

REPUBLIC OF KENYA

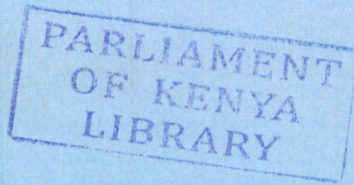


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G.H.M.
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OFFICE OF THE AUDITOR-GENERAL



REPORT



OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COMMISSION ON REVENUE
ALLOCATION**

**FOR THE YEAR ENDED
30 JUNE 2016**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
- 4 APR 2017
RECEIVED

COMMISSION ON REVENUE ALLOCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2016**

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I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

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

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

(c) Key Management

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

- | | |
|------------------------|-----------------------------|
| 1. George Ooko | Commission Secretary |
| 2. Angela Kariuki | Director Corporate Services |
| 3. James Katule | Director Fiscal Affairs |
| 4. Sheila Yieke | Director Legal |
| 5. Joseph Kuria | Director ICT |
| 6. Lineth Oyugi | Director Research |
| 7. Dr. Ameyia Nyakundi | Advisor Natural Resources |

(d) Commission Headquarters

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

(e) Commission Contacts

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

(f) Commission Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
KICC Branch
Harambee Avenue
P. O. Box 46950-00100 Nairobi
Tel: (020) 29248501,
Fax: (020) 29248501,
3. I & M Bank
Riverside Branch,
14 Riverside Drive
P. O. Box 30238 – 00100 Nairobi
4. Co-operative Bank of Kenya Ltd
Upper hill
P.O Box 48231 – 00100
Nairobi, Kenya



(g) Independent Auditors




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




(h) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya





II. THE COMMISSIONERS



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



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

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

III. MANAGEMENT TEAM

	<p>George Ooko Commission Secretary</p>	<p>He holds a Masters of Business Administration degrees and Bachelor of Commerce from the University of Nairobi. He has vast experience from both the public and private sectors. He was formerly a Senior Executive at Barclays and NIC Banks.</p>
		<p>He is the founding CEO of Coffee Development Fund where he served from 2007 to 2011 and has practical experience in establishing and managing public sector special fund. He is also the first CEO at Commission on Revenue Allocation since August 2011.</p>
	<p>Angela Kariuki Director Corporate Services</p>	<p>She holds a Masters in International Commercial Law (LLM) from the University of Nottingham (UK) and a Bachelor of Laws (LLB) from the University of Sheffield (UK). She is an Advocate of the High Court of Kenya; member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. Mrs. Kariuki has been with the Commission from inception for a period of six years. She has broad professional experience in the areas of human capital management, facilities management, supply chain management, strategic planning and corporate governance, legal compliance with regards to securities law, corporate law, policy formulation and implementation.</p> <p>She previously worked with the Capital Markets Authority for nine years and Kilonzo & Company Advocates for two years.</p>
	<p>James Katule Director Fiscal Affairs</p>	<p>He holds a Masters of Business Administration from the Eastern and Southern Africa Management Institute (ESAMI) and a Bachelor of Arts in Economics & Business Education from Kenyatta University. He is a Certified Public Accountant and a member of ICPAK. He has a wealth of experience in financial management, administration, people management and procurement gained</p>

	<p>in working for the Kenya National Trading Corporation, the International Centre for Insect Physiology and Ecology (ICIPE), International Livestock Research Institute (ILRI), the Africa Medical Research Foundation (AMREF) and most recently, Capital Markets Authority (CMA).</p>
 <p>Sheila Yieke Director Legal and Public Affairs</p>	<p>She is an Advocate of the High Court of Kenya and holds an MBA, Finance from the United States International University and a Certified Public Secretary (K). In addition she is alumni of the International Development Law Organization (IDLO) and a member of the Chartered Institute of Purchasing and Supplies (UK). She has worked with Sotik Tea and Sotik Highlands Tea Estates, Kenya Investment Authority and Kosgey and Masese Co. Advocates. Internationally she has worked at the UN, IGAD, NORDIC and UNOPS.</p>
 <p>Joseph Kuria Director ICT</p>	<p>He holds a Master's Degree in Business Administration, Strategic Management from the University of Nairobi and a BSc. Degree in Computer Science from Egerton University. He is currently pursuing a PhD in Information Systems.</p> <p>He holds the following professional certifications: MCP, MCSE, MCDBA, CISA, CEH, MCT, PMP and PRINCE2 He is a member of Information Systems Audit and Control Association (ISACA). He has over 16 years working experience in both Public and Private Sector. Mr. Kuria is a leading technology strategist with experience spanning systems and network architecture, business re-engineering, data center technologies, application development, global vendor management, budgeting and project portfolio management. He is a strategic adviser to both National and County governments of Kenya on the adoption of computer based financial and revenue management systems</p>

