

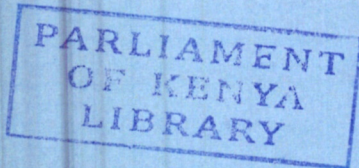
REPUBLIC OF KENYA



*Paper laid
By the hon on
Thursday 15/6/2017
Mwangi*

OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MINISTRY OF EAST AFRICAN COMMUNITY,
LABOUR AND SOCIAL PROTECTION

FOR THE YEAR ENDED
30 JUNE 2016

STATE DEPARTMENT FOR LABOUR
AND SOCIAL PROTECTION



**MINISTRY OF EAST AFRICAN COMMUNITY LABOUR AND SOCIAL
PROTECTION
STATE DEPARTMENT FOR LABOUR & SOCIAL PROTECTION**

REPORTS AND FINANCIAL STATEMENTS

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of East African Community Labour & Social Protection was formed in November, 2015 by merging the Ministry of Labour Social Security and Services with the State Department of East African Community At cabinet level, the Ministry is represented by the Cabinet Secretary for Ministry of East African Community Labour & Social Protection, who is responsible for the general policy and strategic direction of the Ministry.

(b) Key Management

The Ministry's day-to-day management is under the following key organs:

- Cabinet Secretary
- Principal Secretary
- Secretary of Administration
- Director of Administration
- Heads of Departments
- Chief Executive Officers of State Corporations and Autonomous Government Agencies and
- Heads of Units of Various Support Units in the Ministry Headquarters

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Khadija Kassachon
2.	Secretary of Administration	James Binasai Chepsongol
3.	Heads of Departments	

(d) Fiduciary Oversight Arrangements

Audit and Finance Committees

-Oversee Implementation of the Budget and advises the Management

Parliamentary committee activities

-The Labour parliamentary Committee looks at the Budget and gives some inputs

-The Public Accounts Committee examines the Appropriations Accounts of amounts appropriated by parliament and also the Auditor General's Report.

Development partner oversight activities

-They provide Oversight by Having Joints Review Meetings and regular Audits of the Programmes

(e) Ministry of East African Community Labour & Social Protection Headquarters

P.O. Box 40326-00100
N.S.S.F Building
Bishops Road
Nairobi, KENYA

(f) Entity Contacts

Telephone: (254) 2729800
E-mail: principalsecretary@labour.go.ke Website: [www: labour.go.ke](http://www.labour.go.ke)

(g) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Moa Avenue Branch
P.O Box 48400-00100
Nairobi
3. Cooperative Bank of Kenya
Kulim Branch
P.O Box 74956-00200
Nairobi.

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CABINET SECRETARY

KEY ACHIEVEMENTS IN THE 2015/16 FINANCIAL YEAR

STATE DEPARTMENT FOR LABOUR

The Ministry resolved 12,647 of the reported labour disputes, reduced the time taken to resolve labour disputes from 80 to 75 days, carried out 13,451 routine workplace inspections which resulted to recovery of Kshs 27,510,437 from employers as arrears paid to workers and reduced the time taken for attestation of foreign contracts for Kenyan migrant workers from 3 to 2 days thus easing movement by applicants to places of destination.

The Ministry withdrew 2,830 children from child labour and declared 53 villages, 19 beaches, and 2 sand harvesting sites in Siaya and Bondo Child Labour Free Zones; processed 763 cases of Workmen's Compensation cases and paid out KShs. 60,191,437.20 to claimants; inspected 476 books of account of Trade Union against a target of 475 and updated 47 Trade Union membership records.

The Ministry examined 28,800 hazardous industrial plant and equipment and 70,049 workers in hazardous occupations; reduced the time taken to process claims for work injury compensation was from 12 to 10 days; marked the World day for Safety and Health Work held on the 28th April 2016 where various enterprises were awarded for outstanding performance in safety and health in four different categories namely, Agriculture, Manufacturing, Services and construction sectors; developed 7 curricula for courses to be mounted at the Kenya Occupational Safety and Health Institute.

The National Employment Authority was established under the National Employment Authority Act, 2016 to provide the legal and institutional framework for employment promotion in Kenya; placed 26,284 registered job seekers were in employment through the Public Employment Services; and the National Employment Policy and Strategy for Kenya was approved by the National Assembly in July 2015. In addition, the Ministry conditionally lifted the ban imposed on export of labour to the gulf region for all other categories except domestic workers; finalized and gazetted the regulations for Private Employment Agencies dealing with both foreign and local recruitment; developed and adopted a code of Conduct for Private Employment Agencies; constituted and accredited an Inter-Ministerial Committee on vetting of private employment agencies where 11 private employment agencies cleared to commence the recruitment of prospective migrants for the foreign labour market.

The Ministry, through the National Industrial Training Authority (NITA), placed 16,165 students on industrial attachment to expose them to the real work situations; trained 30,171 trainees in relevant industrial skills; tested 52,344 candidates for government trade test certification in various trades (Masonry, Motor vehicles mechanics, carpentry and joinery among others); collected KShs. 687 million and opened five (5) new levy offices in five counties, namely, Embu, Eldoret, Kakamega, Athi River and Thika. Further, NITA supported twenty five (25) qualified female students from poor families in Arid and Semi-Arid Lands (ASAL) (marginalized communities) to undertake engineering courses; and modernized and upgraded training facilities in the other 5 industrial training centers in Kisumu, Nairobi and Mombasa.

Sessional Paper No. 3 of 2013 on National Productivity Policy was approved by National Assembly on 4th August 2015; trained 374 Technical Service Providers in productivity implemented productivity improvement interventions in 25 target companies and recruited and deployed 11 additional staff to the National Productivity and Competitive Centre.

STATE DEPARTMENT FOR SOCIAL PROTECTION

The Ministry registered 68,000 Self Help Groups (SHGs) and Community Based Organizations (CBOs); trained 580 Persons with Disabilities in various market oriented courses in the 12 Vocational Rehabilitation Centres, carried out construction works of Sub-County Social Development Offices were carried out in Embanks, Bury, Rurik, Warring, and Athi River, Kaka mega East, Silo and Msambweni.

Provided bursaries to 17,912 Secondary school students under the Presidential Bursary Scheme for Orphans and Vulnerable Children (OVC); offered critical services to children in distress through the child Helpline (Based in Nairobi, Eldora and Garissa) where a total of 281,000 calls were received and attended to; operationalized the national Counter Trafficking in Persons Committee through training of Committee members on their mandate, trained TOTs from key stake holders and developed national guideline for identification of victims.

