


REPUBLIC OF KENYA



Enhancing Accountability

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THE AUDITOR-GENERAL

ON

PUBLIC TRUSTEE OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2019**



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PUBLIC TRUSTEE OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The Office of the Public Trustee is established under the Public Trustee Act (Chapter 168 Laws of Kenya). It operates independently but within the organizational framework of the Division of the Administrator-General in the Office of the Attorney-General and Department of Justice.

b) Principal Activities

The mission of the Public Trustee is to provide professional, efficient and effective trustee services in administration of trusts and estates. Principal activities include;

- Administration of Estates under the Public Trustee Act Cap 168
- Administration of Trusts under the Public Trustee Act Cap 168
- Administration of Trusts under the Trustee Act Cap 167

c) Key Management

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

- The Public Trustee
- The Chief State Counsel
- The Deputy Chief State Counsel
- The Principal Accountant

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2019 and who had direct fiduciary responsibility were:

NO	Designation	Name
1	Ag Head. Public Trustee	Concepta N. Wasilwa
2	The Chief State Counsel	Mukulu Kariuki
3	The Chief State Counsel	Dorcas Nyalwidhe
4	The Chief State Counsel	Lucy W. Mugo
5	The Principal Accountant	Augustine K. Mburu

e) Public Trustee of Kenya Headquarters

Office of the Attorney General & Department of Justice

P. O. Box 49672 – 00100,

Sheria house, Harambee Avenue,

Nairobi, Kenya

II. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

f) Public Trustee of Kenya Contacts

Telephone: (254) 2227461

E-mail: p.t@ag.go.ke

Website: www.attorney-general.go.ke

g) Public Trustee's Bankers

1. National Bank of Kenya,
Harambee Avenue Branch,
P. O. Box 60000 - 00200, City Square
Nairobi, Kenya.
2. Stanbic Bank,
Kenyatta Avenue Branch,
P. O. Box 30556
Nairobi, Kenya.

h) Independent Auditors

Auditor- General
Office of the Auditor General
Anniversary Towers, University Way
P. O. Box 30084 – 00100,
Nairobi, Kenya

i) Principal Legal Adviser

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

III. MANAGEMENT TEAM

Name	Main area of responsibility
1. Concepta N. Wasilwa – LLB (Hons), Diploma in Law	Overall administration and co-ordination of Trustee Services, Estates and Trust funds.
2. Mukulu Kariuki – LLB (Hons), Diploma in Law	Supervising Administration of Estates and Trusts
3. Dorcas Nyalwidhe - LLB (Hons), Diploma in Law	Supervising Administration of Estates and Trusts
4. Lucy W. Mugo- LLB (Hons), Diploma in Law	Supervising Administration of Estates and Trusts
5. Augustine Mburu – CPA(K), MBA	Coordinating on financial matters.

IV. REPORT OF THE PUBLIC TRUSTEE

I have the pleasure of presenting the Public Trustee report for the financial year 2018 -2019. This report covers the Public Trustees financial, operational, governance performance in line with our vision and mission. The report reflects performance in Head office and 12 Regional Offices covering the financial year starting 1st July 2018 to 30th June, 2019. The financial information presented is prepared in line with Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

Due to inadequate budgetary allocation, the automation of Public Trustee services did not take off during the year under review. The next phase of Public Trustee's development includes automation and continuous improvement as we focus on continual business improvement and customer focus. In this regard, investment in our digital strategy will become increasingly important over the next three years.

Public Trustee services mainly address the needs of a minority vulnerable group of the population namely widows, widowers and orphans. Although the demand for Public Trustee services is very high and cuts across all counties in Kenya, the OAG&DOJ has only managed to decentralize the services to 12 counties. The Department in compliance with the requirement by the Constitution to make its services accessible to all Kenyans by decentralizing its services targets to establish three regional offices within the next three years.

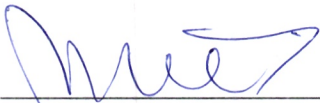
The Public Trustee is committed to developing and implementing innovative ways of service delivery to enhance client outcomes, improve systems and processes and build staff capacity. We also maintain open communication with our clients to obtain feedback regarding the standard of services we provide. As a result, our clients are benefitting from efficient communication; improved systems and processes; and stronger transparency and accountability. We are looking forward to continuing our client-centric journey of excellence and to realising our vision of being a trustee of choice in administration of trusts and estates.