	<p>and deployment of Integrated Shared Services across government.</p>
 <p data-bbox="523 562 868 658"> Lineth Oyugi Director Research and Policy </p>	<p data-bbox="898 360 1417 663"> Lineth Oyugi holds a Masters of Arts in Economics from the University of Nairobi and a 4th year Phd student of Economics at University of Nairobi. She has vast knowledge and experience in Research having worked for the Federation of Kenya Employers as the Head of Research and Policy Advocacy. </p> <p data-bbox="898 696 1417 931"> Additionally Lineth has worked with the Institute of Policy Analysis and as a Research Fellow, Macroeconomics programme and also with the Ministry of Finance and Ministry of Planning and National Development as an Economist. </p>
 <p data-bbox="523 1361 868 1458"> Dr. Amenity P. Nyakundi Advisor Natural Resource </p>	<p data-bbox="898 1008 1417 1547"> Dr. Amenity Nyakundi has a distinctive knowledge in the field of natural resources development, energy, and environment. He holds PhD in Environment Technology from JKUAT; an MA in (planning) from the University of Nairobi, a B.Sc in geology from Poona University, advanced certificate in Geothermal Energy- University of Pisa (Italy), Certificate of Corporate Governance (KIM), Certificate in Strategic leadership Development (Kenya School of Governance) and senior management course (Government Training Institute Mombasa). </p> <p data-bbox="898 1581 1417 1883"> Dr. Nyakundi previously worked in the office of the former Prime Minister (Coordinating Inter-Ministerial Energy and Environment projects).He also worked in the Ministry of Energy for over Twenty Five (25) years and has extensive experience in energy project planning, development and management. </p>

IV. CHAIRMAN'S STATEMENT

I am delighted to present to you the Commission's annual report for 2015-2016. The Commissioners and I in conjunction with the secretariat are grateful for having been given the opportunity to serve the country. Some of our achievements include setting up the Commission, ensuring that resources are allocated to counties resulting in successful implementation of devolution. There is now visible development in all counties and especially those that were formally marginalized. Wastage in counties has been curbed especially with the introduction of ceilings.

A major obstacle in the work of the Commission has been a lack of appreciation and understanding of the role of the Commission and its relevance by various stakeholders. However I am happy to report that the role of the Commission and our relevance has been greatly appreciated and this has gone a long way in getting support in the delivery of our mandate by all key stakeholders.

CRA recommendations on equitable share to counties have been higher compared to what Parliament has been approving. In future I propose CRA to have more powers to share revenue and its recommendations should not be interfered with.

I call for harmony among leadership both at the national and county level in order to reap maximum benefits in the implementation of devolution. Capacity building for various leaders involved in the implementation of devolution further needs to be undertaken.

As I serve my final term as the chairman of the Commission on Revenue Allocation, I wish to reiterate that devolution is here to stay, it cannot be unbirthed. All parties should adhere to the Constitution in order to champion the development agenda in counties and the country as a whole.

I would like to thank national and county governments, Parliament, constitutional commissions and independent offices, development partners, media, the public among others for their support which has contributed to the attainment of our mandate.



Micah Cheserem
CHAIRMAN

Date: 19/12/2016.....