The Ministry, through the National Council for Children Services monitored 90 Charitable Children Institutions (CCIs) for compliance with CCI Regulations 2005 and the Children Act 2001, registered 151 children's homes as Charitable Children's Institutions; updated the Children's Services Providers Institutions Directory developed in 2014/15 to improve on the legal & policy framework for children rights & welfare. The Child Welfare Society of Kenya provided psycho-social support to 99,451 Orphans and Vulnerable Children outside family households including education support; supported 48,804 children under children in emergencies protection and support programme; and carried out capacity building for 27,671 duty bearers, rights holders and institutions.

The Ministry provided skills to 2,614 children in statutory institutions for self-reliance, refurbished and constructed buildings in Likoni, Othaya and Kisumu Rehabilitation schools; constructed staff houses in various statutory institutions to enhance provision of services to children; provided safe custody to 18,900 Children; prepared social enquiry reports; provided counseling and reintegrated/referral services to 2,140 rescued children.

Under the National Safety Net Programme, a total of 310,000 older persons were provided with cash transfers under the Older Persons Cash Transfer (OPCT) from 225,000 in 2014/15 FY; 353,000 beneficiaries under the Cash Transfer to Orphans and Vulnerable Children (CT-OVC) supported compared to 255,470 supported in 2014/15 FY and 46,414 households with Persons With Severe Disabilities were supported compared to 27,000 supported in 2014/15 Financial Year. In addition, a National Safety Net Programme (NSNP) Risk Management Framework was developed and a toll-free line (1533) to handle grievances under Cash Transfer established; 19 County offices were linked to the Single Registry for Social Protection programmes, ICT capacity audits conducted, ICT equipment distributed and end-user training on the Single Registry conducted for 214 officers in the 19 Counties.

STATE DEPARTMENT FOR EAST AFRICAN COMMUNITY

The Ministry continued the implementation of EAC Customs Union and Common Market; operationalized Single Customs Territory (SCT) resulting to reduction in the time taken to transport goods to Partner States from between eighteen (18) and twenty-two (22) days to three (3) and four (4) days depending on the status of truck; coordinated Kenya's participation in the EAC-COMESA-SADC negotiations where the Tripartite Agreement was signed in Egypt in June, 2015.

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The Ministry coordinated the legal scrubbing of the initialed EAC-EU EPA Text of the Agreement and its annexes which was finalized on 11th September 2015; enhanced the laying of the foundation for an EAC Political Federation where a Cabinet Memorandum on the Confederation model was developed and approved by the Cabinet leading to the Presidential Directive on hosting of the EAC flag and singing of the Regional Anthem in all public institutions; negotiated the use of National Identification Documents (IDs), Voters Cards and Student I.Ds as travel documents for Uganda, Kenya and Rwanda;

The East African e-Passport was launched in November 2015 with issuance commencing in January 2017 aimed at improving security, enhancing international travel to Kenyan citizens and help entrench the spirit of East Africanism; operationalized the one-area network arrangement with a harmonized EAC rate of 10cents US Dollar per minute for outgoing calls and zero charges for incoming calls between Kenya, Uganda and Rwanda. Further, the Ministry coordinated the hosting of the 2nd Jumuiya ya Africa Mashariki Festival (JAMAFEST) in August 2nd -9th, 2015, Nairobi, Kenya; participated in the EAC Jua Kali/Nguvu Kazi Exhibition held on 30th Nov – 6th Dec, 2015 in Dar es Salaam, Tanzania with 600 MSEs participating; coordinated the establishment of One Stop-Border Posts (OSBPS) at Namanga, Taveta, Isibania, Busia, Malaba and LungaLunga; and sponsored 20 women exhibitors and 30 women entrepreneurs to the 2nd EAC Women in Business conference and Exhibition.

Emerging Issues

1. Huge surge for social assistance in the country which has no corresponding budgetary allocation
2. Increase in abuse and neglect of older persons and declining family values.
3. Increased demand for services in the resolution of industrial disputes due to enhanced labour rights as provided in the Kenya Constitution, 2010.
4. Emerging industries some of which are high risk extractive industries (Oil and gases in the energy sector - The rapid development of new industries create employment but also bring about new hazards that are not regulated in the country with potential negative impacts on workers and communities. Further, existing legislations do not address some of the peculiar challenges in the new industries. Some of these occupations require sophisticated skills not locally available which exacerbate conflicts between the locals and expatriate staff. The Ministry requires developing subsidiary legislations on the energy sector and carrying out specific surveys on skills demand and gaps in this emerging sector.
5. Change in technology requiring frequent upgrading of the current technology especially in the Industrial Training Centres.
6. Numerous cases of Kenyan migrant workers being mistreated/exploited in the Gulf Region, and in some cases resulting to deaths.

Implementation Challenges

- ❖ Inadequate and declining budgetary allocation to the Ministry and delays in exchequer releases
- ❖ Ageing workforce and lack of effective succession management
- ❖ Low staffing level at both the headquarters and field offices
- ❖ Reduction in budgetary allocation due to austerity measures in the last phases of budget preparation which resulted in to withdrawal of funding earmarked for key projects;
- ❖ Inconsistence IFMIS delaying processing of payments thus leading to accumulation of pending bills.
- ❖ The budget ceiling for use of goods and acquisition of assets has remained unchanged for the last three years. Consequently, it has been difficult to accommodate any new and ongoing strategic priorities with no resource allocation.
- ❖ Lack of adequate allocation to cover the processed Workmen Compensation claims
- ❖ Encroachment of government facilities by private developers and vandalism
- ❖ Lack of policy, legal and institutional framework to undertake some of the key mandate of the Ministry
- ❖ Delays in implementation of projects owing untimely provision of services by the relevant MDAs e.g. delays in development of Bills of Quantities by the Ministry of Public Works
- ❖ Unemployment
- ❖ Inadequate capacity of Institutions of Social Dialogue (Wages Councils, National Labour Board and National Council for Occupational Safety and Health)
- ❖ Family disintegration and increased violence against children
- ❖ Lack of accurate, up-to-date and reliable labour market information.
- ❖ Lack of bilateral Labour Agreements with key labour destination countries resulting in exploitation of Kcnyan Migrant workers.

Recommendations and Way Forward

There is need for increased funding to enable the Ministry implement the key projects to enhance the country's competitiveness and recruit the required staff for effective delivery of its strategic mandate. The following are the key recommendations:-

MINISTRY OF EAST AFRICAN COMMUNITY LABOUR & SOCIAL PROTECTION
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1. Enhance resource allocation to the Ministry commensurate to its importance on socio-economic development.
2. Fast track the approval of the key policies and legislations already in Parliament to enable the Ministry deliver on its mandate.
3. Enhanced coordination of Social Protection Programmes - Need to fast-track establishment of an institutional framework for coordination of all social protection programs to create harmony and avoid duplication.
4. Finalization of legislations to strengthen the children protection system and align the existing legislation to the Constitution
5. Need to building linkages and collaboration with stakeholders to minimize duplication of activities
6. Fast Track the negotiations and signing of bilateral labour agreements with Saudi Arabia, United Arab Emirates, Oman and Jordan.
7. Establishing of additional Labour Attaché offices in the Gulf Region to safeguard the welfare of Kenyan migrant workers
8. Upgrade and expand the existing Industrial Training Centres to enable the country undertake the industrial training capable of meeting the aspirations of the Kenya Vision 2030;
9. Stimulate productivity throughout the country to counter the effects of low competitiveness being experienced currently; and
10. Enhance human resource capacity in terms of the number of personnel in order to enable the Ministry to adequately delivery the required services across the country.