It is my pleasure to present the Annual Report for the year ended 30 June, 2019. Cash and cash equivalents in the year 2018/2019 is Kshs 3,951,492,000 while in the year 2017/2018 it was Kshs. 6,282,557,000. This variance was caused by an increase in investment in Treasury Bills towards the

end of the year under review. The Department achieved a surplus of Kshs. 380,851,000, for the financial year under review compared with a surplus of Kshs. 383,499,000, during the 2017/18 financial year.

Factors contributing to the result were:

- Total revenue from activities reduced marginally during the year under review.
- Total expenses from ordinary activities reduced during the year.
- Corporate investments reduced marginally during the year.
- Dedicated staff.



Concepta Wasilwa
Ag. Head Public Trustee
Date. 28.05.2020.

V. CORPORATE GOVERNANCE STATEMENT

The Public Trustee is established by an act of Parliament discharging a statutory mandate.

Vision

To be the trustee of choice through service excellence

Mission

To provide efficient and professional legal services in administration of estates and trusts

In delivering this mandate, we shall be guided by and informed by our belief and commitment to the following values;

Values

- Respect for people and their dignity,
- Duty of care to customers,
- Integrity,
- Teamwork,
- Honesty
- Impartiality, inclusiveness and diversity.

Mandate of the Division

The Division's mandate can be summed up as follows:

- a) Administration of Estates under the Public Trustee Act Cap 168
- b) Administration of Trusts under the Public Trustee Act Cap 168
- c) Administration of Trusts under the Trustee Act Cap 167
- d) Estate Duty Commissioner under the Estate Duty Act Cap 483
- e) Custodian of Enemy Property under the Enemy's Property Act.
- f) Custodian of property of missing persons;
- g) Custodian of enemy property;
- h) Administration of the Estate Duty Act;
- i) Act as a Public Guardian or Conservator;
- j) Act as a Registrar of Wills.

The Public Trustee is committed to achieving and demonstrating the highest standards of corporate governance. During the year under review, the Department managed beneficiary's funds of Kenya Shillings 7,643,704,000.

Risk Management

One of the major responsibilities of the Public Trustee is to manage risk, not only in the interest of the Public Trustee as an entity, but also to protect the interests of its clients. The Office has put in place a Risk Management Plan and has established a Risk Management Committee. The Committee is responsible for monitoring risk assessment processes, controls and compliance with an internal risk control framework. The Public Trustee regularly reviews its risk management strategies and policies.

Management Team

The Public Trustee is assisted by four (4) Chief State Counsel and a Principal Accountant who are responsible for the day to day fund management. The management team comprises graduates from various universities recognized in Kenya. They maintain their professional development, knowledge and skills through training in corporate governance and other critical areas.

Some of the key opportunities for improvement over the next twelve months include a continuation of our client service focus training for the management team and other employees on integrity and ethics; accountability; client service delivery; problem solving; and decision making.

Investment Committee

The Public Trustee manages beneficiary funds on behalf of its clients. It has established an Investment Committee which also has responsibility over investment review processes to ensure that appropriate client investment decisions are made. The Public Trustee (Amendment) Act 2018 has however provided for establishment of a Public Trustee Investment Board. The Investment Board shall comprise;

- (a) The Solicitor-General as the Chairperson;
- (b) the person for the time being in charge of public investment and portfolio management at the ministry responsible for matters relating to finance or a designated representative;

- (c) one advocate having at least ten years' experience nominated by the Law Society of Kenya;
- (d) three persons with knowledge and at least fifteen years' experience in matters relating to finance, economics and investments -one of whom shall be of opposite gender from the other two; not being public officers; and not being full time employees or directors of a public company ; and
- (e) the Public Trustee.

The establishment of the Board is an enhancement of the existing governance structures to safeguard the beneficiaries' fund.

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Public Trustee by its own existence is a social responsibility of the government to the community. In accordance with the provisions of the Public Trustee Act, the responsibility of the Public Trustee to administer estates and trusts is a community service by the Government. Public Trustee fees charged is not commensurate with work done.

The Public Trustee gives free legal advice and creates awareness on law of succession and trusteeship to enable the public to pursue inheritance rights.

