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Report of the
Controller and Auditor-General
on the
Financial Statements of Local
Authorities Provident Fund
for the
Year Ended 30th June, 2002

Report of the
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**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF LOCAL AUTHORITIES PROVIDENT FUND
FOR THE YEAR ENDED 30 JUNE 2002**

I have examined the financial statements of Local Authorities Provident Fund for the year ended 30 June 2002 in accordance with the provision of Section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been maintained and the financial statements which have been prepared under the historical cost convention are in agreement therewith and comply with Local Authorities Provident Fund act (Cap 272).

Except for the reservations set out below, in my opinion, the financial statements, when read together with the notes thereon, present fairly the financial state of affairs of the Fund as at 30 June, 2002 and of its surplus and cash flows for the year then ended.

1. NON REMITTANCE OF CONTRIBUTIONS BY LOCAL AUTHORITIES

As in previous years, many Local Authorities failed to remit to the Fund monthly members contributions and related schedules. One hundred and seventeen (117) such Authorities listed in note 2 to the accounts were in arrears in their contributions with some of the arrears dating back to 1981. The Fund, however does not maintain adequate records of Local Authorities in arrears and the outstanding contributions have therefore not been ascertained. Under the circumstances it has not been possible to confirm the actual amount of outstanding contributions as at 30 June, 2002 and such amount has not been recognized in these accounts.

2. IRREGULAR PAYMENTS OF SALARIES AND ALLOWANCES

As previously reported, the Fund continued to pay its employees and Board members salaries and allowances higher than those approved by the Government. During the year the Fund paid such unauthorized salaries totalling Kshs.2,926,440.00 and arrears of Kshs.748,410.00 relating to previous period. In addition, Kshs.143,390.00 was paid to staff in travelling and subsistence allowances at rates also higher than those approved by the Government. Further Board expenses increased from Kshs.132,823.00 in 2000/2001 to Kshs.2,463,129.00 in 2001/2002. The increase included Kshs.595,920.00 paid as Board members allowances at rates in excess of what was approved by the Government. In the circumstances, it is not possible to confirm the propriety of expenditure of Kshs.4,383,892.00 and Kshs.2,462,129.00 charged to Income and Expenditure Account in respect of staff salaries and allowances, and Board expenses and allowances respectively.

3. BUDGET AND BUDGETARY CONTROL

Although Section 11(1) of the State Corporations Act (Cap 446) requires all State Corporations to submit their budgets for the following year to Treasury not later than the end of February in every year, the Fund, did not submit its 2001/2002 budget for approval to the Treasury and therefore operated on unapproved budget. The unapproved overall budget for 2001/2002 reflected an increase of 35% in expenditure while revenue performance indicates a decrease of 8.5% from Kshs.30,222,171.00 in 2000/2001 to Kshs.27,724,065.00 in 2001/2002. The actual expenditure on the other hand increased from Kshs.9,969,661.00 in 2000/2001 to Kshs.15,652,553.15 in 2001/2002 reflecting an expenditure increase of 57%. It would therefore appear that the Fund's administrative costs are out of control and, unless arrested, will adversely affect the returns to the contributors.

4. FAILURE TO COMPLY WITH RETIREMENT BENEFITS ACT

The Fund did not comply with the Retirement Benefits Act in that it did not pay a levy of Kshs.601,418.50 calculated at 0.2% of its net assets for 2000/2001. Clearly the Fund was in breach of the law and may have to pay penalties which could have been avoided.