Sign

Cabinet Secretary

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

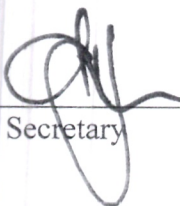
The Accounting Officer in charge of the Ministry of East African Community Labour & Social Protection is responsible for the preparation and presentation of the Ministry's financial statements, which give a true and fair view of the state of affairs of the Ministry for and as at the end of the financial year 2015/2016 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 entity; (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 Ministry (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Ministry of East African Community Labour & Social Protection accepts responsibility for the Ministry's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2016, and of the Ministry's financial position as at that date. The Accounting Officer in charge of the Ministry of Labour, Social Security & Services further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Ministry of East African Community Labour & Social Protection confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Ministry's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Ministry's financial statements were approved and signed by the Accounting Officer on 30th September- 2016.



Principal Secretary



Principal Accounts Controller



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF EAST AFRICAN COMMUNITY, LABOUR AND SOCIAL PROTECTION - STATE DEPARTMENT FOR LABOUR AND SOCIAL PROTECTION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements for the Ministry of East African Community, Labour and Social Protection - State Department for Labour and Social Protection set out on pages 10 to 32 which comprise the statement of assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

Report of the Auditor-General on the Financial Statements of Ministry of East African Community, Labour and Social Protection – State Department for Labour and Social Protection for the year ended 30 June 2016

expressing an opinion on the effectiveness of the Ministry'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

1. Budget and Budgetary Performance

1.1 Revenue

During the financial year ended 30 June 2016 revenue recorded as received totalled Kshs.19,854,385,060 against estimated budget of Kshs.24,347,510,635 resulting in a shortfall of Kshs.4,493,125,575 or 18% as shown below:

Description	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Excess/(Shortfall) %
Exchequer releases	24,294,745,635	19,776,467,940	(4,518,277,695)	(19%)
Proceeds from sale of assets	52,765,000	68,542,120	15,777,120	30%
Other receipts		9,375,000	9,375,000	
Total	24,347,510,635	19,854,385,060	(4,493,125,575)	(18%)

The shortfall mainly occurred under exchequer releases where the Ministry had budgeted for Kshs.24,294,745,635 but received Kshs.19,776,467,940 occasioning a Kshs.4,518,277,695 shortfall or 19%. The Ministry, realized an over collection of Kshs.15,777,120 under proceeds from sale of assets which was mainly attributed to increase in number of registered social groups.

The Ministry did not however, include an explanatory note in the financial statements for the shortfall of Kshs.4,518,277,695 in exchequer receipts.

1.2 Expenditure

An analysis of the Ministry's' actual expenditure against the budgeted amount revealed the following variances:

Description	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Excess/(Shortfall) %
Compensation of employees	1,756,871,027	1,711,648,331	(45,222,696)	(3%)
Use of goods and services	3,220,325,352	2,135,413,197	(1,084,912,155)	(34%)
Transfers to other Government units	18,162,689,752	15,219,640,122	(2,943,049,630)	(16%)

Other grants and transfers	373,812,933	239,082,354	(134,730,579)	(36%)
Acquisition of assets	835,211,571	251,348,622	(583,862,949)	(70%)
Total	24,348,910,635	19,557,132,626	(4,791,778,009)	(20%)

The Ministry had budgeted to spend Kshs.24,348,910,635 however actual expenditure was Kshs.19,557,132,626 as at 30 June 2016. The under expenditure of Kshs.4,791,778,009 was mainly attributed to delays in accessing second half development budget, massive movement of staff towards the end of the financial year and early closure of IFMIS. Consequently, the under expenditure negatively impacted on service delivery by the Ministry.

2. Incomplete Summary of Fixed Asset Register

The Ministry is required under Annex 4 of the IPSAS - National Government Financial Reporting Template, to provide a Summary of Fixed Assets Register listing the Asset Class and Historical Cost. However, Annex 4 of the financial statement presented for audit did not include the list and value of assets. In the circumstance, it was not possible to confirm the total value of the fixed assets in the Ministry.

3. Unvouched Expenditure

During the year ended 30 June, 2016, payments totalling Kshs.133,095,128 were made to various contractors engaged by the Ministry as detailed in the attached Appendix I. However, tender documents for all the bidders, Bills of Quantities (BQs), evaluation reports and contract agreements for the winning bidders as well as Ministerial Tender Committee Minutes approving the awards and practical completion certificates were not provided for audit review.

In consequence, it has not been possible to confirm that propriety and value for money of the total expenditure of Kshs.133,095,128 as at 30 June 2016.

4. Shoddy construction of Occupational Safety and Health Services - Research Institute Office Complex

As previously reported, the construction of the Occupational Safety and Health Services (OSH) - Research Office Complex project commenced on 28 February 2010 at an estimated cost of Kshs.480,000,000. The main purpose of constructing the research and institute office complex was to assist OSH in keeping abreast with changing issues in as far as work environment health and safety of workers was concerned. Although the construction works commenced on 28 February 2010, the expected completion date was not stated. Further, the builders' works were divided into five (5) phases with the construction of each floor being advertised, evaluated and awarded to different contractors. A total of Kshs.343,458,956 had been paid to various contractors as at 30 June 2016 as tabulated in the attached Appendix III.

Physical verification of the ongoing works in February 2017 revealed that the parking basement was water logged due to poor workmanship. The basement floor constructed at a total cost of Kshs.71,239,810 was at the time of the audit inspection, full of drainage water due to poor waterproofing, poorly reinforced concrete base which was as at the time of the audit being reconstructed by a different contractor. Available information obtained indicated that a submersible pump has been installed for pumping water from the basement.

The foundation of the building was therefore not properly done and the stability of the building was questionable thus endangering the safety of workers of which OSH is mandated to inspect/detect their safety in other work places.

In view of the poor planning, poor workmanship and poor implementation, the project cost is likely to escalate from the estimated cost of Kshs.480,000,000 considering that work was still incomplete more than seven (7) years later.