V. REPORT OF THE COMMISSION SECRETARY / CEO

The financial year 2015-2016 marked the fourth year of existence of the Commission on Revenue Allocation and the third in the implementation of devolution. As a Commission we have made significant contribution in the sharing of revenue between national and county governments and among county governments. We have also made recommendations on the financing and financial management by county governments. Our work has resulted in county governments reporting implementation of projects in devolved functions such as health, agriculture, water, early childhood and technical training and overall improved service delivery. It is thus a delight to present this report to you which details the programmes and activities undertaken by the Commission towards the attainment of our mandate.

Recommendations on the sharing of revenue between national and county government were made by the Commission. This recommendations took in to consideration latest audited accounts, allocation for county roads, public participation, conditional grants, the national economy, public debt among others.

The second revenue sharing formula came in to effect in this financial year. The formula has a new parameter referred to as the development factor. The Commission has a mandate to make recommendations on matters concerning the financing of and financial management by county governments. In this regard the Commission prepared guidelines and standards that county governments should follow when automating revenue collection processes as they seek to increase revenue collection. Furthermore, in conjunction with the European Union, the Commission supported county governments to enhance their own sources of revenues by making recommendations for the reformation of county's revenue administration structures and ensuring there is adequate legal framework to administer and collect taxes, fees and charges.

Article 205 of the Constitution provides that when a bill dealing with sharing of revenue or any financial matter concerning county governments is published, the Commission shall consider the provisions and make its recommendations to the National Assembly and Parliament. In observance of this Article the Commission made recommendations on various bills which included the Draft Statistics (Amendment) Bill 2013 prepared by the

Kenya National Bureau of Statistics, Senate Preservation of Human Dignity and Enforcement of Economic and Social Rights Bill 2015 among others.

Some of the challenges that the Commission has faced include being enjoined in constitutional petitions relating to division of revenue as well as financing and financial management of county governments. In addition developing data for decision making takes time and requires adequate resources.

Despite the challenges faced by the Commission, we remain fully committed to the attainment of the Commission's mandate. I extend my sincere gratitude to CRA Commissioners and staff whose tireless efforts and efficient work enabled the Commission to deliver according to our motto "promoting an equitable society."



George Ooko
COMMISSION SECRETARY/ CEO

Date: 19/12/2016

VI. REPORT OF THE COMMISSIONERS

The Public Finance Management Act 2012 requires the Commission to prepare financial statements for each financial year, which includes a Statement of Financial Position showing in details assets and liabilities of the Commission, a Statement of Comprehensive Income, and such other Statements that the Commissioners may deem necessary. CRA Act (22) requires the Commission to ensure that proper books are kept recording all the property, undertakings, funds, activities, contracts, transactions and other business of the Commission. The Commissioners are also responsible for safeguarding assets of the Commission.

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

Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain as a going concern for at least the next 12 months from the date of this statement.

Principal activities

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

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

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

Results

The results of the Commission for the year ended June 30, 2016 are set out on page 1. to 15.

Commissioner

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

Auditors

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

By Order of the Commission



Micah Cheserem
CHAIRMAN

Date:19/12/2016.....

VII. STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

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

The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the Commission's Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2016, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain a going concern for at least the next 12 months from the date of this statement.

Approval of the financial statements

The Commission's financial statements were approved by the Commission on 28th September, 2016 and signed on its behalf by:



Micah Chescrem

CHAIRMAN

Date: 19/12/2016.....

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COMMISSION ON REVENUE ALLOCATION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Commission on Revenue Allocation set out on pages 1 to 15, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

Report of the Auditor-General on the Financial Statements of Commission on Revenue Allocation for the year ended 30 June 2016

opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Unreconciled Balances

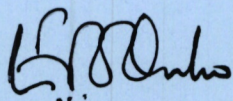
Various account balances reflected in the financial statements differ with the Integrated Financial Management Information System (IFMIS) trial balance figures as at 30 June 2016 as summarized below:

Account Details	Financial Statements Balance (Kshs)	IFMIS Trial Balance (Kshs)	Difference (Kshs)
Total Expenses	325,071,845.00	301,066,164.95	24,005,680.05
Total Assets	188,459,241.00	12,933,238.45	175,526,002.55
Total Liabilities	6,302,041.00	7,321,441.45	(1,019,400.45)

No reconciliation has been provided for the differences.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Commission on Revenue Allocation as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Commission on Revenue Allocation Act, 2011 and the Public Finance Management Act, 2012.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

03 July 2017

IX. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	1	324,537,110	210,500,000
		324,537,110	210,500,000
Revenue from exchange transactions			
Finance income - outstanding receivables	2	-	-
Other income	3	1,797,500	10,762,890
		1,797,500	10,762,890
Total revenue		326,334,610	221,262,890
Expenses			
Employee costs	4	157,605,156	135,432,450
Commissioner's Expenses	5	14,555,631	16,819,574
Depreciation and amortization expense	6	29,990,722	42,967,460
Repairs and maintenance	7	6,955,000	4,749,850
General expenses	8	115,849,676	99,105,414
Finance costs	9	115,660	982,709
Total expenses		325,071,845	300,057,456
Other gains/(losses)			
Gain on sale/Write off of assets	12.a	-	12,000
Loss on foreign exchange transactions	13.a	(171,609)	1,015,953
Unrealized gain on fair value of investments		-	-
Impairment loss		-	-
Surplus before tax		1,091,156	(77,766,613)
Taxation			
Surplus for the period		1,091,156	(77,766,613)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		1,091,156	(77,766,613)

The notes set out on pages 6 to 15 form an integral part of the Financial Statements

X. STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
Assets			
Current assets			
Cash and cash equivalents	10	15,821,198	71,719,815
Receivables from non-exchange transactions	11	36,305,766	39,316,017
		52,126,964	111,035,832
Non-current assets			
Property, plant and equipment	12	52,795,392	71,822,337
Intangible assets	13	2,731,763	2,022,276
Mortgage Account (Restricted cash)	14	80,805,126	-
		136,332,281	73,844,612
Total assets		188,459,245	184,880,445
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	6,302,041	3,814,398
		6,302,041	3,814,398
Non-current liabilities			
Non-current employee benefit obligation			
Total liabilities		6,302,041	3,814,398
Net assets		182,157,204	181,066,047
Reserves		1,091,156	(77,766,613)
Accumulated surplus		181,066,047	258,832,660
Total net assets and liabilities		182,157,204	181,066,047

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Commission by:

COMMISSION SECRETARY/CEO



Sign.....

Date.....19/12/2016.....

CHAIRMAN



Sign.....

Date.....19/12/2016.....

XI. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2016

Attributable to the owners of the controlling entity

	Accumulated surplus Kshs '000
Balance as at 30 June 2014	258,832,660
Surplus/(deficit) for the period	(77,766,613)
Transfers to/from accumulated surplus	-
Balance as at 30 June 2015	<u><u>181,066,047</u></u>
Surplus for the period	1,091,156
Transfers to/from accumulated surplus	-
Balance as at 30 June 2016	<u><u>182,157,204</u></u>

XII. STATEMENT OF CASH FLOWS

	Note	2015-2016 Kshs	2014-2015 Kshs
Cash flows from operating activities			
Net cash flows from operating activities	16	35,579,773	(40,731,543)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	12	(8,784,974)	(868,709)
Purchase of intangible assets	13	(2,888,290)	(2,342,248)
Mortgage Account (Restricted cash)	14	(80,805,126)	-
Net cash flows used in investing activities		(92,478,390)	(3,210,957)
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Decrease in deposits	11	1,000,000	(550,000)
Net cash flows used in financing activities		1,000,000	(550,000)
Net increase/(decrease) in cash and cash equivalents		(55,898,618)	(44,492,500)
Cash and cash equivalents at 1 July 2015	10	71,719,816	116,212,317
Cash and cash equivalents at 30 June 2016	10	15,821,198	71,719,816

XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015 - 2016	2015 - 2016	2015 - 2016	2015 - 2016	2015 - 2016
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	344,342,400	(19,805,290)	324,537,110	324,537,110	-
Finance Income		-	-	-	-
Other Income (A.I.A)	1,232,971	-	1,232,971	1,797,500	578,514
Total income	345,575,371	(19,805,290)	325,770,081	326,334,610	578,514
Expenses					
Compensation and expenses for employees	182,028,660	(5,235,000)	176,793,660	172,160,787	4,632,873
Repair and Maintenance	8,215,963	(732,395)	7,483,568	6,955,000	528,568
General Expenses (Operation and Maintenance)	149,354,761	(16,546,426)	132,808,335	115,849,678	16,958,657
Finance cost	115,669	-	115,660	115,660	0
Depreciation	-	-	-	29,990,722	(29,990,722)
Loss on Foreign Exchange Transactions	-	-	-	171,609	(171,609)
Total expenditure (PE & O&M)	339,715,043	(22,513,821)	317,201,222	325,243,455	(8,042,233)
Surplus for the period				1,091,156	
Non-current Assets	5,860,327	2,708,531	8,568,858	11,673,264	(3,104,406)
TOTAL	345,575,370	(19,805,290)	325,770,080	336,916,719	(11,146,639)

XIV. NOTES TO THE FINANCIAL STATEMENTS

VI. SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Accounting

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

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

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

The financial statements have been prepared on accrual basis following the Government's standard chart of accounts. The accrual basis of accounting recognises transactions and events whenever they are incurred.

2. Non-Current Assets

Non-Current assets are stated at Cost or valuation less Accumulated Depreciation.

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

The approved Mortgage Scheme set up by the Commission is also classified as Restricted cash since its utilisation goes beyond one year after the balance sheet date. The scheme is mainly set up to facilitate members of staff to benefit from Government funded loans by accessing affordable mortgage facilities. The Scheme draws its strength from the SRC's circular Ref No. SRC/ADM/CIR/1/13.III (128) dated 17th December, 2014 and CRA's internal rules.

3. The Depreciation rates used are as follows:

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

4. Retirement Benefits Obligations

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

5. Recognition of Revenue and expenses

Income is recognized in the period in which it's received while Government funding is only recognized on receipt. Income is not accrued if its recoverability is considered doubtful.

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

6. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalent comprise of Cash in hand & Cash book balance as at 30th June, 2016.

7. Exchange Rate

The Commission initially maintained a USD account mainly for payment of rent for the office premises. The ruling rate used at the close of 2014/15 was **Kshs. 99.4347** to the **USD** while the ruling rate at end of financial year 2015/16 was **Kshs. 97.3** to the USD as at 30th June 2016

8. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. Such bills are accrued in the year in which they are incurred.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from other governments – gifts and services-in-kind		
	2015-2016	2014-2015
	Kshs	Kshs
Unconditional grants (Operational Grant-GOK)		
1st Quarter Exchequer	77,500,000	10,000,000
2nd Quarter Exchequer	78,900,000	61,000,000
3rd Quarter Exchequer	90,700,000	62,500,000
4th Quarter Exchequer	77,437,110	64,000,000
	324,537,110	197,500,000
Part of 4th Quarter Exchequer - Receivable	-	13,000,000
	324,537,110	210,500,000
Conditional grants		
Other organizational grants	-	-
	-	-
Total government grants and subsidies	324,537,110	210,500,000
2. Finance income - outstanding receivables		
	2015-2016	2014-2015
	Kshs	Kshs
Total receivables finance income – outstanding	-	-
3. Other income (A.I.A)		
	2015-2016	2014-2015
	Kshs	Kshs
Interest on Bank Deposit	-	10,701,215
Sale of Tender	3,000	35,675
Sale of Newspapers/Assets	-	26,000
Insurance Refund	1,794,500	
	1,797,500	10,762,890
Total other income	1,797,500	10,762,890

UNDP (United Nations Development Programme) was one of the donors who funded CRA's activities relating to developing the criteria for revenue for the basis of equitable sharing of revenue among county governments and capacity building of members of the county assemblies.