VII. STATEMENT OF PUBLIC TRUSTEE'S RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 requires the Public Trustee to prepare financial statements, which give a true and fair view of the state of affairs at the end of the financial year and the operating results of the for that year. The Public Trustee is also required to ensure that proper accounting records which disclose with reasonable accuracy the financial position are kept. The Public Trustee is also responsible for safeguarding the assets of the entity.

In this regard, the Public Trustee is responsible for;

- (i) maintaining adequate financial management policies 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 entity;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.


The Public Trustee accepts responsibility for the entity's financial statements, which have been prepared on the Accrual Basis method of Financial Reporting, using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in accordance with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Public Trustee is of the opinion that the entity's financial statements give a true and fair view of the state of its transactions during the financial year ended June 30, 2019, and of its financial position as at that date.

The Public Trustee further confirms the completeness of the accounting records maintained, which have been relied on in the preparation of the financial statements as well as the adequacy of the systems of internal financial controls.


The Public Trustee is of the opinion that the office will remain a going concern for at least the next twelve months from the date of this statement.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Public Trustee on 27th September, 2019 and signed by:



Concepta Wasilwa
Ag. Head Public Trustee
Date: 28/05/2020



Principal Accountant
CPA Augustine K. Mburu
ICPAK NO. 10823

VIII. REPORT OF THE PUBLIC TRUSTEE

The Public Trustee submits this report together with the financial statements for the year ended June 30, 2019 showing the performance and financial status of the Public Trustee.

PRINCIPAL ACTIVITIES

The Public Trustee has established twelve (12) regional offices in Kisumu, Malindi, Mombasa, Kakamega, Embu, Nyeri, Kisii, Machakos, Garissa, Meru, Eldoret and Nakuru with a Head office in Nairobi, making trustee services fairly accessible to the public. Through administration of estates and trusts, the Public Trustee discharges a constitutional mandate of addressing the needs of children, orphans, widows and widowers identified by the Constitution as vulnerable, weak and marginalized by taking cognizance of the social, economic and cultural realities affecting them.

RESULTS

Pursuant to the PFM Act and the Public Trustee Act, I hereby submit the Annual Report for the year ended June, 30, 2019.

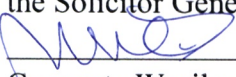
The Report is a concise account of collective efforts, achievements and performance in delivering accessible, affordable and timely trustee services to the people of Kenya. The Office remains committed to delivering services in accordance with the highest standards with an organisational culture of dignity and respect for all. The financial statements for the year ended June 30, 2019 are set out on pages 13 through 26.

APPRECIATION

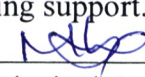
The Public Trustee has managed to execute its fiduciary mandate thanks to a strong partnership between the management team and a dedicated staff. My appreciation goes to all members of staff who have worked round the clock to make a difference in the lives of our clientele.

The Office has also received a lot of support from the top management in the Office of the Attorney General and Department of Justice.

My sincere appreciation goes to the Attorney General, **Hon. Justice Paul Kihara Kariuki**, and the Solicitor General **Mr. Kennedy Ogeto** for their unwavering support.



Concepta Wasilwa
Ag. Head Public Trustee
Date... 28/05/2020



Principal Accountant
CPA Augustine K. Mburu
ICPAK.NO: 10823

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON PUBLIC TRUSTEE OF KENYA FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Public Trustee of Kenya set out on pages 12 to 27, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, 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 knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Public Trustee of Kenya as at 30 June, 2019, 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 Public Finance Management Act, 2012 and the Public Trustee Act, Cap 168 of the laws of Kenya.

Basis for Qualified Opinion

1. Deposits

The statement of financial position reflects a balance of Kshs.122,400,000 under deposits which includes an amount of Kshs.72,000,000 held in Imperial Bank Limited. However, information available indicates that Imperial Bank Limited was placed under receivership by the Central Bank of Kenya on 13 October, 2015 and the Kenya Deposit Insurance Corporation (KDIC) appointed the receivers. Consequently, recoverability of the balance of Kshs.72,000,000 held at Imperial Bank remains doubtful.

Further, included in the deposits balance of Kshs.122,400,000 is a balance of Kshs.12,400,000 held at the Housing Finance Corporation of Kenya (HFCK) as at 30 June, 2019 which is at variance with Kshs.13,609,169 confirmed by the bank as at the same date. The resultant variance of Kshs.1,209,169 has not been explained.