5. Refurbishment of Medical Clinic at Department of Occupational Safety and Health – Industrial Area

During the year under review, a total of Kshs.2,862,213 was utilised in the refurbishment of the Medical Clinic at the Occupational Safety and Health at Industrial Area in Nairobi as at 30 June 2016. The works involved partitioning, painting, installation of doors and shelves, window blinders, among other things. Although the works were completed in July, 2015, a physical inspection of this facility in January 2017 revealed that the facility was neglected and had never been used. The facility was covered in dust and in an unkempt state while an X-ray machine procured at a cost of Kshs.7,000,000 in 2007 (now obsolete) lay in one of the rooms without having been used due to lack of qualified personnel.

In the circumstances, the propriety and value for money of the expenditure of Kshs.9,862,213 on both the unused X-ray machine and refurbished clinic could not be ascertained as at 30 June 2016.

6. Unsupported Pending Bills

Bills amounting to Kshs.90,993,075 chargeable to both the recurrent and development Vote-1141 were not settled during the year but were instead carried forward to 2016/2017 financial year. Had these bills been cleared and charged to the vote, the statement of receipts and payments for the year 2015/2016 would have reflected a reduced net surplus to be surrendered to the exchequer of Kshs.206,259,359 instead of Kshs.297,252,434 now shown.

Further, no supporting documents were provided for audit review to confirm the validity of the pending bills. As a result, the accuracy, completeness and validity of the pending bills of Kshs.90,993,075 could not be confirmed.

7. Unreconciled Lease Payments

An audit of lease payments for the Ministry's leased offices at Social Security House revealed that lease payments totalling Kshs.102,785,801 did not tally with the signed lease agreements. No reconciliation statements in support of the lease payments were provided for audit review. Further, lease payments totaling Kshs.66,545,107 were not produced for audit review.

Under the circumstances, it has not been possible to confirm the accuracy and validity of the lease payments totalling Kshs.169,330,908.18 as at 30 June 2016.

8. Unsupported payments for cleaning services

During the year 2015/2016, a cleaning company contracted at a cost of Kshs.406,335 per month and was paid a total of Kshs.8,849,697 for rendering cleaning services to the Ministry. However, payments totalling Kshs.6,307,680 were not supported by schedules showing the period when the work was done or the service contract that was in force.

In the circumstances, the propriety of the expenditure of Kshs.6,307,680 could not be confirmed.

9. Irregular Payment for Manpower Consultancy Services

During the year ended 30 June 2016, an individual consultant was paid Kshs.2,244,600 in respect of consultancy services titled National Manpower Survey Report. According to the contract agreement signed in July, 2012 the consultancy was to take a duration of three months at a contract sum of Kshs.4,988,000 further, the final report was delivered in May, 2013 and partial payment of Kshs.2,743,400 was in 2012/2013.

However, it was not clear how the consultant was identified and contracted since no evaluation report and Ministerial Tender Committee Minutes approving the award were produced for audit review. Further, no explanation was provided as to why the debt had remained outstanding since 2013, and had never been declared as a pending bill in previous' years. In addition, the expenditure was irregularly charged under Item 2211023- Supplies for Production as opposed to Item 2211310-Contracted Professional Services.

In the circumstance, the payment of Kshs.2,244,600 during 2015/2016 could not be confirmed as a proper charge to the public funds.

10. Unsupported Bursary Payments

Examination of records maintained at the Ministry headquarters revealed a total of Kshs.9,007,260 was paid as bursaries to needy students whose residence is within the Nairobi County Constituencies. However, no selection criteria or receipts and acknowledgement letters from the beneficiary schools in support of the payments were produced for audit review.

Consequently, the propriety of the expenditure of Kshs.9,007,260 could therefore not be confirmed.

11. General and District Suspense

The statement of assets reflects a general and district suspense balance of Kshs.3,271,890,830 as at 30 June 2016. However, no schedules were provided to support these long outstanding balances. Management has not explained what challenges are faced in resolving this matter.

In the circumstances, the completeness, accuracy and validity of these significant balances of Kshs.3,271,890,830 could not be confirmed.

12. Outstanding Imprests

The statement of assets as at 30 June 2016 reflects outstanding imprests balance of Kshs.11,307,390 while imprests records reviewed indicated a balance of Kshs.16,108,427. The resultant difference of Kshs.4,801,037 has not been reconciled or explained. Further, imprests totalling Kshs.683,678 have been outstanding since 2014/2015 and earlier years. In addition Imprests amounting to Kshs.3,230,777 were issued to officers who had not accounted for previous issued imprests.

As a result the propriety and recoverability of the imprests totalling Kshs.4,801,037 as at 30 June 2016 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Ministry of East African Community, Labour and Social Protection - State Department for Labour and Social Protection 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 (Cash Basis) and the Public Finance Management Act, 2012.

Other Matter

1. Grounded Motor Vehicles

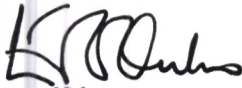
Section 163(1) of the Public Procurement and Disposal Act, 2015, provides guidelines and procedures for disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets. An audit inspection carried out in 2015/2016 at the Ministry and its state various corporation yards in Nairobi revealed that sixteen (16) motor vehicles and two (2) motor cycles with undetermined values were still lying at the yard for over four (4) years with no indication of whether those vehicles would be repaired or disposed-off as detailed in the attached Appendix II.

Apart from the clear depreciation in value, such vehicles are also not contributing towards the achievement of the annual objectives while new vehicles continue to be purchased.

2. Feedback on Quality Review of Annual Financial Statements

The Management has not acted or given any feedback on the recommendations made by the Directorate of Accounting and Quality Assurance with respect to resolving issues regarding old balances.

My Opinion is not qualified in respect of the matters.



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

Nairobi

15 May 2017

Appendix I

Contract	Contractor	Date awarded	Proposed date of Completion	Contract sum Kshs.	Payments in 2015/16-Kshs.	Current status
Construction of National Employment Centre – Kabete	M/s Inforserve Networks Ltd	15 May 2015	78 weeks	442,723,94	85,402,565	Ongoing
Conversion of Courts No. 1&2 to Boardroom	Martly Enterprise Ltd	10 Nov 2015	8 weeks	2,892,854	2,196,854	Complete
Refurbishment of the 7 th Floor Boardroom	Site General Contractors	03 March 2015	12 weeks	13,030,000	6,464,298	Complete
Proposed Electrical and Mechanical Works at the District Employment Office-Kasarani Phase III	Oceanic Construction Company Ltd	16 March 2015	Not Stated	4,086,650	1,757,478.00	Ongoing
Proposed Research Institute Office Complex for DOSH –Phase IV-Builders Works	Bluestream Enterprises Ltd	03 March 2015	12 weeks	140,377,361	12,777,512	Complete
Proposed Research Institute Office Complex for the DOSH-Phase IV-Mechanical Works	Ndeiya Construction	03 March 2015	16 weeks	17,211,871	8,079,229	complete
Proposed Research Institute Office Complex for DOSH and -Phase IV-Electrical Works	Electroserve Ltd	03 March 2015	16 weeks	14,755,642	6,802,125	complete
Proposed Research Institute Office Complex for DOSH-Phase IV-Laboratory Services	Vanguard Engineering Ltd	03 March 2015	16 weeks	14,387,590	7,555,371	complete
Proposed Remodeling of Offices for the Cabinet Secretary Ministry – MEACL&SP	Lunao Enterprises	20 Nov 2013	15 weeks	19,245,132	2,059,695	Complete
Total					133,095,127	