4. Employee costs

	2015-2016	2014-2015
	Kshs	Kshs
Basic salaries	87,106,985	75,761,277
Top up for seconded staff	527,820	514,320
House Allowance	18,920,472	15,299,468
Commuter Allowance	8,743,730	7,838,350
Responsibility Allowance	4,080,000	4,040,000
Telephone Allowance	3,114,990	2,809,694
Special Duty	1,840,591	1,632,000
Leave Allowance	1,320,000	1,130,000
Security Allowance	720,000	720,000
Acting Allowance	47,140	17,139
Pension contribution	15,322,182	12,931,045
Gratuity	1,657,468	1,878,042
Medical Insurance	13,371,560	9,305,239
Medical - Ex Gratia	-	420,386
Travel Insurance	-	27,430
Group Life Insurance	814,518	920,720
Wages	17,700	94,700
Terminal Dues	-	92,639
	157,605,156	135,432,450

The cost of staff salaries and benefits increased significantly. This is attributed to Annual increments, hiring of more staff in the course of the year which also increased the cost of medical insurance. Provision for Pension also increased due to the increased salaries.

5. Commissioner's Expenses

	2015-2016	2014-2015
	Kshs	Kshs
Telephone Allowance	2,784,000	2,784,000
Leave Allowance	415,000	415,000
Security Allowance	5,778,206	5,693,370
Domestic Travel costs	2,580,645	3,133,150
Foreign Travel Costs	1,029,942	685,155
Training Expenses	985,890	-
Medical Insurance	700,119	3,652,059
Special Expenditure	-	270,000
Club Membership	281,828	186,840
	14,555,631	16,819,574

6. Depreciation and amortization expense

	2015-2016	2014-2015
	Kshs	Kshs
Computer & Printers	2,055,901	5,267,305
Office Equipment	2,322,757	1,817,369
Furniture & Fittings	11,851,655	11,699,239
Motor Vehicle	11,581,606	22,566,005
Intangible Assets	2,178,803	1,617,542
Total depreciation and amortization	29,990,722	42,967,460

7. Repairs and maintenance

	2015-2016 Kshs	2014-2015 Kshs
Routine maintenance of Motor vehicles	6,067,846	3,607,078
Routine maintenance of Assets	887,154	1,142,772
Total repairs and maintenance	6,955,000	4,749,850

8. General expenses

	2015-2016 Kshs	2014-2015 Kshs
Utilities Supplies -Electricity	2,077,495	2,148,662
Utilities Supplies -Water	342,602	207,884
Communication Supplies & Services	4,856,999	4,283,729
Domestic Travel costs	11,472,144	14,349,647
Foreign Travel Costs	1,970,409	5,771,044
Printing Advertising & Information	5,015,914	3,508,195
Rent Expenses	41,617,360	34,734,047
Hire of Transport	582,014	-
Training Expenses	11,980,425	6,086,627
Hospitality Supplies & Services	11,222,081	5,665,165
Insurance Costs (Motor Vehicle & Plant and Machinery)	4,232,906	3,944,044
Specialized Materials & Supplies	1,306,891	391,403
Office & General Expenses	5,715,370	5,777,512
Fuel oils and Lubricants	3,864,335	3,411,154
Security Guards	2,309,774	2,248,297
Cleaning Services	2,190,533	1,930,917
Contracted Professional Services	732,651	4,183,088
Feasibility Study	3,895,774	-
	115,385,678	98,641,414
Audit fee	464,000	464,000
	464,000	464,000
Total General Expenses	115,849,678	99,105,414

9. Finance costs

	2015-2016 Kshs	2014-2015 Kshs
Bank Charges	115,660	982,708
Borrowings (amortized cost)		
Finance leases (amortized cost)		
Unwinding of discount		
Bank overdrafts		
Total finance costs	115,660	982,708