E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

31 August, 2004

LOCAL AUTHORITIES PROVIDENT FUND

INCOME AND EXPENDITURE FOR THE YEAR ENDED 30TH JUNE 2002

	<u>NOTES</u>	<u>2001/2002</u> <u>KSHS.</u>	<u>2000/2001</u> <u>KSHS.</u>
<u>INCOME</u>			
- Treasury Bills/Bonds		27,353,849.35	22,992,189.50
- 10% Government stock (2010)		200,000.00	200,000.00
- Fixed Deposit Interest		142,851.55	135,948.35
<u>Other Income</u>			
Administrative expenses recharged	(3)	-	6,576,287.50
Miscellaneous income	(4)	<u>27,364.20</u>	<u>317,746.00</u>
		27,724,065.10	30,222,171.35
<u>EXPENDITURE</u>			
Bank charges	(5)	394,146.15	156,631.35
Training and seminars		67,750.00	60,330.00
Travelling & subsistence		322,283.00	333,461.00
Insurance		179,423.00	166,980.00
Telephone and Postage	(6)	426,630.60	212,968.95
Computer Software Support		32,000.00	96,000.00
Staff salaries and allowances		4,383,892.00	2,493,944.00
Board expenses & allowances		2,462,129.00	132,823.00
Repairs and maintenance		346,438.90	235,913.00
Staff welfare		51,702.00	60,421.00
Staff Medical Scheme		760,520.00	714,420.00
Office entertainment		6,295.00	7,207.00
Motor vehicle expenses		267,799.50	300,782.00
Printing & stationery		346,223.00	523,059.00
Audit fees		66,000.00	66,000.00
Staff Provident Fund		349,576.00	184,600.00
Rent & Rates		347,531.00	277,523.00
Staff uniforms		-	13,593.00
Security services		380,550.00	366,744.00
Water & Electricity		53,612.50	58,937.20
Contingencies	(3A)	182,149.00	113,950.00
Salary arrears		748,410.00	-
RBA Levy	(19)	601,418.50	-
<u>Provisions</u>			
- Depreciation	7(i)	666,528.00	663,048.00
- Doubtful Debts	7(ii)	<u>2,209,546.00</u>	<u>2,730,326.00</u>
Total expenses		15,652,553.15	9,969,661.50
Surplus for the year		12,071,511.95	20,252,509.85

	<u>NOTES</u>	<u>2001/2002</u> <u>KSHS.</u>	<u>2000/2001</u> <u>KSHS.</u>
Surplus b/d		12,071,511.95	-
Transfer to Reserve Fund		(500,000.00)	-
Transfer from Reserve Fund		-	7,000,000.00
Surplus for Distribution		<u>11,571,511.95</u>	<u>27,252,509.85</u>
 <u>PROVIDENT FUND CONTROL A/C</u>			
Balance b/d		243,659,075.80	206,557,737.00
Members' contributions		102,867,142.35	43,060,731.55
Surplus for Distribution		11,571,511.95	27,252,509.85
Benefits Withdrawal		(45,519,130.60)	(33,211,902.60)
Balance c/d		<u>312,578,599.50</u>	<u>243,659,075.80</u>
 <u>RESERVE FUND A/C</u>			
Balance b/d		57,050,195.00	64,050,195.00
Transfer to Income & Expenditure		-	(7,000,000.00)
Transfer from Income & Expenditure		<u>500,000.00</u>	<u>-</u>
Balance c/d		<u>57,550,195.00</u>	<u>57,050,195.00</u>

