |
| <b>EXPENDITURE</b>             |                  |                |                |
| <b>PERSONNEL</b>               |                  |                |                |
| Salary wages                   | 1731060          | 2470500        | 1230634        |
| Leave Allowances               | 5221             | 110698         | 25443          |
| N.S.S.F                        | 24000            | 19200          |                |
| House Allow                    | 833132           | 1111500        | 662649         |
| Super Fund                     | 277836           | 409491         | 371606         |
| Special Duty                   | 25666            |                | 18086          |
| Casual Fund                    |                  |                |                |
| provident fund                 | 45412            | 190167         | 110653         |
| Acting Allow                   |                  |                |                |
| <b>Total Personnel</b>         | <b>2942327</b>   | <b>4311556</b> | <b>2419071</b> |
| <b>OPERATION</b>               |                  |                |                |
| <b>Premises related</b>        |                  |                |                |
| Electricity & Water            |                  |                |                |
| Total Premises                 |                  |                |                |
| <b>Transport related</b>       |                  |                |                |
| Petrol,oil,diesel & tyres      | 37977            | 100000         | 71940          |
| M/Vehicle Insur. & licences    | 10046            | 10050          |                |
| <b>Total Transport</b>         | <b>48023</b>     | <b>110050</b>  | <b>71940</b>   |
| <b>Supplier &amp; Services</b> |                  |                |                |
| Printing & Stationery          | 3900             | 50000          | 34230          |
| Printing of receipt book       | 121150           | 80000          | 11800          |
| Preparation of Abstract        | 180000           | 50000          | 80000          |
| Annual Audit                   |                  | 150000         |                |
| Office Machine                 |                  | 10000          | 10000          |
| Clothing & Uniform             |                  | 20000          | 240            |
| Medical Expenses               |                  |                |                |
| Cost of bonds                  |                  |                |                |
| Bank charges                   | 6450             | 50000          | 13010          |
| Insurance fidelity             |                  |                |                |
| Furniture & Fitting            |                  | 10000          |                |
| washing&Soap detergent         |                  | 5000           |                |
| LASDAP                         |                  |                |                |
| <b>Total supplies</b>          | <b>311500</b>    | <b>425000</b>  | <b>149280</b>  |

|  |                |                |                |
|--|----------------|----------------|----------------|
| <b>Administration</b>                                |                |                |                |
| Travelling & Substistence                            | 53680          | 200000         | 180000         |
| Transfer Allowances                                  |                |                |                |
| Training courses                                     | 3700           | 100000         |                |
| Tobacco cess 80%                                     |                |                |                |
| Telephone & Postage                                  |                |                |                |
| <b>Total Administration</b>                          | <b>57380</b>   | <b>300000</b>  | <b>180000</b>  |
| <b>TOTAL OPERATIONS</b>                              |                |                |                |
| <b>REPAIRS,ALTERATION &amp; MAINTENANCE-RECURENT</b> |                |                |                |
| <b>Premises related</b>                              |                |                |                |
| <b>Maintanance of Towns</b>                          |                |                |                |
| Bus Park Maintenance                                 | 28000          | 60000          | 60000          |
| Machine Maintenance                                  |                | 20000          | 4495           |
| Building & office repairs                            |                |                |                |
| <b>Total Premises</b>                                | <b>28000</b>   | <b>80000</b>   | <b>64495</b>   |
| Donkey cart repairs                                  |                |                |                |
| M/Vehicles repairs                                   | 1950           | 100000         | 10330          |
| <b>Total Transport</b>                               | <b>1950</b>    | <b>100000</b>  | <b>10330</b>   |
| Furniture,Equip,repairs                              |                |                |                |
| Office Machines                                      | 2339           |                |                |
| Total Furniture,Equip & tools                        | <b>2339</b>    |                |                |
| <b>TOTAL RAM</b>                                     | <b>30339</b>   | <b>180000</b>  | <b>74825</b>   |
| <b>TOTAL EXPENSES</b>                                | <b>3389569</b> | <b>5326606</b> | <b>2895116</b> |
| <b>NET SURPLUS(DEFICIT)</b>                          |                |                |                |