Appendix II

GROUNDED MOTOR VEHICLES –HEADQUATERS NAIROBI - 2015/2016

No	Registration Number	Type	Location/Yard	Duration grounded	Remarks
1.	GK A039 D	Musso	NITA	4 years	
2.	GK A184 U	Passat	NITA	4 years	Logbook said to be in National Treasury
3.	GK A736 H	Volvo	NITA	4 years	Logbook said to be in Office of the President
4.	GK A990 T	Passat	NITA	4 years	Logbook said to be in National Treasury
5.	GK A610 M	Rav4	NITA	4 years	
6.	GK X618	Nissan	NITA	4 years	
7.	GK A709 Q	Nissan Patrol	NITA	4 years	
8.	GK A284 M	Nissan	NITA	4 years	
9.	GK A710 G	Toyota	NITA	4 years	
10.	GK A135 L	Nissan	NITA	4 years	
11.	GK A253 E	Nissan Patrol	OSH	4 years	
12.	GK A692 Y	Nissan Patrol	OSH	4 years	No Logbook
13.	GK A488 P	Nissan Patrol	OSH	4 years	
14.	GK A038 E	Toyota Terano	OSH	4 years	
15.	GK A864 S	Toyota Hiace	OSH	4 years	
16.	GK A610 M	Rav4	NITA	4 years	
17.	GK A 396 L	Tornado M/Cycle	NSSF	4 years	
18.	GK A599 C	Yamaha M/Cycle	NSSF	4 years	

Appendix III

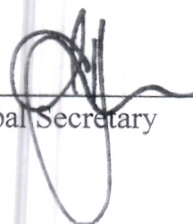
Phase	Contractor	Year	Amount Paid Kshs.
Phase I – Builders works	Lunao Enterprises	2009/2010	70,336,593.35
Phase II - Builders works	Makuyu Construction Co. Ltd	2010/2011	77,931,974.42
Phase III - Builders works	Bluestream Enterprises Ltd	2014/2015	34,175,156.44
Phase IV - Builders works	Bluestream Enterprises Ltd	2014/2015	125,800,994.18
Other Works	Bluestream Enterprises Ltd	2015/2016	12,777,511.84
Mechanical works	Ndeiya Construction	2015/2016	8,079,229.48
Electrical works	Electroserve Ltd.	2015/2016	6,802,125.20
Laboratory works	Vanguard Engineering Ltd	2015/2016	7,555,370.82
Total			343,458,955.73


MINISTRY OF EAST AFRICAN COMMUNITY LABOUR & SOCIAL PROTECTION
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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-16 Kshs	2014-2015 Kshs
RECEIPTS			
Tax Receipts	1	0	0
Social Security Contributions	2	0	0
Proceeds from Domestic and Foreign Grants	3	0	0
Exchequer releases	4	19,776,467,940	19,015,028,230
Transfers from Other Government Entities	5	0	0
Proceeds from Domestic Borrowings	6	0	364,517,781
Proceeds from Foreign Borrowings	7	0	71,614,219
Proceeds from Sale of Assets	8	68,542,120	66,754,373
Reimbursements and Refunds	9	0	0
Returns of Equity Holdings	10	0	0
Other Receipts	11	9,375,000	3,529,450
TOTAL RECEIPTS		19,854,385,060	19,521,444,053
PAYMENTS			
Compensation of Employees	12	1,711,648,331	1,464,174,175
Use of goods and services	13	2,135,413,197	2,383,893,326
Subsidies	14	0	0
Transfers to Other Government Units	15	15,219,640,122	13,726,714,725
Other grants and transfers	16	239,082,354	400,257,669
Social Security Benefits	17	0	0
Acquisition of Assets	18	251,348,622	732,217,813
Finance Costs, including Loan Interest	19	0	0
Repayment of principal on Domestic and Foreign borrowing	20	0	0
Other Payments	21	0	0
TOTAL PAYMENTS		19,557,132,626	18,707,257,708
SURPLUS/(DEFICIT)		297,252,434	814,186,345

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 September, 2016 and signed by:


 Principal Secretary

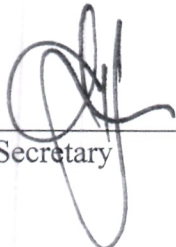

 Principal Accounts Controller


MINISTRY OF EAST AFRICAN COMMUNITY LABOUR & SOCIAL PROTECTION
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VI. STATEMENT OF ASSETS

	Note	2015-2016 Kshs	2014-2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	22A	354,358,953	367,276,662
Cash Balances	22B	1,023,004	300,766
Total Cash and cash equivalent		<u>355,381,957</u>	<u>367,577,428</u>
Accounts receivables			
Imprests	23A	11,307,390	12,089,334
Advances		820,663	1,309,254
General & District Suspense		3,271,890,830	2,606,855,375
TOTAL FINANCIAL ASSETS		<u>3,639,400,840</u>	<u>2,987,831,391</u>
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	24	(354,317,015)	0
NET FINANCIAL ASSETS		<u>3,285,083,825</u>	<u>2,987,831,391.00</u>
REPRESENTED BY			
Fund balance b/fwd	25	2,987,831,391	2,173,645,046
Surplus/Deficit for the year		297,252,434	814,186,345
NET FINANCIAL POSSITION		<u>3,285,083,825</u>	<u>2,987,831,391</u>

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 September, 2016 and signed by:


 Principal Secretary

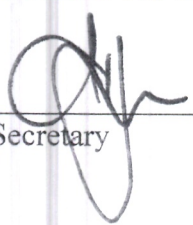

 Principal Accounts Controller

MINISTRY OF EAST AFRICAN COMMUNITY LABOUR & SOCIAL PROTECTION
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VII. STATEMENT OF CASHFLOW