LOCAL AUTHORITIES PROVIDENT FUND

BALANCE SHEET AS AT 30TH JUNE 2002

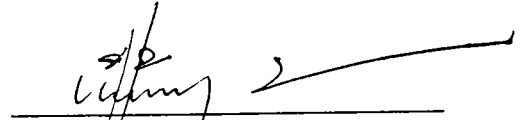
<u>ASSETS</u>	<u>NOTES</u>	<u>2001/2002</u> <u>KSHS.</u>	<u>2000/2001</u> <u>KSHS.</u>
<u>Non-Current Assets</u>			
Land and Buildings	(8)	29,537,200.00	29,397,256.30
Motor vehicles	(8)	284,354.00	379,139.00
Office equipments	(8)	876,229.00	442,410.00
Photocopier	(8)	90,321.00	103,224.00
Computers	(8)	793,944.00	851,365.00
Fund logo		62,000.00	62,000.00
Long term Investments	(9)	<u>13,720,000.00</u>	<u>13,720,000.00</u>
		45,364,048.00	44,955,394.30
<u>Current Assets</u>			
Administrative expenses receivable	(10)	19,885,910.95	24,572,936.50
Debtors: Staff Debtors		38,676.50	65,320.50
Sundry	(11)	48,378.70	48,378.70
Inventories		215,913.00	175,567.00
Short-term Deposits	(12)	292,450,000.00	229,000,000.00
Fixed Deposit A/C		2,000,000.00	-
Interest receivable	(13)	108,710.25	-
Prepayments	(14)	210,577.00	215,744.00
Cash at Bank		10,553,344.05	3,088,660.05
Cash in hand		<u>1,793.00</u>	<u>4,567.00</u>
		325,513,303.45	257,171,173.75
Total Assets		<u>370,877,351.45</u>	<u>302,126,568.05</u>
<u>MEMBERS' FUNDS AND RESERVES</u>			
Provident Fund Control A/C		312,578,599.50	243,659,075.80
Reserve Fund A/C		<u>57,550,195.00</u>	<u>57,050,195.00</u>
		370,128,794.50	300,709,270.80

	<u>NOTES</u>	<u>2001/2002</u> <u>KSHS.</u>	<u>2000/2001</u> <u>KSHS.</u>
<u>Current Liabilities</u>			
Audit fees		66,000.00	66,000.00
Telephone expenses		8,556.55	22,731.25
Accrued interest	(15)	21,591.00	1,324,999.00
Water and electricity		3,896.90	3,567.00
Salaries & Allowances		47,094.00	-
RBA Levy (for 2000/01)	(19)	<u>601,418.50</u>	-
		748,556.95	1,417,297.25
Total Members' funds and Liabilities		<u>370,128,794.50</u>	<u>302,126,568.05</u>

Dated the 06th day of March 2003.



PHILIP O. AUKO
CHIEF ADMINISTRATIVE OFFICER


BONIFACE M. MUNYAO
BOARD MEMBER

LOCAL AUTHORITIES PROVIDENT FUND

LOCAL AUTHORITIES PROVIDENT FUND
CASHFLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2002

	<u>NOTES</u>	<u>2001/2002</u> <u>KSHS.</u>	<u>2000/2001</u> <u>KSHS.</u>
Income from Operations		12,071,511.95	20,252,509.85
<u>Add Non-cash items</u>			
- Provisions	(16)	(3,001,621.45)	(3,090,615.25)
- Operating income before changes in Working Capital		9,069,890.50	17,161,894.60
- Changes in Working Capital	(17)	(63,884,053.45)	(24,279,006.25)
<u>Financing and Investing Activities</u>			
Change in financing and investing activities	(18)	<u>56,272,830.05</u>	<u>8,562,976.65</u>
Net change in Cash and cash equivalents		1,458,667.10	1,445,865.00
Opening Cash and cash equivalents		<u>3,093,227.05</u>	<u>1,647,362.05</u>
Closing Cash and cash equivalents		4,551,894.15	3,093,227.05

NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

(a) Accounting Convention

The Accounts have been prepared under the historical cost convention.

(b) Income Recognition

Income and expenditure are recognised in the income and expenditure as they accrue.

(c) Provision for Depreciation

Depreciation has been provided for under the reducing balance method at the following rates:

- Office equipment	12.5%
- Computers	12.5%
- Photocopier	12.5%
- Motor vehicles	25%
- Buildings	5%.

(d) Provision for Doubtful Debts

Specific provision is made in respect of administrative expenses receivable at 10%.

2. Non-Remittance of Contributions

The remittance of contributions has shown a remarkable improvement this financial year. However, most Councils are still not honouring their pledges even after the introduction of the Local Authorities Transfer Fund (LATF).