Under the circumstances, the accuracy and completeness of deposits balance of Kshs.122,400,000 as at 30 June, 2019 could not be confirmed.

2. Investments

As disclosed in note 14 to the financial statements, the statement of financial position reflects a balance of Kshs.232,160,000 under investments, which includes a balance of Kshs.144,098,000 described as deposits in financial institutions under the management of the Kenya Deposit Insurance Corporation (KDIC) and the Official Receiver. However, as reported in the previous year, no explanation was provided for failure to seek refund of these dormant deposits. In addition, the dormant deposits of Kshs.144,098,000 includes investments totalling to Kshs.29,694,000 held in two (2) institutions as detailed below;

Institution	Investment Balance Kshs.	Managing Institution
Central Finance Ltd	22,750,000	Kenya Deposit Insurance Corporation (KDIC)
Allied Credit Ltd	6,944,000	Kenya Deposit Insurance Corporation (KDIC)
Total	29,694,000	

However, through letters dated 8 April, 2019, the Kenya Deposit Insurance Corporation notified the Public Trustee that the amounts are not payable as the two (2) institutions were wound up and stand dissolved.

Under the circumstances, the accuracy and completeness of investments balance of Kshs.232,160,000 as at 30 June, 2019 could not be confirmed.

3. Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.3,951,492,000 under cash and cash equivalents as at 30 June, 2019. However, bank reconciliation statements for the various public trustee administration bank accounts reflects outstanding reconciling items whose clearance status as at the time of the audit in March, 2020 was not disclosed as tabulated below;

Account	Payments in Cashbook not in Bank (Unpresented Cheques) Kshs.	Receipts in Bank Statement not in Cashbook Kshs.	Payments in Bank Statement not in Cashbook Kshs.	Receipts in Cashbook not in Bank Statement Kshs.
Administration Account- Nairobi	-	11,529,930	-	-
Nakuru	6,587,373	1,835,427	31,849	-
Nyeri	5,051,673	2,887,323	36,791	-
Machakos	3,892,136	2,281,141	15,220	-
Malindi	4,324,342	158,533	15,100	17,500
Mombasa	3,817,211	-	-	-
Eldoret	4,094,739	16,043,601	3,986	598,680
Kakamega	20,197,776	31,511,450	-	2,013,441
Kisii	10,234,000	2,155,152	2,886,966	-
Kisumu	10,061,495	1,989,282	-	-

Account	Payments in Cashbook not in Bank (Unpresented Cheques) Kshs.	Receipts in Bank Statement not in Cashbook Kshs.	Payments in Bank Statement not in Cashbook Kshs.	Receipts in Cashbook not in Bank Statement Kshs.
Garissa	404,971	-	210	22,080
Meru	2,049,799	4,993,776	81,408	1,354,311
Embu	13,227,649	2,717,446	5,468,250	-
Total	83,943,164	78,103,061	8,539,780	4,006,012

In addition, the investments account reconciliation statement reflects receipts in cash book not in bank statement totalling to Kshs.332,064 whose clearance status as at the time of audit in March, 2020 was not availed for audit verification.

In the circumstances, the validity and accuracy of the cash and cash equivalents balance of Kshs.3,951,492,000 could not be confirmed.

4. Treasury Bills

The statement of financial position reflects a balance of Kshs.5,712,450,000 under Treasury Bills as at 30 June, 2019. However, bank confirmation certificates in support of the balances held were not availed for audit verification casting doubt on the accuracy and validity of the Treasury Bills balance of Kshs.5,712,450,000.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Public Trustee of Kenya Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, RISK MANAGEMENT SYSTEMS AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Public Trustee's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Public Trustee to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Public Trustee to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