**FINAL ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2007**

**CIVIC DEPARTMENT**

**MISSION STATEMENT**

To coordinate all the activities within the council by advising on legal, general and administration issues both to civic leaders and other officers

| SUBJECT HEAD                 | 2005/2006<br>Actuals Kshs | 2006/2007<br>Approved Kshs | BUDGET VA<br>% | 2006/2007<br>Actuals Kshs |
|------------------------------|---------------------------|----------------------------|----------------|---------------------------|
| <b>SERVICE INCOME</b>        |                           |                            |                |                           |
| <b>TOTAL INCOME</b>          |                           |                            |                |                           |
| <b>EXPENDITURE PERSONNEL</b> |                           |                            |                |                           |
| Chairman's allow             | 260000                    | 288000                     |                | 241202                    |
| Councillors allow            | 879000                    | 1212000                    |                | 1025261                   |
| <b>Total personnel</b>       | <b>1139000</b>            | <b>1500000</b>             |                | <b>1266463</b>            |
| <b>OPERATION</b>             |                           |                            |                |                           |
| <b>Administration</b>        |                           |                            |                |                           |
| Subsistence allow            | 46120                     | 150000                     |                | 150000                    |
| Miscellaneous expense        |                           |                            |                |                           |
| Chairman travelling expense  |                           | 50000                      |                | 50000                     |
| Councillors travelling allow |                           | 400000                     |                | 375000                    |
| Entertainment                | 16530                     | 10000                      |                | 10000                     |
| Seminars & tours             |                           | 10000                      |                | 85340                     |
| <b>Total Administration</b>  | <b>62650</b>              | <b>620000</b>              |                | <b>670340</b>             |
| <b>TOTAL OPERATIONS</b>      |                           |                            |                |                           |
| <b>TOTAL EXPENSES</b>        | <b>1201650</b>            | <b>2120000</b>             |                | <b>1936803</b>            |
| <b>NET SURPLUS(DEFICIT)</b>  |                           |                            |                |                           |

**TOWN COUNCIL OF SAGANA**  
**LATF FINAL ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2007**

| <b>SUBJENTIVE HEAD</b>          | <b>2005/2006<br/>ACTUALS<br/>KSHS.</b> | <b>2006/2007<br/>APPROVED<br/>KSHS.</b> | <b>BUDGET<br/>VARIANCE<br/>%</b> | <b>2006/2007<br/>ACTUALS<br/>KSHS.</b> |
|---------------------------------|--|---|----------------------------------|--|
| LATF ALLOCATION                 | 6656934                                |   |                                  | 5984121                                |
| Bank interest                   | 523                                    |   |                                  |  |
| <b>TOTAL INCOME</b>             | <b>6657457</b>                         |   |                                  | <b>5984121</b>                         |
| <b>DEBT RELIEF</b>              |  |   |                                  |  |
| <b>LATF EXPENSES</b>            |  |   |                                  |  |
| Debt resolution                 |  |   |                                  |  |
| Salaries                        |  |   |                                  | 2160153                                |
| Super fund 2004/2005            | 821358                                 |   |                                  | 400000                                 |
| Super fund penalties            | 59011                                  |   |                                  |  |
| NHIF                            |  |   |                                  | 53280                                  |
| Transfer to G.R.F               | 1879100                                |   |                                  | 1200000                                |
| Crusher                         | 52500                                  |   |                                  |  |
| NSSF                            |  |   |                                  | 28800                                  |
| ALGAK                           |  |   |                                  | 150000                                 |
| KRA tax back dated              |  |   |                                  | 387277                                 |
| KRA PAYE                        |  |   |                                  | 143012                                 |
| Provident fund                  |  |   |                                  | 209844                                 |
| Strategic plan                  |  |   |                                  | 100000                                 |
| Bank charges                    | 9450                                   |   |                                  | 16035                                  |
| <b>TOTAL OPERATION EXPENSES</b> | <b>2811969</b>                         |   |                                  | <b>4848401</b>                         |
| <b>TOTAL OPERATIONS</b>         |  |   |                                  |  |
| <b>Capital projects</b>         |  |   |                                  |  |
| Contruction of Buspark          |  |   |                                  | 84685                                  |
| Ngando Comm                     | 50000                                  |   |                                  | 83873                                  |
| Mungetho Comm                   | 50000                                  |   |                                  | 127747                                 |
| Kianyaga BW                     | 125000                                 |   |                                  | 83873                                  |
| Chakaka M.G                     | 37500                                  |   |                                  | 137997                                 |
| Road Project                    | 39480                                  |   |                                  |  |
| Kangaru Ngwataniro              | 62500                                  |   |                                  |  |
| Ap Post                         | 80000                                  |   |                                  |  |
| Wakigo Self HELP                | 37500                                  |   |                                  | 156497                                 |
| Kithumbu Water project          |  |   |                                  | 166497                                 |
| Kanjai - Gitwe Rd               |  |   |                                  | 168997                                 |
| <b>TOTAL CAPITAL EXPENSES</b>   | <b>481980</b>                          |   |                                  | <b>1010166</b>                         |
| <b>TOTAL LATF EXPENSES</b>      | <b>3293949</b>                         |   |                                  | <b>5858567</b>                         |