(a) **The following Councils are in arrears for the period stated hereunder:-**

<u>LOCAL AUTHORITY</u>	<u>DEFAULTING PERIOD</u>
1. Awendo Town Council	July 2001 – June 2002
2. Baringo County Council	May – June 2002
3. Bomet Municipal Council	Dec. 1996 - June 2001 (<i>Part paid KShs.20,000.00</i>)
4. Bungoma County Council	June 2002
5. Bureti County Council	October 1999 – June 2002 (<i>Jan. – June 2001 paid</i>)
6. Burnt Forest Town Council	July 1987 – June 2002 (<i>Balance KShs.10,147.80</i>)
7. Busia County Council	July 2001 – June 2002
8. Butere/Mumias County Council	Aug. 1999 – June 2000 (<i>Part paid KShs.68,755.00</i>)
9. Chogoria Town Council	Accrued interest for 2001 – KShs.851.10
10. Eldoret Municipal Council	Oct. 1997 – June 2002 (<i>Part paid KShs.142,784</i>)
11. Embu County Council	Nov. 1996 – June 2000 (<i>Part paid KShs.340,710.00</i>)
12. Embu Municipal Council	January & March 2002
13. Funyula Town Council	July 2000 – June 2001

<u>LOCAL AUTHORITY</u>	<u>DEFAULTING PERIOD</u>
14. Garissa County Council	July 1989 – June 2002 (<i>Part paid KShs.1,300,000.00</i>)
15. Garissa Municipal Council	Dec.1988 – June 2002 (<i>Part paid KShs.699,211.00</i>)
16. Gucha County Council	Jan.1998 – June 2002 (<i>July 2000 – June 2001 paid</i>)
17. Gusii County Council	July 1988 – June 2002
18. Homa Bay County Council	Jan. 1970 – June 2002 (<i>Part paid KShs.450,000.00</i>)
19. Homa Bay Municipal Council	Dec. 1998 – June 2002 (<i>Part paid KShs.98,000.00</i>)
20. Isiolo County Council	April 1997 – June 2002 (<i>Part paid KShs.1,400,571.00</i>)
21. Iten-Tambach Town Council	July 2001 – June 2002
22. Kajiado Town Council	Nov.1994 – June 2002
23. Kakamega County Council	July 1989 – June 2002 (<i>Part paid KShs.2,184,415.00</i>)
24. Kakamega Municipal Council	July 1989 – June 2002 (<i>Part paid KShs.300,000.00</i>)
25. Kangema Town Council	July 2000 – June 2002
26. Karuri Town Council	July 2001 – June 2002 (<i>Part paid KShs.3,158.10</i>)
27. Keiyo County Council	Dec. 1995 – June 2000 (<i>Part paid KShs.3,112,757.00</i>)
28. Kericho Municipal Council	May 2000 – June 2000 (<i>Balance KShs.29,258.70</i>)
29. Keroka Town Council	March 1997 – June 2002 (<i>Jan. – June 2001 paid</i>)
30. Kiambu County Council	Jan. 1989 – June 2002 (<i>July 2000 – June 2001 paid</i>)
31. Kilifi County Council	Jan. 1983 – June 2002 (<i>Part paid KShs.337,714.00</i>)
32. Kilifi Town Council	Dec. 1990 – June 2002 (<i>Part paid KShs.319,,618.00</i>)
33. Kimilili Municipal Council	July 2001 – June 2002
34. Kipkelion Town Council	Jan. 1998 – June 2002 – Balance unpaid KShs.16,873.00 (<i>July 2000 – June 2002 paid</i>)
35. Kipsigis County Council	March 1989 – June 2002 (<i>Part paid KShs.585,795.00</i>)
36. Kirinyaga County Council	Dec. 1995 – June 2002 (<i>July - December 2000 paid</i>)
37. Kisii Municipal Council	Jan. 1983 – June 2002 (<i>Part paid KShs.3,500,000.00</i>)
38. Kisumu County Council	Sept. 2001 – June 2002
39. Kisumu Municipal Council	Jan. 1984 – June 2002 (<i>Part paid KShs.828,834.00</i>)
40. Kitale Municipal Council	Jan. 1989 – June 2001 (<i>July 2001 – June 2002 paid</i>)
41. Kitale Water Co. Limited	Jan. 2000 – June 2002
42. Kitui County Council	March 1983 – June 2000 (<i>Part paid KShs.4,448,529</i>)
43. Kitui Municipal Council	Feb. 1988 – June 2002 (<i>Part paid KShs.366,584.00</i>)
44. Koibatek County Council	Sept. 1998 – June 2000 (<i>Balance KShs.8,736.55</i>)
45. Kwale County Council	January 1987 – June 2001 (<i>Part paid 5,318,313.00</i>)
46. Kwale Town Council	Nov. 1994 – June 2002 (<i>July & Aug. 2001 paid</i>)
47. Laikipia County Council	Jan. 1989 – June 2000 (<i>Part paid KShs.758,506.40</i>)
48. Lamu County Council	March 1981 – June 2000 (<i>Part paid KShs.605,000</i>)
49. Limuru Municipal Council	Jan. 1989 – June 2001 (<i>Part paid KShs.1,624,804.00</i>)
50. Litein Town Council	Jan. 1996 – June 2002 (<i>Part paid KShs.50,000.00</i>)
51. Londiani Town Council	April 1996 – June 2002
52. Luanda Town Council	July 2001 – June 2002
53. Lugari County Council	July 2001 – June 2002
54. Makueni County Council	Jan. 1995 – June 2002 (<i>Part paid KShs.1,567,099.00</i>)