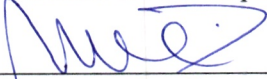
Nairobi


29 January, 2021

**X. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2019**

	Note	2018/2019	2017/2018
		KSHS	KSHS
Revenue			
Income From Exchange Services			
Public Trustee Fee	3	81,869,000	64,864,000
Income From Non-Exchange Services			
Finance income- External Investments			
Interest received on Treasury Bills & Deposits	4	165,448,000	407,278,000
Interest received on current Account	5	277,104,000	269,712,000
Other income	6	3,942,000	4,281,000
Finance income- outstanding receivables			
Accrued interest on Treasury bills & Deposits	7	189,059,000	24,076,000
Total revenue		717,422,000	770,211,000
Expenses			
Administrative Expenses	8	16,733,000	35,523,000
General Expenses	9	4,969,000	11,325,000
Total Expenses		21,702,000	46,848,000
Surplus/(Deficit) before appropriation		695,720,000	723,363,000
Public Trustee Fees Account		81,869,000	64,864,000
Provision for interest due to beneficiaries		233,000,000	275,000,000
Surplus/(Deficit) after appropriation		380,851,000	383,499,000

The notes set out on pages 17 to 26 form an integral part of the Financial Statements


Concepta Wasilwa
Ag. Head Public Trustee
Date: 28/05/2020

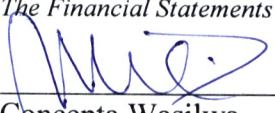

Principal Accountant
CPA Augustine K. Mburu
ICPAK.NO: 10823
Date: 28/05/2020

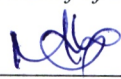
XI. STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2019

		2018/2019		2017/2018
		KSHS		KSHS
Current Assets				
Cash and Cash Equivalents	10	3,951,492,000		6,282,557,000
Receivable from Non Exchange Transactions				
Treasury Bills	11	5,712,450,000		4,240,000,000
Interest Receivable	12	189,059,000		24,076,000
Total Current Assets		<u>9,853,001,000</u>		<u>10,546,633,000</u>
Non-Current Assets				
Deposits	13	122,400,000		122,400,000
Investments	14	232,160,000		253,660,000
Total Non-Current Assets		<u>354,560,000</u>		<u>376,060,000</u>
Total Assets		<u>10,207,561,000</u>		<u>10,922,693,000</u>
Non-Current Liabilities				
Beneficiaries Fund	15(a)	7,643,704,000		8,697,688,000
Interest provision due to beneficiaries	16	233,000,000		275,000,000
Beneficiaries Fund		<u>7,876,704,000</u>		<u>8,972,688,000</u>
Total Liabilities		<u>7,876,704,000</u>		<u>8,972,688,000</u>
Net Assets		<u>2,330,857,000</u>		<u>1,950,006,000</u>
Accumulated Surplus		1,950,006,000		1,566,507,000
Surplus/(Deficit)for the Year		380,851,000		383,499,000
Total Reserves		<u>2,330,857,000</u>		<u>1,950,006,000</u>

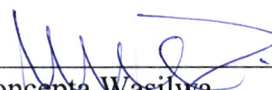
The Financial Statements set out on pages 12 to 16 were signed on behalf of the Public Trustee by:



Concepta Wasilwa
Ag. Head Public Trustee
Date.....


Principal Accountant
CPA Augustine K. Mburu
ICPAK.NO: 10823
Date.....

**XII. STATEMENT OF CHANGE IN NET ASSETS
 FOR YEAR ENDED 30TH JUNE 2019**

	2019	2018
	KSHS	KSHS
<i>Balance as at 1st July 2018</i>	1,950,006,000	1,566,507,000
<i>Surplus/(Deficit)for the period</i>	380,851,000	383,499,000
<i>Transfer to/From Accumulated Surplus</i>		
<i>Balance as at 30th June 2019</i>	<u>2,330,857,000</u>	<u>1,950,006,000</u>


