

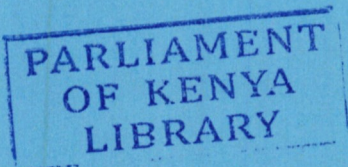
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

**MANAGEMENT AND SUPERVISION
FUND**

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



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

2017

RECEIVED

MANAGEMENT AND SUPERVISION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public
Sector Accounting Standards (IPSAS)**

Management and supervision Fund
Reports and Financial Statements
For the year ended June 30, 2017

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1. KEY ENTITY INFORMATION AND MANAGEMENT

The Management & Supervision Fund was established Under Cooperative Societies Rule No. 18 and 19. The Fund is managed by the department for Cooperatives as authorized by the Cooperatives Societies Act 2004 and the Cooperative Societies Rules.

Principal Activities

The principal activity of the fund is the sale of co-operatives audit services and annual registration of auditors.

Vision

“The fund of choice for the promotion of accountability and audit in cooperatives societies.

Mission

To mobilize funds from cooperative societies and other sector players and utilize the same towards the attainment of a globally competitive and sustainable co-operative sector.

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

a) Key Management

Ref	Name	Position
1	Ali Noor Ismail, CBS	Accounting Officer
2	Mary Mungai	Commissioner for Cooperatives(HOD)
3	Andrew Mbwi	Director Cooperative Audit(AIE Holder)
4	Richard Mwangi	Principal Accountant

Current management

Ref	Name	Position
1	Ali Noor Ismail, CBS	Accounting Officer
2	Geofrey Njangombe	Ag Commissioner for Cooperatives(HOD)
3	Javel Murira	Ag Director Cooperative Audit(AIE Holder)
4	Peter Mokobo	Deputy Accountant General

b) Registered Offices

P.O. Box 30547-00100
NSSF Building
Bishop Road
Nairobi, Kenya.

Management and supervision Fund
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For the year ended June 30, 2017

c) Fund Contacts

Telephone: (254) 020-273531-9
E-mail: ps.ushirika@gmail.com
Website: www.go.ke

d) Fund Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya.

e) Independent Auditors

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

f) Principal Legal Adviser

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

2. BACKGROUND INFORMATION

Cooperatives Societies Act 2004 and the Cooperative Societies Rules 18;

(1) There is hereby established a fund to be known as the Management and Supervision Fund and every registered society shall, unless exempted in writing by the Commissioner, pay into it annually an audit and supervision fee.

(2) The Commissioner shall administer the Fund and the balance of the Fund shall be kept with the accounting officer who shall be authorized to accept receipts and to make payments in accordance with the provisions of these Rules: Provided that the accounting officer shall not make any payment from the Fund unless he holds a cash balance on behalf of the Fund sufficient to cover the payment.

(3) The receipts to the fund shall consist of-

(a) Fees under sub-rule (I) as fixed by the Commissioner for the better carrying out of the provisions and purposes of section 25 of the Act;

(b) ten per centum of the audit fees paid by the society to the auditor in respect of the annual accounts in question; and (c) fees paid under rules 16 and 17 (2).

(4) Expenditure charged to the Fund may include expenditure for-

(a) Purchases of specialized stationery, office machinery and equipment for use by the Commissioner in the administration of co-operative societies and the Fund;

(b) Repairs of office machinery and equipment purchased from the management fund;

(c) temporary extra clerical assistance, authorized by the Commissioner as necessary from time to time in connection with the audit and supervision of co-operative societies;

(d) Payment of professional audit fees which shall be subsequently recovered wholly or in part from co-operative societies concerned;

(e) liquidation expenses including legal fees and costs where no money~ are available to the liquidator and where in the opinion of the Commissioner such expenditure should be incurred for the proper carrying out of the liquidation; and

(f) Any other expenditure approved by the Treasury including the investment of funds surplus to requirements.

Accounts of the Fund 19;

(1) Fifty per cent of the annual receipts received by the Fund shall be payable half yearly to the Government as appropriations-in-aid.

Management and supervision Fund
Reports and Financial Statements
For the year ended June 30, 2017

- (2) All expenditure from the Fund shall be supported by vouchers and authorized by the Commissioner in the same manner as for other Government expenditure.
- (3) The Fund shall be audited annually by the Controller and Auditor General.

3. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, the Management and supervision fund financial statements for the year ended 30th June 2017. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

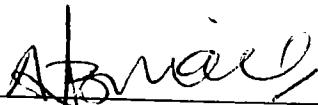
The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the state department for co-operatives, Cooperative auditors, and other stakeholders, for their continued support which made us achieve these results.