		2015 - 2016 Kshs	2014 - 2015 Kshs
Tax Revenues	1		
Social Security Contributions	2		
Proceeds from Domestic and Foreign Grants	3		
Exchequer Releases	4	19,776,467,940	19,015,028,230
Transfers from Other Government Entities	5		
Reimbursements and Refunds	9		
Returns of Equity Holdings	10		
Other Revenues	11	9,375,000	3,529,450
Payments for operating expenses			
Compensation of Employees	12	(1,711,648,331)	(1,464,174,175)
Use of goods and services	13	(2,135,413,197)	(2,383,893,326)
Transfers to Other Government Units	15	(15,219,640,122)	(13,445,026,274)
Other grants and transfers	16	(239,082,354)	(400,257,669)
Social Security Benefits	17		
Adjusted for:			
Adjustments during the year			
Changes in accounts receivable	23	(663,764,920)	1,233,426,663
Changes in accounts payable			
Changes in Advance			282,765,217
Net cash flow from operating activities		(183,705,983)	374,544,790
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	68,542,120	-66,754,373
Acquisition of Assets	18	(251,348,622)	732,217,813
Net cash flows from Investing Activities		(182,806,502)	665,463,440
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Deposits and Retention	24	354,317,015	364,517,781
Proceeds from Foreign Borrowings	7	0	71,614,219
Repayment of principal on Domestic and Foreign borrowing	21	0	0
Net cash flow from financing activities		354,317,015	436,132,000
NET INCREASE IN CASH AND CASH EQUIVALENT		(12,195,471)	209,350,212
Cash and cash equivalent at BEGINNING of the year	24	367,577,428	158,227,216
Cash and cash equivalent at END of the year	25	355,381,957	367,577,428

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 September, 2016 and signed by:


Principal Secretary



Principal Accounts Controller

**Reports and Financial Statements
 For the year ended 30th June, 2016**


VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	1,400,000	-	1,400,000	-	1,400,000	0%
Exchequer releases	24,737,195,280	(442,449,645)	24,294,745,635	19,776,467,940	4,518,277,695	81%
Proceeds from Sale of Assets	153,864,480	(102,899,480)	52,765,000	68,542,120	(17,577,120)	134%
Other receipts	1800000		1,800,000	9,375,000	7,575,000	520%
Total	24,894,259,760	(545,349,125)	24,348,910,635	19,854,385,060	4,494,525,575	82%
PAYMENTS						
Compensation of Employees	1,704,900,000	51,971,027	1,756,871,027	1,711,648,331	45,222,696	97%
Use of goods and services	3,714,050,393	(493,725,041)	3,220,325,352	2,135,413,197	1,084,912,155	66%
Transfers to Other Government Units	18,260,161,129	(97,471,377)	18,162,689,752	15,219,640,122	2,943,049,630	84%
Other grants and transfers	410,812,933	(37,000,000)	373,812,933	239,082,354	134,730,579	64%
Acquisition of Assets	804,335,305	30,876,266	835,211,571	251,348,622	583,862,949	30%
TOTALS	24,894,259,760	(545,349,125)	24,348,910,635.	19,557,132,626	4,791,778,009	80%

The entity financial statements were approved on 30th September, 2016 and signed by:



 Principal Secretary



 Principal Accounts Controller

Reports and Financial Statements

For the year ended 30th June, 2016

Explanatory Notes on the (under)/over expenditure vote 1141 2015-2016 Financial Year

- **Proceeds from sale of Assets.** The over-collection of AIA was occasioned by an increase in the number of groups registered during the year than anticipated at the budget time.
- **Compensation to Employees.** The under expenditure was occasioned by lack of Treasury Concurrence on employment of additional 74 officers to address succession management.
- **Use of Goods and services.** The under expenditure was occasioned by delayed access to second half of the Development Budget, massive movement of staff towards the end of the financial year and early closure of IFMIS system.
- **Transfer to other government Units.** The under expenditure was occasioned by delayed access to second half of the Development Budget, massive movement of staff towards the end of the financial year and early closure of IFMIS system
- **Other Grants and Transfers.** The under expenditure was occasioned by delayed access to second half of the Development Budget, massive movement of staff towards the end of the financial year and early closure of IFMIS system
- **Acquisition of Assets.** The under expenditure was occasioned by delayed access to second half of the Development Budget, massive movement of staff towards the end of the financial year and early closure of IFMIS system



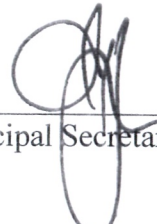
Principal Secretary




Principal Accounts Controller

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	9,158,881,990	(140,449,645)	9,018,432,345	8,624,440,000	393,992,345	96%
Proceeds from Sale of Assets	153,864,480	(102,899,480)	50,965,000	68,542,120	(17,577,120)	148%
Other receipts	1800000		1,800,000	9,375,000	7,575,000	520%
Total	9,314,546,470	(243,349,125)	9,071,197,345	8,702,357,120	368,840,225	96%
PAYMENTS						
Compensation of Employees	1,694,500,000	(5,378,973)	1,689,121,027	1,676,766,222	12,354,805	99%
Use of goods and services	1,865,627,569	47,774,959	1,913,402,528	1,582,070,318	331,332,210	83%
Transfers to Other Government Units	5,303,187,067	(244,971,377)	5,058,215,690	5,005,386,060	52,829,630	99%
Other grants and transfers	410,812,933	(37,000,000)	373,812,933	239,082,354	134,730,579	64%
Acquisition of Assets	40,418,901	(3,773,734)	36,645,167	10,183,341	26,461,826	28%
TOTALS	9,314,546,470	(243,349,125)	9,071,197,345	8,513,488,295	557,709,050	94%


 Principal Secretary


 Principal Accounts Controller

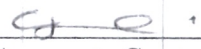
Reports and Financial Statements

For the year ended 30th June, 2016

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	1,400,000	-	1,400,000	-	1,400,000	0%
Exchequer releases	15,578,313,290	(302,000,000)	15,276,313,290	11,152,027,940	4,124,284,450	73%
Other Receipts						
Total	15,579,713,290	(302,000,000)	15,277,713,290	11,152,028,840	4,125,684,450	73%
PAYMENTS						
Compensation of Employees	10,400,000	57,350,000	67,750,000	34,882,109	32,867,891	51%
Use of goods and services	1,848,422,824	(541,500,000)	1,306,922,824	553,342,879	753,579,945	42%
Transfers to Other Government Units	12,956,974,062	147,500,000	13,104,474,062	10,214,254,062	2,890,220,000	78%
Other grants and transfers	0	0	0	0	0	0
Acquisition of Assets	763,916,404	34,650,000	798,566,404	241,165,281	557,401,123	30%
TOTALS	15,579,713,290	(302,000,000)	15,277,713,290	11,043,644,331	4,234,068,959	72%


Principal Secretary


Principal Accounts Controller

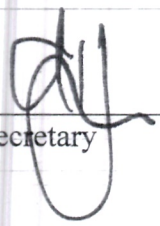
XI. SUMMARY STATEMENT OF PROVISIONINGS

- Details of General Accounts On Vote

	2015 - 2016	2014 - 2015
	Kshs	Kshs
GAV Provisioning account balance	4,791,778,009	863,953,831
Total	4,791,778,009	863,953,831

- Details of Exchequer Provisioning

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Exchequer Provisioning balance	4,518,277,695	1,356,490,695
Total	4,518,277,695	1,356,490,695


Principal Secretary


Principal Accounts Controller

XII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Ministry and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

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

2. Recognition of revenue and expenses

The Ministry recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Ministry. In addition, the Ministry recognises all expenses when the event occurs and the related cash has actually been paid out by the Ministry.