 Concepta Wasilwa
 Ag. Head Public Trustee
 Date: 28/05/2020


 Principal Accountant
 CPA Augustine K. Mburu
 ICPAK.NO: 10823
 Date: 28/05/2020

**XIII. STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30TH JUNE 2019**

		2018/2019	2017/2018
	<i>Notes</i>	Kshs.	Kshs.
<i>Cash Flow From Operating Activities</i>			
<i>Receipts</i>			
<i>Other Income</i>	6	3,942,000	4,281,000
<i>Total Receipts</i>		<u>3,942,000</u>	<u>4,281,000</u>
<i>Payments</i>			
<i>Administrative Expenses</i>	8	16,733,000	35,523,000
<i>General Expenses</i>	9	4,969,000	11,325,000
<i>Total Payments</i>		<u>21,702,000</u>	<u>46,848,000</u>
<i>Net cash flow from operating activities</i>		<u>(17,760,000)</u>	<u>(42,567,000)</u>
<i>Cash Flow From Investing Activities</i>			
<i>Receipts</i>			
<i>Interest received from treasury bills & deposits</i>	4	165,448,000	407,278,000
<i>Increase/(Decrease) in treasury bills</i>	11	(1,472,450,000)	0
<i>Increase/(Decrease) in Investments</i>	14	21,500,000	0
<i>Interest received from current accounts</i>	5	277,104,000	269,712,000
<i>Cash flow from investing activities</i>		<u>(1,008,398,000)</u>	<u>676,990,000</u>
<i>Cash flow from financing activities</i>			
<i>Receipts</i>			
<i>Receipts from administration account</i>	15(b)	5,974,693,000	6,349,167,000
<i>Receipts from trust account</i>	15(b)	308,970,000	2,275,234,000
<i>Total receipts from financing activities</i>		<u>6,283,663,000</u>	<u>8,624,401,000</u>
<i>Payments</i>			
<i>Advances and final dues administration account</i>	15(c)	6,725,988,000	4,157,306,000

<i>Advances and final dues trust account</i>	15(c)	611,659,000	986,700,000
<i>Interest paid</i>	15(d)	250,923,000	
<i>Total payments</i>		7,588,570,000	5,144,006,000
<i>Net cash inflows from financing activities</i>		(1,304,907,000)	3,480,395,000
<i>Net cash out flow</i>		(2,331,065,000)	4,114,818,000
<i>Cash and cash equivalents as at 1st July 2018</i>		6,282,557,000	<u>2,167,739,000</u>
<i>Cash and cash equivalents as at 30th June 2019</i>		3,951,492,000	<u>6,282,557,000</u>

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of Preparation

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

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

2. Summary of Significant Accounting Policies

a) Revenue Recognition

(i) Revenue from Non-Exchange Transactions

- **Public Trustee Fees**

The entity recognizes revenues from fees upon distribution of estates and termination of trusts and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

- **Transfers from other Government Entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. However during the year, Public Trustee did not have such revenue.

(ii) Revenue from exchange transactions

- **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The main source of interest is Treasury bills. The entity also earns interest from current account and fixed deposits.

b) Taxes

Public Trustee main source of income is interest from Treasury Bills and Fixed deposits from various financial institutions of which withholding tax is charged at source.

c) Financial instruments

(i) Financial assets

- **Treasury Bills**

Public Trustee invests heavily on Treasury Bills due to their nature in terms of risk (risk free). It therefore recognizes Treasury Bills whose maturity date falls beyond the end of the financial year being reported on. These Treasury Bills are recognized as a current asset and are quoted at face value less withholding tax and interest.

- **Deposits**

Fixed deposits held with various banks are reported under non-current assets and recognized as assets. These deposits are stated at the recoverable amounts. Accrued interest (interest receivable) on Treasury Bills, current accounts and fixed deposits is also recognized as a current asset pro rata.

d) Provisions for Interest due to beneficiaries

Public Trustee invests in Treasury Bills. The interest earned is distributed among the various estates and trusts. The rate of provision is determined by the prevailing average interest rates on Treasury Bills in the year under review which constitutes more than 99% of the total Public Trustee investments. During the financial year under review, the Treasury Bills earned an average interest rate of six point five per cent. The interest distributed in the year was at three per cent. The variance was caused by withholding tax deducted and money on call which cannot be invested because it should be available for payment to beneficiaries on demand.

e) Contingent Liabilities

Public Trustee did not have a contingent liability in the year under review, 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.

f) Contingent Assets

Public Trustee did not have a contingent asset in the year under review, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

g) Nature and Purpose of Reserves

The Public Trustee creates and maintains reserves in terms of specific requirements such as interest to beneficiaries, statutory requirements and any other contingent liabilities.

h) Changes in Accounting Policies and Estimates

Public Trustee has recognized the effects of changes in accounting policy retrospectively. We have therefore adopted the accrual basis of accounting for the year ended June 30th 2019 as well as the preceding financial year (year ended June 30th 2018) for comparative purposes.