I look forward to your continued support in the years to come.

Signed: _____



Ali Noor Ismail, CBS
Principal Secretary

**Management and supervision Fund
Reports and Financial Statements
For the year ended June 30, 2017**

4. REPORT OF THE FUND ADMINISTRATOR

Review of performance

Income

The fund earned revenues amounting to KShs.15.8M from audit supervision fees.

Expenditures

The total expenditures during the period amounted to KShs.10.4 M out of which were general expenses and AIA transfers.

Entity's compliance with statutory requirements

During the reporting period the fund has complied with all statutory requirements. The institution has no non-compliance that may expose it to potential contingent liability.

Key projects and investment decisions the entity is planning/implementing

There is no any key project or investment the fund is planning to implement.

Major risks facing the entity

The fund is exposed to liquidity risk. The fund overall risk management framework focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risk on its performance by setting acceptable levels of risk.

Material arrears in statutory/financial obligations

During the reporting period the Fund has no material arrears and any financial obligations

The entity's financial probity and serious governance issues

During the reporting period the fund has no case of financial improbity reported and no governance issues were raised.

Conclusion

Good progress was made in the Financial Year and the momentum has been created to enable Management and supervision Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank all staff who we have worked hand in hand to ensure that Management and supervision Fund achieves its mission.

Signed: _____

Geoffrey Njangombe
Ag. Commissioner for Cooperative Development.

5. CORPORATE GOVERNANCE STATEMENT

STATEMENT OF COMPLIANCE

The fund has throughout the FY2016/2017 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The management are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Strategic Plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis.

Management Team

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Auditor-General.

**Management and supervision Fund
Reports and Financial Statements
For the year ended June 30, 2017**

6. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

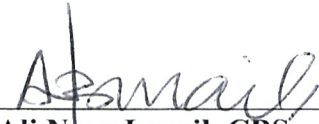
The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate 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 Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2017, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

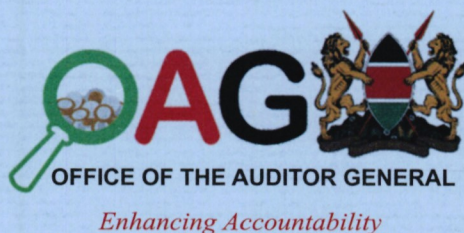
The Fund's financial statements were approved by the Accounting officer on 30th Sept and signed by:



Ali Noor Ismail, CBS
Principal Secretary

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MANAGEMENT AND SUPERVISION FUND FOR THE YEAR ENDED 30 JUNE, 2016

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Management and Supervision Fund set out on pages 11 to 21, 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 cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Late Submission of Financial Statements

The financial statements for the year ended 30 June, 2016 were submitted for audit on 20 February, 2020 contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year. Management was in breach of the law.

Late submission of financial statements affects the audit plan.

2. Unsupported Balances

1.1. Statement of Financial Performance

The statement of financial performance for the year ended 30 June, 2016 reflects an amount of Kshs.14,987,387 and Kshs.15,241,570 in respect of total revenue and total

expenditure respectively. However, no supporting documentation has been provided to support the above balances.

1.2. Statement of Financial Position

The statement of financial position as at 30 June, 2016 reflects a balance of Kshs.830,894 under cash and cash equivalents, Kshs.914,026 under property, plant and equipment and Kshs.10,219,347 as management and supervision fees - debtors. However, no supporting documentation has been provided for the above balances.

In absence of relevant information, documents and records for audit verification, it was not possible to confirm the accuracy and completeness of the balances reflected in the financial statements.

3. Inaccuracies in the Financial Statements

3.1 Statement of Financial Position

The statement of financial position reflects a figure of Kshs.914,026 under property, plant & equipment while Note 5 to the financial statements reflects a balance of Kshs.614,026 resulting to unexplained difference of Kshs.300,000.

3.2 Statement of Changes in Net Assets

The statement of changes in net assets reflects an opening balance of Kshs.12,218,449 while the closing balance for the prior year was Kshs.20,551,251 leading to an unexplained difference of Kshs.8,332,802.

3.3 Statement of Cash Flows

The statement of cash flows reflects a change in receivables/payables of Kshs.5,808,653. However, Note 6 to the financial statements reflects an adjustment of Kshs.2,524,148 under Management and Supervision Debtors resulting to an unexplained difference of Kshs.3,284,505.