3. In-kind contributions

In-kind contributions are donations that are made to the Ministry in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Ministry includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

5. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

6. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

7. Non Current assets

Non Current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

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. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Ministry at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

9. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Ministry's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Ministry's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

10. Comparative figures

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

11. Subsequent events

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.

XIII. NOTES TO THE FINANCIAL STATEMENTS

1 TAX REVENUES

	2015 - 2016 Kshs	2014 - 2015 Kshs
Taxes on Income, Profits and Capital Gains		
Taxes on Property		
Taxes on Goods and Services		
Taxes on International Trade and Transactions		
Other Taxes (not elsewhere classified)		
Total	0	0

2 SOCIAL SECURITY CONTRIBUTIONS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Receipts for Health Insurance Contribution		
Receipts to NHIF for Health Insurance Contributions		
Receipts from Govt Employees to Social & Welfare Schemes in Govt		
Total	0	0

3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2015 - 2016	2014 - 2015
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)			0	0
(Insert name of donor)				
(Insert name of donor)				
Grants Received from Multilateral Donors (International Organisations)			0	0
(Insert name of donor)				
(Insert name of donor)				

MINISTRY OF EAST AFRICAN COMMUNITY LABOUR & SOCIAL PROTECTION
 STATE DEPARTMENT FOR LABOUR & SOCIAL PROTECTION
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 EXCHEQUER RELEASES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Total Exchequer Releases for quarter 1	2,587,000,000	724,000,000
Total Exchequer Releases for quarter 2	2,695,540,000	6,279,690,000
Total Exchequer Releases for quarter 3	4,865,069,500	4,905,729,550
Total Exchequer Releases for quarter 4	9,628,858,440	7,105,608,680
Total	19,776,467,940	19,015,028,230

5 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Transfers from Central government entities (insert name of budget agency) (insert name of budget agency)	0	0
Transfers from Counties (insert name of budget agency) (insert name of budget agency)	0	0
TOTAL	0	0

6 PROCEEDS FROM DOMESTIC BORROWINGS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Borrowing within General Government	0	
Borrowing from Monetary Authorities (Central Bank)	0	
Other Domestic Depository Corporations (Commercial Banks)	0	
Borrowing from Other Domestic Financial Institutions	0	
Borrowing from Other Domestic Creditors	0	364,517,781
Total	-	364,517,781

Reports and Financial Statements

For the year ended 30th June, 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 PROCEEDS FROM FOREIGN BORROWINGS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Foreign Borrowing – Draw-downs Through Exchequer		
Foreign Borrowing - Direct Payments	0	71,614,219
Foreign Currency and Foreign Deposits		
Total	0	71,614,219

8 PROCEEDS FROM SALE OF ASSETS

	2015 – 2016	2014 – 2016
	Kshs	Kshs
Receipts from the Sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment		
Receipts from the Sale Plant Machinery and Equipment		
Receipts from Sale of Certified Seeds and Breeding Stock		
Receipts from the Sale of Strategic Reserves Stocks		
Receipts from the Sale of Inventories, Stocks and Commodities	68,542,120	66,754,373
Disposal and Sales of Non-Produced Assets		
Receipts from the Sale of Strategic Reserves Stocks		
Total	68,542,120	66,754,373

9 REIMBURSEMENTS AND REFUNDS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Refund from World Food Programme (WFP)	0	0
Reimbursement of Audit Fees	0	0
Reimbursement on Messing Charges (UNICEF)	0	0
Reimbursement from World Bank – ECD	0	0
Reimbursement from Individuals and Private Organisations	0	0
Reimbursement from Local Government Authorities	0	0
Reimbursement from Statutory Organisations	0	0
Reimbursement within Central Government	0	0
Reimbursement Using Bonds	0	0
	0	0
Total	0	0

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10 RETURNS OF EQUITY HOLDINGS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Returns of Equity Holdings in Domestic Organisations		
Returns of Equity Holdings in International Organisations		
Total	0	0

11 OTHER REVENUES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Interest Received		
Profits and Dividends		
Rents		
Other Property Income		
Sales of Market Establishments		
Receipts from Administrative Fees and Charges		
Receipts from Administrative Fees and Charges - Collected as AIA	9,375,000	3,515,450
Receipts from Incidental Sales by Non-Market Establishments		
Receipts from Sales by Non-Market Establishments		
Receipts from Sale of Incidental Goods		
Fines Penalties and Forfeitures	0	14,000
Receipts from Voluntary transfers other than grants		
Other Receipts Not Classified Elsewhere		
Total	9,375,000	3,529,450

12 COMPENSATION OF EMPLOYEES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Basic salaries of permanent employees	1,070,111,689	987,067,392
Basic wages of temporary employees	58,743,247	16,675,744
Personal allowances paid as part of salary	578,527,030	459,849,893
Personal allowances paid as reimbursements	2,961,230	581,146
Personal allowances provided in kind		
Pension and other social security contributions		
Employer Contributions Compulsory national social security schemes		
Employer Contributions Compulsory national health insurance schemes		
Other Personnel Payments	1,305,135	
Total	1,711,648,331	1,464,174,175

Note:

The IPPD totals for personnel Emoluments differs with the amount reported in the financial statements for the period. The difference was occasioned by Emoluments for the period paid outside the IPPD. these includes: Salary deductions for June 2015 paid in July, 2015 Disbursement to National Industrial Training Authority (NITA), Foreign Service allowances to Geneva office (AIE), contracted data clerks, and other payments for gratuity to deceased officers and those retiring from their tour of duty during the financial year paid by vouchers.