In order to make the financial statements more concise and clear, we have consolidated the expenditure into two classes whose details are now presented in the notes. This has no effect on the financial performance and position.

i) Cash and cash equivalents

Cash and cash equivalents comprise bank account balances. Bank account balances include amounts held in various commercial banks at the end of the financial year.

j) Subsequent events

There have been no events subsequent to the end of the financial year with a significant impact on the financial statements for the year ended June 30, 2019.

3. Public Trustee Fees

Public Trustee fees are a statutory charge to administration and trust estates under the administration of the Public Trustee. The same is charged when the administration of an estate is concluded and handed over to the beneficiaries and is remitted to the State Law Office Account in form of government revenue.

Summary of revenue raised as per table below

STATION	2018/2019	2017/2018
	Kshs	Kshs
<i>Administration- Nairobi</i>	12,064,000	5,748,000
<i>Trust Estates-Nairobi</i>	14,763,000	12,166,000
<i>Nakuru</i>	5,184,000	5,035,000
<i>Nyeri</i>	3,830,000	2,810,000
<i>Machakos</i>	10,278,000	8,543,000
<i>Malindi</i>	1,000,000	1,113,000
<i>Mombasa</i>	5,792,000	3,164,000
<i>Embu</i>	3,401,000	1,174,000
<i>Eldoret</i>	4,184,000	5,214,000
<i>Kakamega</i>	6,112,000	5,124,000
<i>Kisii</i>	7,284,000	8,768,000
<i>Kisumu</i>	7,219,000	4,314,000
<i>Garissa</i>	301,000	858,000
<i>Meru</i>	457,000	834,000
Total	81,869,000	64,864,000

4. Interest Received on Treasury Bills and Deposits

Account	2019	2018
	Kshs	Kshs
<i>Public Trustee Administration Account</i>	110,398,000	260,808,000
<i>Public Trustee Trust Estates</i>	3,598,000	60,787,000
<i>Public Trustee Investment</i>	36,773,000	54,654,000
<i>Public Trustee Sundry</i>	11,527,000	27,744,000
Sub total	162,296,000	403,993,000
<i>Interest on Deposit</i>	3,152,000	3,285,000
Total	165,448,000	407,278,000

5. Interest Received on Current Account

	<i>2019</i>	<i>2018</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Public Trustee Administration Account</i>	205,274,000	229,420,000
<i>Public Trustee Trust Estate Account</i>	61,737,000	32,959,000
<i>Public Trustee Investment Income Account</i>	6,261,000	5,470,000
<i>Public Trustee Sundry Expenses Account</i>	3,832,000	1,863,000
<i>Total</i>	<u>277,104,000</u>	<u>269,712,000</u>

6. Other Income

	<i>2019</i>	<i>2018</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Regional Offices</i>	2,410,000	3,661,000
<i>Nairobi</i>	1,532,000	620,000
<i>Total</i>	<u>3,942,000</u>	<u>4,281,000</u>

7. Accrued Interest on Treasury Bills and deposits

	<i>2019</i>	<i>2018</i>
	<i>kshs</i>	<i>Kshs</i>
<i>Interest receivable on deposits</i>	1,263,000	58,000
<i>Interest receivable on treasury bills</i>	187,796,000	24,018,000
<i>Total</i>	<u>189,059,000</u>	<u>24,076,000</u>

8. Administrative Expenses

	2019	2018
	Kshs	Kshs
<i>Daily Subsistence Allowance</i>	4,734,000	10,595,000
<i>Community sensitization</i>	6,671,000	13,878,000
<i>Field services</i>	5,267,000	11,031,000
<i>Sub total</i>	16,672,000	35,504,000
<i>Financial Cost</i>	61,000	19,000
<i>Total</i>	<u>16,733,000</u>	<u>35,523,000</u>

9. General Expenses

	2019	2018
	Kshs	Kshs
<i>Hospitality Supplies and Services</i>	574,000	1,159,000
<i>Repairs and Maintenance</i>	951,000	2,137,000
<i>Printing, Postages, and courier</i>	3,444,000	8,029,000
<i>Total</i>	<u>4,969,000</u>	<u>11,325,000</u>