**TOWN COUNCIL OF SAGANA  
NOTE TO THE ACCOUNTS FOR THE YEAR 2006/2007**

**3.71 FIXED ASSET SCHEDULE**

Fixed assets held and their current valuations are:

| Description                                | 2005/2006<br>Actual Kshs | 2006/2007<br>Approved Kshs |
|--|--------------------------|----------------------------|
| <b>3.7.1 Land</b>                          | 2666145                  | 2666145                    |
| <b>TOTAL LAND</b>                          | <b>2666145</b>           | <b>2666145</b>             |
| <b>3.7.2 Buildings</b>                     |                          |                            |
| Bus park & Markets                         | 1613303                  | 1613303                    |
| Additions Bus park                         |                          | 176575                     |
| <b>TOTAL BUILDINGS</b>                     | <b>1613303</b>           | <b>1789878</b>             |
| Total land & Buildings                     |                          |                            |
| <b>3.7.4 Motor Vehicles</b>                |                          |                            |
| KAN 022 P                                  | 530516.7                 | 477465                     |
| Write off                                  | 53051.67                 | 47746                      |
| KVS 569                                    |                          | 60000                      |
| <b>TOTAL MOTOR VEHICLES</b>                | <b>477465.03</b>         | <b>489719</b>              |
| <b>3.7.5 Office tools &amp; Equipments</b> | 225000                   |                            |
| Office Furniture & fittings                |                          | 225000                     |
| Electronic machine                         | 15931                    | 15931                      |
| Office Computer & printer                  | 110000                   | 110000                     |
| Write off                                  | 35093.19                 | 66677                      |
| <b>Total Office Equipments</b>             | <b>315837.81</b>         | <b>284254</b>              |
| Electronic machine                         | 55611                    | 50049                      |
| Write off                                  | 5561                     | 5005                       |
| <b>Total Electronic machine</b>            | <b>50050</b>             | <b>45044</b>               |
| <b>Crusher</b>                             | 52500                    | 52500                      |
| <b>Write off</b>                           |                          | -5250                      |
| <b>Total Crusher</b>                       | <b>52500</b>             | <b>47250</b>               |
| <b>Total fixed assets</b>                  | <b>5175300.84</b>        | <b>5275040</b>             |
| <b>4. CURRENT ASSETS</b>                   |                          |                            |
| <b>4.1 Cash and Bank balance</b>           |                          |                            |
| unsurrendered imprest                      |                          | 144827                     |
| LATF                                       | 6554.2                   | 268606.2                   |
| General Rate fund A/c                      | 1272330                  | 116637                     |
| Cash                                       |                          | 47200                      |
| <b>TOTAL</b>                               | <b>1278884.2</b>         | <b>432443.2</b>            |
| <b>4.2 Debtors &amp; Prepayment</b>        |                          |                            |
| Property rates, Land rates including       | 2653459                  | 2653459                    |
| Rates owed by parastatals                  |                          |                            |
| Contribution in lieu of rates              | 250000                   | 350000                     |
| S.B.P                                      | 1336900                  | 1336900                    |
| Plot rents                                 | 1402655                  | 1402655                    |
| <b>Total debtors</b>                       | <b>5643014</b>           | <b>5743014</b>             |
| <b>Total current asset</b>                 | <b>6921898.2</b>         | <b>6320285</b>             |
| <b>5.0 CURRENT LIABILITIES</b>             |                          |                            |
| <b>5.1 Creditors &amp; Accruals</b>        |                          |                            |
| K.R.A INCOME TAX                           |                          | 546583                     |
| lap fund                                   | 294850                   | 720082                     |
| Super annuation fund                       |                          | 1032512                    |