LOCAL AUTHORITY**DEFAULTING PERIOD**

55. Malaba Town Council	Feb. 1994 – June 2000 & Nov. 2001 – June 2002 (Part paid KShs.1,350,000.00)
56. Malakisi Town Council	January – June 2002
57. Malava Town Council	July 1999 – June 2000 (Part paid KShs.38,424.00)
58. Malindi County Council	December 2001 (Balance KShs.9,677.60)
59. Mandera County Council	July 2001 – June 2002
60. Mandera Town Council	July 2001 – June 002
61. Maragua County Council	July 2000 – June 2002 (Part paid KShs.71,831.05)
62. Maragua Town Council	July 2000 – Dec. 2001 (Part paid KShs.31,215.00)
63. Marakwet County Council	April 1999 – June 2000 (Part paid KShs.287,252.00)
64. Masaku County Council	Dec. 1992 – June 2000 & Feb. – May 2001 (Part paid KShs.2,663,078.00)
65. Masimba Town Council	July 2000 – June 2002
66. Matuu Town Council	April 1994 – June 2002 (Part paid KShs.36,019.00)
67. Maua Municipal Council	Jan. 1989 – June 2002 (Part paid KShs.48,113.00)
68. Mavoko Municipal Council	Jan. 1987 – June 2000 (Part paid KShs.1,660,808.00)
69. Mbeere County Council	April 1999 – June 2000 (Part paid KShs.946,783.00)
70. Migori County Council	Aug. 1998 – June 2002 (Part paid KShs.300,000.00)
71. Molo Town Council	January 1999 – June 2000
72. Mombasa Municipal Council	Feb. 1992 – June 2002 (Part paid KShs.9,470,000.00)
73. Moyale County Council	July 2001 – June 2002
74. Mt. Elgon County Council	July 2001 – June 2002 (Part paid KShs.100,000.00)
75. Mtito Andei Town Council	Dec. 1990 – June 2002 (Part paid KShs.263,389.00)
76. Mumias Municipal Council	July 2001 – June 2002
77. Murang'a County Council	Dec. 1991 – June 2000 (Part paid KShs.475,894.00)
78. Murang'a Municipal Council	April 2002 – June 2002 (Balance – KShs.513,645.80)
79. Mwingi County Council	March 1998 – June 2002 (Part paid KShs.205,768.00)
80. Nairobi City Council	Sept.2000 – June 2002 (Part paid KShs.378,766.95)
81. Nakuru County Council	July 1999 – June 2000
82. Nambale Town Council	Feb. 1998 – June 2002
83. Nandi County Council	Sept. 1998 – June 2000 (Bal. Arrears KShs.21,914.00)
84. Nanyuki Municipal Council	Jan. 1996 – June 2000 (Part paid KShs.4,515,456.00)
85. Narok County Council	April 1997 – June 2002
86. Nyahururu Municipal Council	Administrative expenses only – KShs.33,728.90
87. Nyamache Town Council	January – June 2002
88. Nyamarambe Town Council	July 1995 – June 2000 (Part paid KShs.31,380.00)
89. Nyambene County Council	July 1995 – June 2000 (Part paid KShs.7,738,765.00)
90. Nyamira County Council	January 1997 – June 2002 (Part paid Shs.100,000.00)
91. Nyamira Town Council	Jan. 1997 – Dec.2001 (Part paid KShs.300,000.00)
92. Nyando County Council	Jan. 2001 – June 2002
93. Nyansiongo Town Council	Jan. 1998 – June 2001 (Part paid KShs.88,634.00)
94. Nyeri County Council	July 1987–June 2000 (Part paid KShs.6,307,122.00)
95. Ogembo Town Council	October 2001 – June 2002