In these circumstances, we cannot confirm the accuracy of the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have

not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the Fund's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 May, 2021

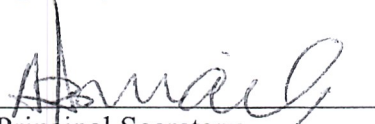
**Management and supervision Fund
Reports and Financial Statements
For the year ended June 30, 2017**

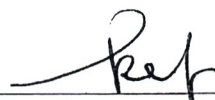
8. FINANCIAL STATEMENTS


**8.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
JUNE 2017**

	Note	FY2016/2017	FY2015/2016
		KShs	KShs
Revenue from non-exchange transactions			
Audit and supervision fees	1	15,861,905	14,987,387
Miscellaneous income		-	-
Other incomes (Bal b/f)		-	-
Total revenue		15,861,905	14,987,387
Expenses			
Transfers AIA	2	4,000,000	5,808,653
General expenses	3	6,471,183	9,432,917
Total expenses		10,471,183	15,241,570
Surplus/(deficit) for the period		5,390,722	254,183

The notes set out on pages 19 to 22 form an integral part of these Financial Statements and signed by:


Principal Secretary
Ali Noor Ismail, CBS


Deputy Accountant General
Name: CPA Peter M. Mokobo
ICPAK Number: 4097

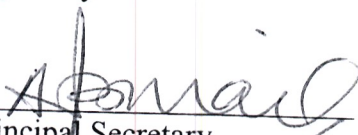

Director for Cooperative Audit
Javel Murira

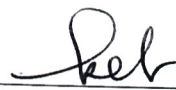
**Management and supervision Fund
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8.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	FY2016/2017	FY2015/2016
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	5,390,722	830,894
Non-current assets			
Property, plant and equipment	5	715,702	914,026
Management & Supervision fees- Debtors		10,272,860	10,219,347
Total assets		16,379,284	11,964,267
Management & Supervision Fund Capital	6	16,379,284	19,198,113
Bal bf			(6,979,664)
Accumulated surplus			(254,183)
Total equity		16,379,284	11,964,267

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th Sept and Signed by:


Principal Secretary
Ali Noor Ismail, CBS


Deputy Accountant General
Name: CPA Peter M. Mokobo
ICPAK Number: 4097


Director for Cooperative Audit
Javel Murira

Management and supervision Fund
Reports and Financial Statements
For the year ended June 30, 2017

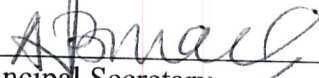
8.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2017

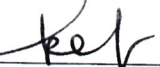
	Fund/Capital	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2012	49,123,534	7,259,072	49,481,456
Surplus/(deficit) for the period	-	(6,901,150)	-
Funds received during the year	-	-	-
Revaluation gain	-	-	-
Balance as at 30 June 2012	49,123,534	357,922	49,481,456
			-
Balance bf	37,048,727	668,728	37,712,455
Surplus/(deficit) for the period			-
Fund during the year	-	-	-
Revaluation gain	-	-	-
Reserve bf			
Balance cd June 30, 2013	37,048,727	668,728	37,712,455
Surplus/(deficit) for the period			-
Fund during the year	-	-	-
Revaluation gain	-	-	-
Reserve bf			
Balance cd June 30, 2014	21,537,905	7,465,177	29,003,082
Surplus/(deficit) for the period			-
Fund during the year	-	-	-
Revaluation gain	-	-	-
Reserve bf			
Balance cd June 30, 2015	27,530,915	(6,979,664)	20,551,251
Surplus/(deficit) for the period			-
Fund during the year	-	-	-
Revaluation gain	-	-	-
Reserve bf			
Balance cd June 30, 2016	12,218,449	(254,183)	11,964,267
Surplus/(deficit) for the period			-
Fund during the year	-	-	-
Revaluation gain	-	-	-
Reserve bf			
Balance cd June 30, 2017	16,379,284	-	16,379,284

