

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STATE CORPORATIONS APPEAL
TRIBUNAL**

**FOR THE YEAR ENDED
30 JUNE 2016**

PAPER LAID
by the leader
of majority party
Hon. Aden Duale
on Tuesday
26/9/17
2017





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

10 MAR 2017

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STATE CORPORATIONS APPEAL TRIBUNAL

ANNUAL REPORT & FINANCIAL STATEMENTS

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

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

STATE CORPORATIONS APPEAL TRIBUNAL

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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STATE CORPORATIONS APPEAL TRIBUNAL

I. KEY TRIBUNAL INFORMATION AND MANAGEMENT

a) Background information

The State Corporations Appeal Tribunal was established in 1987 under the State Corporations Act Cap. 446, section 22 (1) as a statutory regulatory body. It commenced operations in 2000 when the Tribunal Court was set up and started receiving appeals from persons surcharged.

b) Principal Activities

The functions of the Tribunal are to:-

- hear and determine appeals from those surcharged;
- make and deliver judgment on appeals;
- hear appeals from the Inspector of State Corporations in case of non-payment; and
- order investigations into the operations of those surcharged;

c) Key Management

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

Mr. Tom Odede - Tribunal Secretary

Ms. Trizah Mwasi - Senior Human Resource Officer

Ms. Naomi Mwai - Senior Accountant

Mr. Collins Okello - Legal Clerk

d) Fiduciary Management

The Board Members of the Tribunal who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairman	Mr. Joseph Kimani
2.	Secretary	Mr. Tom Odede

e) Tribunal's Headquarters

Re-Insurance Plaza, 7th floor,
Taifa Road.
P.O Box 56653 00200,
NAIROBI

f) Tribunal's Contacts

Tel: 0203318374/5/6
Email: info@scat.go.ke
Website: www.scat.go.ke

g) Tribunal Bankers

National Bank of Kenya Limited,
Harambee Avenue
P.O Box 72866 00200
NAIROBI

Kenya Commercial Bank,
K.I.C.C Branch.
P.O Box 46950 00100
NAIROBI

h) Independent Auditors

Auditor General,

Kenya National Audit Office

P.O Box 30084 00100

NAIROBI.

STATE CORPORATIONS APPEAL TRIBUNAL

II. LIST OF BOARD MEMBERS

 MR. JOSEPH KIMANI Holds Bachelor in Law (LLB) from the UON, and a postgraduate Diploma from the Kenya School of Law.	CHAIRMAN Mr.Kimani is a lawyer by profession, he is the managing partner at J.M.Kimani & Co.Advocates, He is currently the Chairman of the Tribunal. He is a member of Law Society of Kenya (LSK). D.O.B: 15.11.1965
 MR.TOM ODEDE Holds a Bachelor in laws (LLB) from the University of Allahabad, India and a post graduate diploma in law from the Kenya School of Law.	TRIBUNAL SECRETARY Mr.Tom Odede is a lawyer by profession and an advocate of the High Court of Kenya; He is currently working at the State Law Office as a State Counsel and Secretary to the Tribunal. He is a member of Law Society of Kenya (LSK). D.O.B :1976

III. MANAGEMENT TEAM

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
 MR. TOM ODEDE Holds a Bachelor in laws (LLB) from the University of Allahabad, India and a post graduate diploma in law from the Kenya School of Law.	TRIBUNAL SECRETARY He is the Accounting officer at the Tribunal. Responsible for carrying out day to day management of the Tribunal, developing of and recommending to the Board the long term strategy, operating budgets and establishing proper internal monitoring and control systems and procedures providing leadership to the employees, acting as spokesperson for the Tribunal and ensuring continuous achievement of the Tribunal's financial and operating goals and objectives. D.O.B :1976
 MS. NAOMI MWAI Holds a Bachelor of Business Management (Accounting) from Moi University and a holder of CPAK . Member, Institute of Certified Public Accountants of Kenya.	SENIOR ACCOUNTANT She is the Head of Finance Section. Responsible for preparing annual Financial Statements and General accounting work including book keeping, preparing the annual Tribunal budgets and cashbooks, payroll accounting and petty cash management.