<u>LOCAL AUTHORITY</u>	<u>DEFAULTING PERIOD</u>
96. Othaya Town Council	July 2000 – June 2002 (<i>Part paid KShs.328,000.00</i>)
97. Oyugis Town Council	Feb. 1999 – June 2002 (<i>Part paid KShs.468,956.00</i>)
98. Pokot County Council	July 2001 – June 2002
99. Port Victoria Town Council	July 2000 – June 2002 (<i>Part paid KShs.159,705.40</i>)
100. Rachuonyo County Council	Oct. 1997 – Aug. 1998; May 1999 – June 2002 (<i>Part paid KShs.200,000.00</i>)
101. Rongo Town Council	Jan. 1998 – June 2002 (<i>July 2000 – Sept. 2001 paid</i>)
102. Runyenjes Municipal Council	July 2001 – June 2002
103. Sotik Town Council	Jan. 1989 – June 2002 (<i>Part paid KShs.70,000.00</i>)
104. Suba County Council	Aug. 1997 – June 2002 (<i>Part paid KShs.743,270.00</i>)
105. Suneka Town Council	Jan. 1998 – June 2002 (<i>Part paid KShs.184,235.40</i>)
106. Tabaka Town Council	Jan. 1998 – June 2002 (<i>July 2000 – June 2001 paid</i>)
107. Taveta Town Council	June 1999 – June 2000
108. Teso County Council	Jan. 1997 – June 2000 (<i>Part paid KShs.332,123.00</i>)
109. Tharaka County Council	January 2001 – June 2002
110. Turkana County Council	June 2000 – June 2000
111. Ugunja Town Council	February – June 2002
112. Vihiga County Council	Nov. 2001 – June 2002 (<i>January 2002 paid</i>)
113. Vihiga Municipal Council	July 1997 – June 2000 (<i>Part paid KShs.335,378.00</i>)
114. Voi Municipal Council	Sept. 1997 – June 2000 (<i>Part paid KShs.688,293.00</i>)
115. Wajir County Council	Jan. 1983 – June 2000 (<i>Part paid KShs.700,000.00</i>)
116. Webuye Municipal Council	Dec. 1990 – June 2002 (<i>Part paid KShs.83,134.00</i>)
117. Wote Town Council	Feb. 1995 – Dec.1999 (<i>Part paid KShs.98,245.00</i>)

(b) The following local authorities were up to date with their contributions:

- | | |
|--------------------------------|----------------------------------|
| 1. Karatina Municipal Council | 16. Nzoia County Council |
| 2. Nyandarua County Council | 17. Mwingi Town Council |
| 3. Marsabit County Council | 18. Kehancha Municipal Council |
| 4. Chuka Municipal Council | 19. Bomet County Council |
| 5. K/Kutus Municipal Council | 20. Rumuruti Town Council |
| 6. Nyeri Municipal Council | 21. Meru South County Council |
| 7. Meru Central County Council | 22. Nandi Hills Town Council |
| 8. Olkejuado County Council | 23. Mbita Point Town Council |
| 9. Taita Taveta County Council | 24. Kapenguria Municipal Council |
| 10. Thika County Council | 25. Ahero Town Council |
| 11. Kapsabet Municipal Council | 26. Bungoma Municipal Council |
| 12. Sagana Town Council | 27. Kangundo Town Council |
| 13. Maralal Town Council | 28. Kendu Bay Town Council |
| 14. Kabarnet Municipal Council | 29. Malindi Municipal Council |
| 15. Siaya County Council | 30. Siaya Municipal Council |

(c) Local authorities whose names do not appear under (a) or (b) claim to operate their own Provident Funds.

3. **Administrative Expenses**

Recognizing them as income is misleading since the recharging was discontinued with effect from July 1998. The Board's action followed the negative impact of directly charging such expenses. Membership has so far doubled since then.

3A. **Contingencies – KShs.182,149.00**

		<u>KShs.</u>
(i)	Larger Water Connection	- 76,699.00
(ii)	Medical Bill (Board Member)	- 40,000.00
(iii)	Flower Garde (Main Gate)	- 61,150.00
(iv)	Purchase of domestic water	- 2,200.00
(v)	Spectacles Replacement	- 2,100.00
	Total	- 182,149.00

4 **Miscellaneous Income**

-	Penalty from dishonoured cheques	- 14,000.00
-	Sale of old newspapers	- 850.00
-	Sale of second hand windows and doors	- 1,500.00
-	Re-imbursed bank charges	- 5,014.20
-	Overprovision of audit fees	- 6,000.00
		27,364.20

5. **Bank Charges**

Due to increased bank transactions resulting from increase in contributions remittances, the bank commissions also increased.

6. **Telephone and Postage**

There has been an increase in correspondences within the financial period resulting to an increase in postage expenditure.

The wide usage of the telephone by the staff has resulted into an increase in telephone bills. The telephone bills are expected to reduce drastically with the installation of a modern PABX system with better controls.

7. **Provisions for Depreciation and Doubtful Debts**

(i) **Depreciation**

		<u>KShs.</u>
	Office equipment	- 125,175.00
	Photocopier	- 12,903.00
	Computers	- 113,421.00
	Motor vehicles	- 94,785.00
	Land & Buildings	- 320,244.00
		666,528.00

(ii) **Provisions for Doubtful Debts**

-	Administrative expenses receivable	- KShs.2,209,546.00
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8. Movement of Fixed Assets

	Office Equipment	Motor Vehicles	Computers	Photo-copier	Land & Buildings	Total
COST						
AS AT 01.07.01	988,532.00	1,597,687.00	1,091,239.00	230,000.00	30,228,085.30	34,135,543.30
ADDITIONS	558,994.00	-	56,000.00	-	460,187.70	1,075,181.70
AS AT 30.06.02	1,547,526.00	1,597,687.00	1,147,239.00	230,000.00	30,688,273.00	35,210,725.00
DEPRECIATION						
AS AT 01.07.01	546,122.00	1,218,548.00	239,874.00	126,776.00	830,829.00	2,962,149.00
CHARGE FOR THE YEAR	125,175.00	94,785.00	113,421.00	12,903.00	320,244.00	666,528.00
AS AT 30.06.02	671,297.00	1,313,333.00	353,295.00	139,679.00	1,151,073.00	3,628,677.00
NET BOOK VALUE						
AS AT 01.07.01	442,410.00	379,139.00	851,365.00	103,224.00	29,397,256.30	31,173,394.30
AS AT 30.06.02	876,229.00	284,354.00	793,944.00	90,321.00	29,537,200.00	31,582,048.00