10. Cash and cash equivalents

	2015-2016	2014-2015
	Kshs	Kshs
CBK - Exchequer Accounts (1000181281, 1000181998, 1000182512)	14,343,916	(3,245,298)
KCB - Cash Book (1124885358, 1136367519, 1143027272, 1152647784)	-	74,739,717
I&M - Cash Book (01900710961210)	1,555	5,130
Cash-on-hand (Petty Cash & office float)	1,475,727	220,266
Co-op Bank of Kenya (01141163485600)	-	-
Short-term deposits	-	-
Total cash and cash equivalents	15,821,198	71,719,815

11. Receivables from Current receivables

	2015-2016	2014-2015
	Kshs	Kshs
Prepayments	-	-
Medical Insurance	6,602,206	9,960,728
Group Life	508,993	560,021
Motor Vehicle	801,859	-
Plant & Machinery	753,271	1,315,188
Dstv and Others	196,187	432,940
	8,862,516	12,268,877
Deposit	-	-
Rent	18,753,322	18,753,322
Fuel	-	1,000,000
Motor vehicle maintenance	500,000	500,000
Provision of Eiline (Internet)	50,000	50,000
	19,303,322	20,303,322

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

Debtors

Outstanding Salary advance from Staff	1,637,500	1,571,500
Outstanding Imprest from staff	6,440,892	5,110,782
Others (Jubilee and First Assurance)	61,536	61,536
	8,139,928	6,743,818
	-	-
Less: impairment allowance	-	-
Total current receivables	36,305,766	39,316,017

12. Property, plant and equipment

<i>Cost or Valuation:</i>	Computers & Printers KShs	Office Equipment KShs	Furniture & Fittings KShs	Motor Vehicles KShs	Total KShs
As at 30th June 2014	21,506,963	6,241,891	93,160,991	93,499,320	214,409,165
Additions during the year	174,000	261,789	432,920	-	868,709
Disposal	(60,000)				(60,000)
Write off				(2,705,625)	(2,705,625)
Transfer/Adjustments					
As at 30th June 2015	21,620,963	6,503,680	93,593,911	90,793,695	212,512,249
Additions during the year	1,084,880	1,887,489	1,219,330	4,593,275	8,784,974
Disposal					
Write off					
Transfer/Adjustments					
As at 30th June 2016	22,705,843	8,391,169	94,813,241	95,386,970	221,297,221
Depreciation and impairment					
At 1 July 2014	14,515,442	2,418,027	25,438,348	59,733,804	102,105,620
Depreciation	5,267,305	1,817,369	11,699,239	22,566,005	41,349,918
Write off	(60,000)				(60,000)
Disposal				(2,705,625)	(2,705,625)
Impairment					0
Transfer/adjustment					0
At 30 June 2015	19,722,747	4,235,396	37,137,587	79,594,184	140,689,913
Depreciation	2,055,901	2,322,757	11,851,655	11,581,606	27,811,919
Disposals					
Transfer/adjustment					
At 30 June 2016	21,778,648	6,558,153	48,989,242	91,175,790	168,501,832
Net book values					
At 30 June 2016	927,196	1,833,017	45,823,999	4,211,180	52,795,392
At 30 June 2015	1,898,217	2,268,285	56,456,324	11,199,511	71,822,337

12.a Sale/Write off of Fixed Assets

	Office Equipment KShs	Motor Vehicle KShs	Total KShs
Cost or Valuation:			
As at 30th June 2015	60,000	2,705,625	2,765,625
Accumulated depreciation	(60,000)	(2,705,625)	(2,765,625)
Net Book Value At 30 June 2015	-	0	0
Sale proceeds	12,000	0	12,000
		-	0
Gain on disposal	12,000	-	12,000

13. Intangible assets - software

	KShs
Cost	
At 1 July 2014	2,676,179
Additions	2,342,248
At 30 June 2015	5,018,427
Additions – internal development	2,888,290
At 30 June 2016	7,906,717
Amortization and impairment	
At 1 July 2014	1,378,609
Amortization	1,617,542
At 30 June 2015	2,996,151
Amortization	2,178,803
Impairment loss	
At 30 June 2016	5,174,954
Net book values	
At 30 June 2016	2,731,763
At 30 June 2015	2,022,276