MS. TRIZAH MWASI

Hold a Bachelor of Commerce (Human Resource Management) from KCA University, Diploma and Advanced Diploma in Business Management, Secretarial course and Diploma in sales & marketing. Member, The Association of Business Executives, Institute of Human Resource Management, The Kenya Institute of Management.

SENIOR HUMAN RESOURCE OFFICER

Head of Human Resource Section. Responsible for planning, controlling and co-ordinating all Human Resource Management activities, Implementing Human Resource Policies and Strategies.



MR. COLLINS OKELLO

Holder of Diploma in law from Nairobi Institute Business Studies, Certificate in Purchasing and Supplies Management and Certificate in computer maintenance.

LEGAL CLERK

He is the Legal Clerk to the Tribunal. Responsible for receiving, drafting and production of necessary legal and court documents, serving legal process, drawing and drafting Tribunal orders, decrees and various correspondences and diarizing all Tribunal hearings.

STATE CORPORATIONS APPEAL TRIBUNAL

IV. CHAIRMAN'S STATEMENT

The Chairman of the Tribunal acknowledges good financial performance in the Financial year 2015/16.

The achievements during the year include;

- The Tribunal adopted a five year strategic plan for the Tribunal covering the period 2013 to 2018.
- The Tribunal has initiated the process of purchasing a spacious office space for the Tribunal.
- The Tribunal was able to develop a Human Resource Manual which is awaiting adoption.

However, during the year we were faced with some challenges which included;

- The Tribunal did not receive any cases from the Inspectorate of State Corporations attributed to the vacancy in office of the Inspector of Corporations.
- The Tribunal experiences weak legal and institutional framework which limits the mandate of the Tribunal to hearing only surcharge cases from the Inspectorate of State Corporations.
- The enabling legislation does not provide any clarity as to the corporate status of the Tribunal.
- The Tribunal Board was not fully constituted after the term of the two Board members expired without replacement, hence the Tribunal was grounded in its operations.
- The public and State Corporations lack awareness about the activities of the Tribunal.

I take this opportunity to sincerely express my gratitude to the Government, my fellow Board Members, staff, our clients and auditors for their continued support, which has contributed to our good performance.


Joseph Kimani

CHAIRMAN

Date: 30th September, 2016.

STATE CORPORATIONS APPEAL TRIBUNAL

V. REPORT OF THE TRIBUNAL SECRETARY

The Tribunal prepares its financial statements at the end of each financial year as required by the Public Audit Act, 2015.

The Tribunal is fully funded by the Government. In the financial year, the Tribunal was allocated Kshs. 54,709,039 which amount included Kshs. 15,000,000 as capital expenditure and Kshs.39,709,039 as recurrent expenditure.

The Statement of financial performance in the financial statements (page 1) outlines how SCAT utilized this funding for efficient operation and achievement of its objectives.

However, during the year the Tribunal faced the following challenges:

- The Tribunal Board was not fully constituted after the term of the two Board members expired without replacement, hence the Tribunal was grounded in its operations.
- The Tribunal did not receive any cases from the Inspectorate of State Corporations.
- The Tribunal experiences weak legal and institutional framework which limits the mandate of the Tribunal to hearing only surcharge cases from the Inspectorate of State Corporations.
- There exists an unclear grading structure and structural organization for which prevents the Tribunal from effectively implementing the welfare of the staff including filling necessary positions and effecting promotions.
- The public and state corporations lack awareness about the activities of the Tribunal.
- Staff capacity gaps as the Tribunal has not been able to fill all necessary positions due to unclear grading structure and structural organization that exists at the Tribunal.
- Lack of clarity as to the corporate status of the Tribunal.

The Tribunal has developed a strategy on how to clear with these challenges in order to move forward.

Tom Odede



TRIBUNAL SECRETARY

Date. 30th September, 2016.

STATE CORPORATIONS APPEAL TRIBUNAL

VI. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure by which companies are directed, controlled and take into account cognizance of the interest of other stakeholders.