N.B: The isolated cost of the building is as follows:

	KShs.
01.07.2001	-
Additions	-
Total cost	7,235,711.30
Accumulated depreciation	-
Net Book Value	830,829.00
Annual charge (5%)	-
Net Book Value as at 30.06.2002	6,404,882.30
	-
	320,244.00
	6,084,638.30

9. Long-term Investments

Consolidated Bank of Kenya Shares

	KShs.
(i) 127,000 Ordinary Shares @20	-
(ii) 459,000 4% Non-cumulative Preference Shares @20	-
(iii) 10% Kenya Government stock (2010)	-
	2,540,000.00
	9,180,000.00
	2,000,000.00
	13,720,000.00

10. Administrative Expenses receivable

	KShs.
Balance as at 31.07.01	-
Paid during the year	-
	36,236,086.50
	2,477,479.55
	33,758,606.95
Less: Accumulated Provisions	-
Balance	-
Provision for the year	-
	11,663,150.00
	22,095,456.95
	2,209,546.00
	19,885,910.95

11. **Sundry Debtors – KShs.48,378.70**
Relates to an electricity bill paid by the Fund to be recovered from the former owner of the premises.
12. **Short-term Deposits – KShs.292,450,000.00**
Constitutes the Deposits held by the Central Bank of Kenya in Treasury Bills and Bonds.
13. **Interest receivable – KShs.108,710.25**
Relates to accrued interest, not yet received, in respect of fixed deposit with the National Bank of Kenya during the period.
14. **Prepayments – KShs.210,577.00**
- | | <u>KShs.</u> |
|-----------------------|-------------------|
| - Electricity Deposit | 6,000.00 |
| - Water Deposit | 6,000.00 |
| - Prepaid Rates | 187,820.00 |
| - Prepaid Insurance | <u>10,757.00</u> |
| | 210,577.00 |
15. **Accrued Interest – KShs.21,591.00**
Relates to interest credited but relating to the 2002/03 period.
16. **Provisions (Non-Cash items) – KShs.3,001,621.45**
- | | <u>KShs.</u> |
|-----------------------|---------------------|
| - Depreciation | 666,528.00 |
| - Doubtful Debts | 2,209,546.00 |
| - Audit fees | 66,000.00 |
| - Salaries | 47,094.00 |
| - Water & Electricity | 3,896.90 |
| - Telephone | <u>8,556.55</u> |
| | 3,001,621.45 |
17. **Changes in Working Capital**
- | | | |
|--|---|------------------------|
| Increase in Interest Receivable | - | (108,710.25) |
| Decrease in Administrative expenses receivable | - | 2,477,479.55 |
| Decrease in Telephone charges | - | (22,731.25) |
| Decrease in Staff Debtors | - | 26,644.00 |
| Decrease in Electricity bill | - | (3,567.00) |
| Increase in Inventories | - | (40,346.00) |
| Increase in Short-term Deposits | - | (63,450,000.00) |
| Increase in Fixed Deposits | - | (2,000,000.00) |
| Decrease in accrued interest | - | (1,324,999.00) |
| Increase in accrued interest | - | 21,591.00 |
| Decrease in Prepayments | - | 5,167.00 |
| Decrease in Audit fees | - | (66,000.00) |
| RBA Levy | - | <u>601,418.50</u> |
| | | (63,884,053.45) |
18. **Change in Financing and Investing Activities**

18. **Change in Financing and Investing Activities**

(a) **Purchase of Fixed assets**

- Office equipment	-	(558,994.00)
- Computers	-	(56,000.00)
- Land & Buildings	-	(460,187.70)

(b) **Movement of Members' funds**

(i) Contributions received	-	102,867,142.35
(ii) Benefits withdrawal	-	<u>(45,519,130.60)</u>
Total	-	56,272,830.05

19. **The Retirement Benefits Authority (RBA) Levy**

This is a provision for the disputed RBA Levy. The levy is based on 0.2% of net assets of the audited 2000/01 accounts.