13.a Gain/Loss on foreign transactions

	2015-2016 Kshs	2014-2015 Kshs
KCB USD Account	(171,609)	1,015,953
	(171,609)	1,015,953

14. Mortgage Fund Account

	2015-2016 Kshs	2014-2015 Kshs
KCB - Cash Book (1124885358, 1136367519, 1143027272, 1152647784)	80,805,126	-
	80,805,126	-

The Mortgage scheme will be administered by Cooperative bank of Kenya (Upper Hill branch). The loans will be issued at an interest rate of 6% being; 3% Administration cost and 3% earnings to the revolving fund.

15. Trade and other payables

	2015-2016 Kshs	2014-2015 Kshs
Trade payables (Suppliers Invoices)	874,774	44,598
Audit Fees	464,000	464,000
Accrued Pension	1,648,331	1,648,331
Gratuity	3,314,936	1,657,468
Total trade and other payables	6,302,041	3,814,398

16. Cash generated from operations

	2015-2016	2014-2015
	Kshs	Kshs
Surplus/Deficit for the year before tax	1,091,156	(77,766,613)
Adjusted for:		
Depreciation and Amortisation (Non-cash grants received) (Contributed assets)	29,990,722	42,967,460
Impairment (Gains and losses on disposal of assets)	-	-
Contribution to provisions Contribution to impairment allowance (Finance income) Finance cost		
Working capital adjustments:		
(Increase in inventory)		
Decrease in receivables	2,010,251	(4,469,119)
Increase in deferred income		
Decrease in payables	2,487,643	(1,463,271)
Increase in payments received in advance		
Net cash flows from operating activities	35,579,773	(40,731,543)

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Particulars	Vote Item	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
			a	b	c	d=a-c		
Jubilee Ins - Accrued Pension	2015/16	2710100	1,648,331				1,648,331	
Accrued Gratuity - 2014/15	2014/15	2710100	1,657,468				1,657,468	
Accrued Gratuity - 2015/16	2015/16	2710100	1,657,468			1,657,468		
Cic Insurance	=51084-50714	2210900	370				370	
Pension Deposit A/C	For September 14	2110100	8,807				8,807	
Pension Deposit A/C	For October 14	2110100	8,807				8,807	
Principal Sec Min Of Land	For October 14	2110100	3,000				3,000	
Pension Deposit A/C	For November 14	2110100	8,807				8,807	
Principal Sec Min Of Land	For November 14	2110100	3,000				3,000	
Pension Deposit A/C	For December 14	2110100	8,807				8,807	
Principal Sec Min Of Land	For December 14	2110100	3,000				3,000	
Safaricom Kenya Limited		2210201	20.15			20.15		
Safaricom Kenya Limited		2210201	72.35			72.35		
Peak Performance International Limi		2210700	42,212.15			42,212.15		
Aquatech Cleaning And Sanitation Se		2211305	8,327.60			8,327.60		
Aquatech Cleaning And Sanitation Se		2211305	8,327.60			8,327.60		
Public Relations Society Of Kenya		2211306	517.25			517.25		
Stoic Company Limited		2220101	13,035.50			13,035.50		
Plumbing Stlyes Company		2220201	4,531.05			4,531.05		
Total - Fuel June 2016		2211201	334,096.00			334,096.00		
Toyota - Service For GKA 838X		2220101	67,972.00			67,972.00		
Toyota - Service For GKB 041A		2220101	55,561.00			55,561.00		
Toyota - Service For GKA 840X		2220101	52,104.00			52,104.00		
Pewin - Transport For June		2210604	114,100.00			114,100.00		
Apa Life - Extra Medical Premium		2210910	43,888.00			43,888.00		
Dusit D2		2210801	37,503.00			37,503.00		
Secret Garden		2210801	47,910.00			47,910.00		
Auditor General		2211310	464,000		0	464,000		
Grand-Total			6,302,043	0	0	2,951,646	3,350,398	