The Board members of the Tribunal are responsible for the governance of SCAT and is accountable to the stakeholders in ensuring that the Tribunal complies with the laws and the highest standards of business ethics and corporate governance.

Accordingly the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board Members

The roles and functions of the Chairman and the Tribunal Secretary are distinct and their respective responsibilities are clearly defined within the Tribunal. The Board constitutes of the Chairman, two Board Members and Secretary.

The Board defines the Tribunal's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The board members bring a wealth of experience and knowledge to the Board's deliberations.

Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Tribunal Secretary. The Board nonetheless is responsible for the stewardship of the Tribunal and assumes responsibilities for the effective control over the Tribunal. The Tribunal Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements.

At the moment the Board doesn't have any committees of the board.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. In the financial year under audit the Tribunal Board was not fully constituted and hence there were no Board Meetings held. However, the Chairman and the Secretary held 11 meetings in their endeavor to lobby for Board members, cases from inspectorate and streamline the staffing issues.

STATE CORPORATIONS APPEAL TRIBUNAL

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The State Corporations Appeal Tribunal was established in 1987 under the State Corporations Act Cap. 446, section 22 (1) as a statutory regulatory body. It commenced operations in 2000. The Tribunal was established to deal with the increased cases of surcharge/disallowance in State Corporations and also provide an avenue for redress to those who felt aggrieved from decision of surcharge/disallowance made by the Inspector General of State Corporations. Specifically, the functions of the Tribunal are to:-

- hear appeals of surcharge/disallowance;
- make and deliver judgment on appeals;
- hear appeals from the Inspector of State Corporations in case of non-payment; and
- order investigations into the operations of those surcharged;

VISION

To be a model Tribunal in dispute resolution.

MISSION

To provide justice and improved governance in national and county corporations through a fair, expeditious, just and accessible dispute resolution mechanism.

CORE VALUES

- Fairness
- Justice
- Impartiality
- Transparency
- Integrity
- Professionalism

In the financial year 2015/16 the Tribunal participated in the Beyond Zero Campaign as part of its corporate social responsibility.

STATE CORPORATIONS APPEAL TRIBUNAL

VIII.REPORT OF THE TRIBUNAL BOARD MEMBERS'

The Board Members submit their report together with audited financial statements for the year ended June 30,2016 which show the state of the Tribunal`s affairs.

Principal activities

The principal activities of the Tribunal are;

- hear and determine appeals from those surcharged;
- make and deliver judgment on appeals;
- hear appeals from the Inspector of State Corporations in case of non-payment; and
- order investigations into the operations of those surcharged;

Results

The results of the Tribunal for the year ended June 30, 2016 are set out on page 1-5.

Directors

During the financial year 2015/16 there were no Directors. The positions of the two Board Members fell vacant as follows:-Mr Samuel Onyango expired on 31st March 2014, and that of Ms. Judith Guserwa expired on 2nd July 2015,

Auditors

The Auditor General is responsible for statutory audit of the Tribunal in accordance with the Section 68 (2) of Public Finance Management (PFM) Act, 2012 and Section 14 (3) of the State Corporations Act.

The Tribunal was audited by the auditors from the Auditor General`s office for the year ended June 30, 2015.



Tom Odede
Tribunal Secretary

STATE CORPORATIONS APPEAL TRIBUNAL

IX. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 80 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the members to prepare financial statements in respect of the Tribunal, which give a true and fair view of the state of affairs of the Tribunal at the end of the financial year and the operating results of the Tribunal for that period. The members are also required to ensure that the Tribunal keeps proper accounting records which disclose with reasonable accuracy the financial position of the Tribunal. The members are also responsible for safeguarding the assets of the Tribunal.

The members are responsible for the preparation and presentation of the Tribunal's financial statements, which give a true and fair view of the state of affairs of the Tribunal for and as at the end of the financial year ended 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 Tribunal;
- 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 Tribunal;
- v. selecting and applying appropriate accounting policies; and
- vi. making accounting estimates that are reasonable in the circumstances.