8.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	FY2016/2017	FY2015/2016
		KShs	KShs
Cash flows from operating activities			
Receipts			
Audit and Supervision fees	1	15,663,582	14,987,387
Miscellaneous income		-	-
Other income bf		-	-
Total Receipts		<u>15,663,582</u>	<u>14,987,387</u>
Payments			
General expenses	2	6,471,183	9,432,917
Transfer to treasury-AIA	3	4,000,000	5,808,653
		<u>(10,471,183)</u>	<u>(15,241,570)</u>
		5,390,722	(254,183)
Add Depreciation		198,323	257,588
Net cash flows from operating activities		5,589,045	<u>3,405</u>
Adjust for changes in receivables/payables		(1,029,217)	(5,808,653)
Purchase of property, plant, equipment and intangible assets			
Net cash flows used in investing activities			-
Net increase/(decrease) in cash and cash equivalents		<u>4,559,828</u>	<u>(5,805,248)</u>
Cash and cash equivalents at 1 JULY bf	4	830,894	6,636,142
Cash and cash equivalents at 30 JUNE	4	5,390,722	830,894

The entity financial statements were approved on 30th Sept and signed by:


Principal Secretary
Ali Noor Ismail, CBS


Deputy Accountant General
Name: CPA Peter M. Mokobo
ICPAK Number: 4097


Director for Cooperative Audit
Javel Murira

8.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) Accrual. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Adoption of new and revised standards

3. Revenue recognition

i) Revenue from non-exchange transactions

Audit and supervision fees

Audit and supervision fees is recognised when audited accounts is presented to commissioner for approval or registration are billed for payments. Currently no registration of accounts is allowed without full payments having been done.

The income relates to

1. 10% of audit fees from private auditors
2. 30% of audit and supervision fees from county cooperative auditors
3. Annual registration fees from private audit firms at Ksh 3000 per year.

4. Property, plant and equipment

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

5. Fund surplus fees

Fund surplus are realised from excess income over expenditure, the surplus is carried forward to the next financial year.

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6. Changes in accounting policies and estimates

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

7. Cash and cash equivalents

. Bank account balances include amounts held at the Central Bank of Kenya at the end of the financial year.

8. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

9. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

10. Currency

The financial statements are presented in Kenya Shillings (KShs).

11. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

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- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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

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8.7. NOTES TO THE FINANCIAL STATEMENTS

1. Investigation and Audit Fees

Description	FY2016/2017	FY2015/2016
	KShs	KShs
Audit and Supervision fee	15,861,905	14,987,387
Miscellaneous income		
Other income		
Total	15,861,905	14,987,387

2. Fund administration expenses

Description	FY2016/2017	FY2015/2016
	KShs	KShs
Inquiry expenses		
Transfer to treasury-AIA	4,000,000	5,808,653
Total	4,000,000	5,808,653

3. General expenses

Description	FY2016/2017	FY2015/2016
	KShs	KShs
Training	519,800	
Travelling and Subsistence	3,254,860	9,175,329
Repairs and maintenance	61,220	
Stationery and printing/office	108,000	
Computer Accessories	337,000	
Depreciation and amortization costs	198,323	257,588
Other expenses/Audit expenses	1,991,980	
Total	6,471,183	9,432,917

4. Cash and cash equivalents

Description	FY2016/2017	FY2015/2016
	KShs	KShs
Cash at bank	5,390,722	830,894
Total cash and cash equivalents	5,390,722	830,894

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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5. Property, plant and equipment

	Furniture and fittings 0.2	Computers ICT 0.33	Total
Cost	KShs		KShs
NBV At 1st July 2011	1,560,280		-
Additions			
Acc Depreciation	195,035		1,365,245
Disposals			
Transfers/adjustments			
Bal c/d 2012	1,365,245		1,365,245
Additions	208,885		1,574,130
Less Depreciation	196,766		
Disposals			
NBV as at June 2013 bf	1,377,364		1,377,364
Additions	766,985		2,144,349
Less Depreciation	268,044		
Disposals			
NBV as at June 2013 cd	1,876,305		1,876,305
Additions			
Less Depreciation	368,187		
Disposals			
NBV as at June 2014 cd	1,245,856	262,263	1,508,118
Additions			
Less Depreciation	249,171	87,334	336,505
Disposals			
NBV as at June 2015 cd	996,685	174,929	1,171,614
Additions			
Less Depreciation	199,337	58,252	257,589
Disposals			
NBV as at June 2016 cd	797,348	116,678	914,026
Additions			
Less Depreciation	159,470	38,854	198,324
Disposals			
NBV as at June 2017 cd	637,878	77,824	715,702

6. Management & Supervision Fund-Capital

	FY2016/2017	FY2015/2016
Management & Supervision Fees-Debtors	10,272,860	10,219,347
Cash at Bank/PMG	5,390,722	830,894
Assets NBV as at June 2017	715,702	914,026
Total Capital	16,379,284	11,964,267

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9. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)