80  
577 270.00

|                           |                |                |
|---------------------------|----------------|----------------|
| salary arrears            | 1200000        | 1818000        |
| CLLRS ALLOWANCE           |                | 226734         |
| Bredan consultants NSSF   |                |                |
| NSSF                      |                | 36000          |
| N.H.I.F Penalties         | 355395         | 449750         |
| Kenya national audit      | 150000         | 200000         |
| KLGWU                     |                | 40730          |
| Outstanding Sal. May/June |                | 1151192        |
| NHIF                      | 294850         | 76800          |
| <b>TOTALS</b>             | <b>2295095</b> | <b>6298383</b> |

|

## TOWN COUNCIL OF SAGANA

### NOTE TO THE ACCOUNTS FOR THE YEAR 2006/2007

#### 1.0 Accounting Concepts

##### 1.1 Introduction

LAS is based firmly on the generally accepted accounting concepts of:

- Going Concern
- Accruals/matching
- Consistency
- Prudence
- Materiality and substance over form

Adoption of these concepts ensures that accounts “present fairly” the financial position of a local authority.

However given the unique nature of Kenyan Local Government, certain refinements have been introduced.

##### 1.2 Going Concern

It is unlikely that Local Authority will be closed down in the same way as a company may go out of business. In the event of local government reorganization, where assets are to be distributed, the going concern should be applied to services, although the authority itself may cease to exist.

##### 1.3 Accruals/ Matching

The matching or accruals principle can be defined as follows:

“Revenue and costs are recognized as they are earned or incurred, not as money is received or paid matched with one another so far as their relationship can be established and dealt with in the period to which they relate provided that where the accruals concept is consistent with the prudence concept, the latter prevails.

Here the prudence concept is of significance in Kenya. The LAS basis of accounting is converted” receipts and converted payment” which means that accounting throughout the year is on a cash basis but, for final accounts purposes, accruals for material creditors.

##### 1.4 Consistency

The prudence concept requires that there should be consistency of accounting treatment of like items within each accounting period and from one accounting period to the next. As Las has used for the first time, prior figures have been restated to present a valid comparison.

##### 1.5 Prudence

The prudence concept requires that revenues are not anticipated until realization can be assessed with reasonable certainty.

This has implications for Kenyan Local Government as regards land taxes and other revenue which are billed: such revenues are measurable immediately but may not be paid or “available for use” for a lengthy period of time, if at all.

## TOWN COUNCIL OF SAGANA

### NOTE TO THE ACCOUNTS FOR THE YEAR 2006/2007

#### 1.6 Materiality and substance over form

The concept derives from the fact that accounts may still not “present fairly” the financial position of the authority. For example, LAS requires disclosures of certain items, in particular, delaying debtors and delayed creditors separately from operational debtors and creditors, as there is usually a link between the former types of debtors and creditors.

## **2.0 Accounting policies.**

### **2.1 Accruals of income and expenditure**

#### **2.2 Revenues**

Plot rents and rates outstanding at the end of the year are accrued as debtors. This is in accordance with the prudence principal. In accordance with the prudence principal, the figures for delaying debtors is “reversed out” of the balance sheet by the contra entry “delaying debtors control account” before determining the net worth of the authority.

#### **2.3 Employees**

salary arrears are accrued as creditors. No accruals are made for paid leave entitlement not taken as this is considered not material from year to year.

#### **2.4 Statutory and other deductions**

Unremitted statutory and other deductions are accrued as creditors.

#### **2.5 Supplies and services**

Material invoices for supplies and services received during the year but not yet paid are accrued as creditors within current liabilities.

## **3.0 Fixed Assets**

### **3.1 Coverage**

only assets that are readily identifiable as authority assets are included in the balance sheet.

### **3.2 Valuation of Land**

The town lacks a valuation roll hence the value could not be ascertained nor estimated.

### **3.3 Valuation of buildings**

Buildings have not been valued by a professional valuer therefore no value accrued thereon.

### **3.4 Valuation of Motor Vehicles**

The motor vehicles KAN 022P has been depreciated at 10%.

### **3.5 Furniture and equipment**

A provision of 10% has been provided on Furniture and equipment.

## **Funds Balances, Reserves and provisions**

### ***Authority Equity***

This represents the Asset holding and investments in fixed Asset and net current Assets net off general fund at the time of restructuring the balance sheet

### ***Fund balances***

The town council of Sagana maintains no distinct reserves and any relevant expenditure falls directly on the general fund.

### ***Currency denomination***

Local government budgets and accounts are in Kenya Shillings