The members accept responsibility for the Tribunal's financial statements which have been prepared using appropriate accounting policies supported by reasonable judgments and estimates, in conformity with the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The members are of the opinion that the Tribunal's financial statements give a true and fair view of the Tribunal's transactions during the financial year ended June 30, 2016, and of the Tribunal's financial position as at that date.

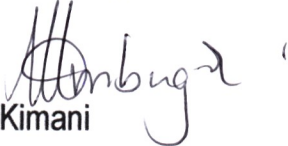
STATEMENT OF MANAGEMENT RESPONSIBILITIES contin.....

The members further confirm the completeness of the accounting records maintained for the Tribunal, which have been relied upon in the preparation of the Tribunal's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the members to indicate that the Tribunal 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 Tribunal's financial statements were approved by the Chairman and the Secretary on 30th September, 2016.


Mr. Joseph Kimani
CHAIRMAN


Mr. Tom Odede
SECRETARY

STATE CORPORATIONS APPEAL TRIBUNAL

X. REPORT OF THE INDEPENDENT AUDITORS



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATE CORPORATIONS APPEAL TRIBUNAL FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Report of the Auditor-General on the Financial Statements of State Corporations Appeal Tribunal for the year ended 30 June 2016

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tribunal'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.

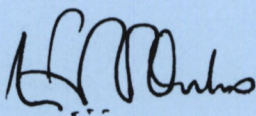
I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Note 13 to the financial statements shows that the staff advances of Kshs.4,479,440 were written off during the year having been outstanding for several years without any recoveries. However, the approval for the write off by the Cabinet Secretary of the National Treasury as required by Section 69 of the Public Finance Management Act, 2012 was not availed for audit. Therefore the write off of Kshs.4,479,440 is irregular and does not conform to the requirement of the Public Finance Management Act, 2012 and the Public Procurement and Asset Disposal Act, 2015.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of State Corporations Appeal Tribunal as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the State Corporations Act, Cap 446 Laws of Kenya.



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

Nairobi

17 May 2017

STATE CORPORATIONS APPEAL TRIBUNAL

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

		<u>2016</u> <u>Kshs</u>	<u>2015</u> <u>Kshs</u>
Revenue	Note		
Revenue from non-exchange transactions			
Government Grants	3(i)	54,709,040	54,709,039
		<u>54,709,040</u>	<u>54,709,039</u>
Revenue from exchange transactions			
Other revenue	3(ii)	7,727,470	5,325,898
		<u>7,727,470</u>	<u>5,325,898</u>
Total Revenue		<u><u>62,436,510</u></u>	<u><u>60,034,937</u></u>
Expenses			
Employee costs	4	11,012,863	6,332,455
Board Expenses	5	8,284,090	10,951,532
Depreciation expenses	6	610,331	722,259
Repairs and maintenance	7	118,361	151,512
General Expenses	8	8,397,242	8,540,493
Provision for bad and doubtful debts	13	4,479,440	-
Total Expenses		<u>32,902,327</u>	<u>26,698,252</u>
Loss on disposal	9	(91,998)	(162,395)
Surplus for the year		<u><u>29,442,185</u></u>	<u><u>33,174,290</u></u>

The notes set out on pages 7 to 15 form an integral part of the Financial Statements

STATE CORPORATIONS APPEAL TRIBUNAL

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

ASSETS	Note	2016	2015
		Kshs	Kshs
Current Assets			
Cash and cash equivalents	10	135,067,642	100,725,742
Receivables from exchange transactions	11	2,639,005	2,464,585
Receivables from non-exchange transactions	13a	68,000	-
		<u>137,774,647</u>	<u>103,190,327</u>
Non-current assets			
Property, Plant & Equipment	12	1,131,861	1,834,192
Long term receivables from non-exchange transactions	13	0	4,479,440
		<u>1,131,861</u>	<u>6,313,633</u>
Total Assets		<u>138,906,508</u>	<u>109,503,959</u>
LIABILITIES			
Current liabilities			
Trade and other Payables from non-exchange transactions	14	1,586,000	1,476,545
Trade and other payables from exchange transactions	15	14,384	163,472
Provision for audit fees	16	232,000	232,000
Total liabilities		<u>1,832,384</u>	<u>1,872,017</u>
NET ASSETS			
Accumulated Surplus		137,074,125	107,631,942
Net Assets		<u>137,074,125</u>	<u>107,631,942</u>
Total Net Assets and Liabilities		<u>138,906,508</u>	<u>109,503,959</u>

The financial statements set on page 1 to 13 were approved by the Chairman and Secretary on 30/9/2016 and were signed on behalf of the Board by:



Tom Odede

Tribunal Secretary

Date: 30th September 2016



Joseph Kimani

Chairman

Date: 30th September 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

Contd.....