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13 USE OF GOODS AND SERVICES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Utilities, supplies and services	47,491,551.00	74,418,750
Communication, supplies and services	100,840,308	112,272,803
Domestic travel and subsistence	413,563,249	470,150,535
Foreign travel and subsistence	25,173,780	28,913,574
Printing, advertising and information supplies & services	22,193,815	47,765,724
Rentals of produced assets	224,030,888	208,171,370
Training expenses	121,673,931	183,632,176
Hospitality supplies and services	204,290,823	169,639,929
Insurance costs	97,500	-
Specialized materials and services	165,792,104	188,285,108
Office and general supplies and services	128,721,671	185,381,346
Other operating expenses	397,649,673	344,583,394
Routine maintenance – vehicles and other transport equipment	78,306,619	91,336,845
Routine maintenance – other assets	59,743,204	103,548,679
Fuel Oil and Lubricants	145,844,081	175,793,093
Total	2,135,413,197	2,383,893,326

14 SUBSIDIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Subsidies to Public Corporations		
<i>See list attached</i>		
(insert name)		
Bursaries to vulnerable children		-
Subsidies to Private Enterprises		
<i>See list attached</i>		
(insert name)		
TOTAL	-	-

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15 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		13,726,714,725
National Industrial Training Authority (NITA)	403,529,202	
National Council for Persons with Disabilities	1,479,400,000	
Child Welfare Society of Kenya	747,250,000	
Cash Transfer OPTC &OVC	12,349,060,865	
Occupational Health and Safety Fund	6,444,500	
Vocational rehabilitation-Donations	99,295,000	
Children's Services	77,275,867	
National Council for Children's Services	57,384,688	
TOTAL	15,219,640,122	13,726,714,725

16 OTHER GRANTS AND TRANSFERS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Membership dues and subscriptions to international organizations	8,297,912	8,404,669
Scholarships and other educational benefits	230,784,442	391,853,000
Emergency relief and refugee assistance		
Grants to small businesses, cooperatives, and self employed		
Grants to foreign government		
Total	239,082,354	400,257,669

17 SOCIAL SECURITY BENEFITS

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Government pension and retirement benefits	-	-
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
Total		

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18 ACQUISITION OF ASSETS

Non Financial Assets	2015 - 2016	2014 - 2015
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	148,891,132	227,087,853
Refurbishment of Buildings	28,711,977	57,547,855
Purchase of Vehicles and Other Transport Equipment	0	178,657,584
Purchase of Household Furniture and Institutional Equipment	1,326,441	527,060
Purchase of Office Furniture and General Equipment	31,932,110	206,258,918
Purchase of Specialized Plant, Equipment and Machinery	40,435,962	60,518,544
Research, Studies, Project Preparation, Design & Supervision	51,000	1,620,000
Total	251,348,622	732,217,813

19 FINANCE COSTS, INCLUDING LOAN INTEREST

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Interest Payments on Foreign Borrowings	-	-
Interest Payments on Guaranteed Debt Taken over by Govt		
Interest on Domestic Borrowings (Non-Govt)		
Interest on Borrowings from Other Government Units		
Total	-	-

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20 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Principal repayments on domestic loans		
Principal repayments on Guaranteed Debt taken over by Government	-	-
Repayments on borrowings from other domestic creditors		
Repayment of Principal from Foreign Lending & On – Lending		
Total	-	-

21 OTHER EXPENSES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Budget Reserves	-	-
Civil Contingency Reserves		
Other expenses	-	-

22A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2015 - 2016	2014 - 2015
				Kshs	Kshs
Central Bank of Kenya A/C NO.1000181648 Kshs		Recurrent		41,513.35	2,503,651.15
Central Bank of Kenya Development A/C No.1000181834 Kshs		Development		423.85	255,230.45
Central Bank of Kenya Deposit A/C No. 1000182277 Kshs		Deposit		354,317,015.30	364,517,780.60
Total				354,358,953	367,276,662.20

Note:

The balance indicated above Excludes the recovery of **Ksh. 450,112,524.05** that was transferred to Exchequer at the end of the financial year as shown below:

	Ksh.	Ksh.
1. Recurrent bank Account	53,297,429.00	
2. Development bank account	<u>396,815,095.05</u>	450,112,524.05

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22B: CASH IN HAND

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Cash in Hand – Held in domestic currency	1,023,004	300,766
Total	1,023,004	300,766

Cash in hand should also be analysed as follows:

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Ministry Headquarters	1,023,004	300,766
Total	1,023,004	209,575.55

23: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2015 - 2016	2014 - 2015
	Kshs	Kshs
A: Government Imprests	11,307,390	12,089,334
B: Salary Advances	820,663	1,309,254
C: General & District suspense	3,271,890,830	2,606,855,375
Total	3,284,018,883	2,620,253,963
<i>Change in receivables (2,620,253,963-3,284,018,883)= Kshs. -663,764,920</i>		

As per Schedule of Outstanding Imprest and Salary Advance

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24. ACCOUNTS PAYABLE

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Deposits	354,317,015	364,264,428
Total	354,317,015	364,264,428

25. FUND BALANCE BROUGHT FORWARD

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Bank accounts	367,276,662	150,560,946
Cash in hand	300,766	100,347
General & District Suspense	2,606,855,375	2,096,917,040
Imprest	12,089,334	7,565,924
Advances	1,309,254	-81,499,211
Total	2,987,831,391	2,173,645,046
		-

26. OTHER IMPORTANT DISCLOSURES

26.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	Kshs	Kshs
Construction of buildings		
Construction of civil works		
Supply of goods		
Supply of services		
	<u>0</u>	<u>0</u>

26.2: PENDING STAFF PAYABLES (See Annex 2)

	Kshs	Kshs
Senior management		
Middle management		
Unionisable employees		
Others (<i>specify</i>)		
	<u>0</u>	<u>0</u>

26.3: OTHER PENDING PAYABLES (See Annex 3)

	Kshs	Kshs
Amounts due to National Government entities	27,185,515	-
Amounts due to third parties	63,807,560.	-
Others (<i>specify</i>)		
	<u>90,993,075.</u>	<u>-</u>

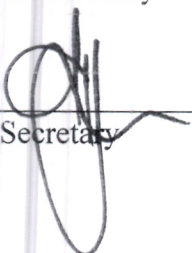
27 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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.


Referen ce 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)
As per attached schedule					

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



 Principal Secretary



 Principal Accounts Controller

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2014	Outstanding Balance 2013	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

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ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2014	Outstanding Balance 2013	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
		Sub-Total					
Middle Management							
4.							
5.							
6.							
		Sub-Total					
Unionisable Employees							
7.							
8.							
9.							
		Sub-Total					
Others (specify)							
10.							
11.							
12.							
		Sub-Total					
		Grand Total					

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ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2014	Outstanding Balance 2013	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
	Sub-Total						
Amounts due to County Govt Entities							
4.							
5.							
6.							
	Sub-Total						
Amounts due to Third Parties							
7.							
8.							
9.							
	Sub-Total						
Others (specify)							
10.							
11.							
12.							
	Sub-Total						
	Grand Total						

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Land		
Buildings and structures		
Transport equipment		
Office equipment, furniture and fittings		
ICT Equipment, Software and Other ICT Assets		
Other Machinery and Equipment		
Heritage and cultural assets		
Intangible assets		
Total		