When an asset is acquired in a non exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on straight line basis at annual rates estimated to write off the carrying values of the assets over their useful lives. The annual depreciation rates used are as follows:

Motor vehicle	25%
Furniture & fitting	12.5%
Computers hardware & software	30%
Equipment	12.5%

During the Financial Year ending June 2016, the Tribunal expensed I pads and mobile phones from the asset register and the same was effected in the financial statements.

d).Provisions -IPSAS 19

Provisions are recognised when the Tribunal has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Tribunal expects some or all of a provision to be reimbursed ,e.g ,under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the financial statement of financial performance net of any reimbursement.

Contingent Liabilities

Tribunal does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements ,unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

e). 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 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 at the National Bank of Kenya and Kenya Commercial Bank at the end of the financial year. For the purposes of these financial statements ,cash and cash equivalents also include short term cash imprests and advances to authorised public officer which was not accounted or surrendered at the end of the financial year.

f). Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

g). Financial instruments -IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The entity determines the classification of its assets at initial recognition.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognised in the surplus or deficit.

Held-to-maturity

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the entity has the positive intention and ability to hold it to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in surplus or deficit.

Impairment of financial assets

The entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated useful future cashflows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

The debtors or a entity of debtors are experiencing significant financial difficulty

Default or delinquency in interest or principal payments

The probability that debtors will enter bankruptcy or other financial reorganization

Observable data indicates a measurable decrease in estimated future cashflows (e.g. changes in arrears or economic conditions that correlate with defaults)

(h). Taxation

No provision has been made for income tax. The Tribunal's income is from the Government grants which are exempt from taxation.

(i) Incorporation

Tribunal is a statutory body established under the State Corporations Act (Cap 446 of the Laws of Kenya)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

j) Subsequent events-IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30,2016.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the process of applying the entity's accounting policies,management is required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources.The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects current and future periods.

a) Critical judgements in applying accounting policies.

There are no critical judgements apart from those involving estimates (see (b) below),that the directors have made in the process of applying the entities accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

b). Key sources of estimation uncertainty

Property,plant and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets.

Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

FINANCIAL RISK MANAGEMENT POLICIES

The Tribunal's financial risk management objectives and policies are detailed below:

Significant accounting policies

Details of the significant accounting policies and methods adopted,including the criteria for recognition the basis of measurement and the basis on which income and expenses are recognised,in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Financial risk management objectives

The Tribunal activities expose it to a variety of financial risks including credit risk,liquidity risks and the effects of changes in foreign currency rates.The Tribunal's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptance levels of risk.

Credit risk management

The Tribunal's credit risk is primarily attributable to its grants receivables,other receivables and bank balances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

The amounts of receivables other than grants receivable presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Tribunal's management based on prior experience and their assessment of the current economic environment.

The amount of grants receivable presented in the statement of financial position relates to expenditure incurred in excess of designated funds received.

The credit risk on grants receivable is limited because designated funds are sourced from credible sponsors and ministries within the Tribunal.

The credit risk on liquid funds with financial institutions is as low, because the counter parties are banks with credit ratings.

The Tribunal has no loans hence no exposure to interest rate risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors who have built an appropriate liquidity risk management framework for the management of the Tribunal's short, medium and long-term funding and liquidity management requirements. The Tribunal manages liquidity risk by maintaining enough required funds for its operations through continuous monitoring of forecast and actual cashflows.

3 (i). Revenue from non-exchange transactions

	2016	2015
Government Grants		
1st Quarter	13,677,260	13,677,260
2nd Quarter	13,677,260	13,677,260
3rd Quarter	13,677,260	13,677,260
4th Quarter	13,677,260	13,677,259
4th Quarter	-	
	<u>54,709,040</u>	<u>54,709,039</u>

3 (ii). Revenue from exchange transactions

Interest on Fixed Deposit Investment	7,727,470	5,325,898
	<u>7,727,470</u>	<u>5,325,898</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

	2016	2015
	Kshs	Kshs
4 Employee Costs		
Salaries	2,638,376	2,317,032
House Allowances	866,792	714,000
Commuter Allowance	368,000	396,000
Leave Allowance	22,000	36,000
Pension/Gratuity	0	0
NSSF	15,200	32,200
Staff Medical and GPA	1,227,296	971,627
Facilitation allowances	-	10,500
Training & capacity building	5,651,087	1,264,430
Other-allowances & benefits	224,112	590,666
	<u>11,012,863</u>	<u>6,332,455</u>
	No.	No.
Number of employees	<u>7</u>	<u>7</u>
5 Board Expenses		
Honoraria	960,000	960,000
Sitting Allowances	628,000	452,000
Board Meetings	26,000	644,000
Extraneous Allowances	960,000	2,136,000
Subsistence Allowance & Accomod	670,110	392,000
Subscriptions to Health Club	-	176,000
Training and Seminars	5,039,980	6,191,532
	<u>8,284,090</u>	<u>10,951,532</u>
6 Depreciation Expense		
Property, plant and equipment	<u>610,331</u>	<u>722,259</u>
7 Repairs and Maintanance		
Office Equipment	95,820	46,360
Vehicles	22,541	105,152
	<u>118,361</u>	<u>151,512</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

8 General Expenses	2016	2015
	Kshs	Kshs
Printing and stationery	220,789	200,531
Postage	10,510	11,380
Consumables	470,103	459,304
Newspapers, books and periodicals	27,660	48,492
Official entertainment	447,858	353,214
General office travelling	40,614	190,970
Fuel & Oil	40,000	360,000
Vehicle insurance & other charges	52,271	54,046
Property insurance costs	41,491	52,674
Telephone expenses	505,351	470,709
Computer Antivirus	78,880	28,420
Rent	4,539,661	4,423,019
Service charge -provision	-	163,472
Service charge expense	179,820	-
Office cleaning	8,960	63,298
Consultancy fees	244,910	-
Audit fees-current year	232,000	164,000
Strategic Plan 5 years	1,109,634	1,457,074
Corporate Social Responsibility	112,000	10,000
Bank charges	34,730	29,889
Total General Expenses	8,397,242	8,540,493

9 Loss on disposal		
Gain on disposal of laptop	-	(62,505)
Loss on disposal of ipads and mobile ha	91,998	224,900
	<u>91,998</u>	<u>162,395</u>

10 Cash and Cash Equivalents	2016	2015
	Kshs	Kshs
Bank	135,007,642	100,685,742
Cash-on- hand	60,000	40,000
	<u>135,067,642</u>	<u>100,725,742</u>

11 Receivables from Exchange Transactions	2016	2015
	Kshs	Kshs
Telephone and rent deposits	905,639	648,198
Prepaid rent and insurance	1,733,366	1,816,387
	<u>2,639,005</u>	<u>2,464,585</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

12 Property, Plant and Equipments

	Motor Vehicles	Computer Equipment & Software	Furniture & Fittings	Equipment (Telephone, Fax, Other)	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
2014/2015					
Cost					
At 1st July, 2014	3,048,000	6,543,522	5,095,695	3,068,940	17,756,157
Additions during the year	-	517,684	-	9,000	526,684
Disposals during the year	-	(69,450)	-	-	(69,450)
Write offs		(569,996)	-	(199,948)	(769,944)
At 30 June 2015	<u>3,048,000</u>	<u>6,421,760</u>	<u>5,095,695</u>	<u>2,877,992</u>	<u>17,443,447</u>
2015/2016					
At 1st July, 2015	3,048,000	6,421,760	5,095,695	2,877,992	17,443,447
Write offs during the year	-	(191,000)	-	(261,358)	(452,358)
At 30 June 2016	<u>3,048,000</u>	<u>6,230,760</u>	<u>5,095,695</u>	<u>2,616,634</u>	<u>16,991,089</u>
Depreciation:					
At 1 July, 2014	2,984,501	5,772,715	4,893,067	1,851,207	15,501,490
Charge for the year	63,499	369,305	53,586	235,869	722,259
Elimination on Disposal	-	(69,450)	-	-	(69,450)
Elimination on write off		(345,096)	0	(199,948)	(545,044)
At 30 June, 2015	<u>3,048,000</u>	<u>5,727,474</u>	<u>4,946,653</u>	<u>1,887,128</u>	<u>15,609,255</u>
As at 1 July, 2015	3,048,000	5,727,474	4,946,653	1,887,128	15,609,255
Charge for the year	0	301,355	53,586	255,390	610,331
Elimination on write off		(191,000)	0	(169,360)	(360,360)
As at 30 June 2016	<u>3,048,000</u>	<u>5,837,829</u>	<u>5,000,239</u>	<u>1,973,158</u>	<u>15,859,225</u>
N.B.V:30.6.2016	<u>-</u>	<u>392,931</u>	<u>95,454</u>	<u>643,476</u>	<u>1,131,861</u>
N.B.V :30.6.2015	<u>-</u>	<u>694,286</u>	<u>149,042</u>	<u>990,865</u>	<u>1,834,192</u>

* The motor vehicle with a cost of Kshs.3,048,00 and N.B.V of Kshs. 0 is fully depreciated though still in running.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

13 Long term receivables from non-exchange transactions

Staff advances	4,479,440	4,479,440
provision for bad and doubtful debt:	(4,479,440)	-
	<u>0</u>	<u>4,479,440</u>

13 a. Short term receivables from non exchange transactions

staff advances	<u>68,000</u>	<u>-</u>
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14 Trade and other payables from non-exchange transactions

Filling Fees	<u>1,586,000</u>	<u>1,476,545</u>
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15 Trade and other payables from exchange transactions

	2016	2015
Telephone	-	0
Others	14,384	-
Rent-service charge	-	163,472
	<u>14,384</u>	<u>163,472</u>

16 Provisions

Audit fees	<u>232,000</u>	<u>232,000</u>
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17 There were no contingent liabilities as at June 30,2016.

NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

i. **Other Revenue**

In the financial year under audit the Tribunal had investments in the fixed deposit which earned an interest of Kshs. 7,727,470 and Kshs.91,998 was declared as a loss on disposal arising from the assets expensed from the asset register which had a net book value of Kshs. 91,998.

ii. **Employee costs (Surplus Kshs.2,891,940)**

There was a surplus of Kshs. 2,891,940 on employee costs, this surplus refers to the difference of proposed salaries that were budgeted for and which the Tribunal was waiting for approval from Salary Remuneration Commission, the issue is now solved.

iii. **Board Expenses (Surplus Kshs. 4,305,887)**

The surplus in board expenses was as a result of the budget allowances for two Board Members of the Tribunal whose term expired and has not yet been replaced. There were also funds for hearing allowances for the members but the Tribunal received nil cases in the year under audit.

iv. **Other payments**

This includes money allocated to the Tribunal for purchase of an office space the money has not been utilized and it is being invested at the fixed deposit account as we search for an office space to purchase.

v. **Surplus**

In the year under audit the Tribunal had a surplus of Kshs. 33,921,624 .Out of this is Kshs.15 M for purchase of an office space, Kshs. 750,000 for procurement of office assets which were not procured due to lack of quorum for Board Members to approve the Procurement plan and Kshs. 3,645,769 being surplus from recurrent expenditure.

The surplus was as a result of:

a. The Tribunal budgeted for staff salaries using AT scales but paid using the Civil Service scales as we were waiting for clarification on the status of the Tribunal.

b. The tribunal had budgeted for workshop for the staff on developing the Finance policy and procedures manual which took place in July 2016.