10. Cash and cash equivalents

STATION	2019	2018
	Kshs	Kshs
<i>Public Trustee Administration- Account</i>	2,716,800,000	4,136,312,000
<i>Public Trustee Trust Estates</i>	736,958,000	1,039,647,000
<i>Public Trustee Investment Account</i>	290,134,000	606,606,000
<i>Public Trustee Sundry Expenses Account</i>	207,600,000	499,992,000
<i>Total</i>	<u>3,951,492,000</u>	<u>6,282,557,000</u>

11. Treasury Bills

	2019	2018
	Kshs	Kshs
<i>Public Trustee Administration- Account</i>	3,500,000,000	2,800,000,000
<i>Public Trustee Investment Account</i>	1,100,000,000	1,000,000,000
<i>Public Trustee Trust Account</i>	512,450,000	140,000,000
<i>Public Trustee Sundry Expenses Account</i>	600,000,000	300,000,000
Total	<u>5,712,450,000</u>	<u>4,240,000,000</u>

12. Interest receivable

	2019	2018
	kshs	Kshs
<i>Interest receivable on deposits</i>	1,263,000	58,000
<i>Interest receivable on treasury bills</i>	187,796,000	24,018,000
Total	<u>189,059,000</u>	<u>24,076,000</u>

13. Deposits

	2019	2018
	Kshs	Kshs
<i>Public Trustee Administration Account</i>	32,750,000	35,000,000
<i>Public Trustee Investment Income Account</i>	71,250,000	82,000,000
<i>Public Trustee Trust Estates Account</i>	5,400,000	5,400,000
<i>Public Trustee Administration/Investment (NIC bank)</i>	13,000,000	
Total	<u>122,400,000</u>	<u>122,400,000</u>

14. Investment

<i>Investments refers to deposits held with various financial institutions which were converted into non-cumulative preference shares, ordinary shares and deposits with financial institutions under the management of the Kenya Deposit, Insurance Corporation and The Official Receiver.</i>		
	2019	2018
Details	Kshs	Kshs
<i>Consolidated bank of Kenya Ltd 2,420,005 4% non-cumulative preference shares of Kshs 20@</i>	48,400,000	48,400,000
<i>Consolidated bank of Kenya Ltd 660,000 ordinary shares of Kshs 20@</i>	13,200,000	13,200,000
<i>City Finance bank Ltd 25,126 ordinary shares of Ksh 1,000@</i>	25,126,000	25,126,000
<i>Trust Bank Ltd 415,761 ordinary shares of Kshs 5@ at a discounted rate of Kshs 4</i>	1,336,000	1,336,000
Sub-total	<u>88,062,000</u>	<u>88,062,000</u>
<i>Deposits- financial institutions under the management of Kenya Deposit, Insurance Corporation and Official Receiver.</i>	144,098,000	165,598,000
Total	<u>232,160,000</u>	<u>253,660,000</u>

15. (a). Beneficiary funds

	2019	2018
	Kshs	Kshs
<i>Public Trustee Trust estate account</i>	1,077,708,000	1,072,584,000
<i>Add: Provision for the Year</i>	32,000,000	32,000,000
Trust Estates Total Beneficiary fund	<u>1,109,708,000</u>	<u>1,104,584,000</u>
<i>Public trustee Administration Account</i>	6,565,996,000	7,625,104,000
<i>Add: Provision for the year</i>	201,000,000	243,000,000
Administration Total Beneficiary fund	<u>6,766,996,000</u>	<u>7,868,104,000</u>
Total	7,876,704,000	8,972,688,000
<i>Less: Provision for the year</i>	233,000,000	275,000,000
Beneficiary Fund	<u>7,643,704,000</u>	<u>8,697,688,000</u>

15.(b).

BENEFICIARY FUND RECEIPTS	
	2018/2019
	Kshs.
<i>RECEIPTS: Trust Estates</i>	308,970,000
<i>Administration Estates</i>	5,974,693,000
TOTAL RECEIPTS	6,283,663,000

15. (c).

BENEFICIARY FUND PAYMENTS	2018/2019
	Kshs.
<i>Opening Balance</i>	8,697,688,000
<i>Add: Total Receipt</i>	6,283,663,000
<i>Subtotal</i>	<u>14,981,351,000</u>
<i>Less Payments:</i>	
<i>Trust Estates</i>	611,659,000
<i>Administration Estates</i>	6,725,988,000
<i>Sub Total</i>	<u>7,337,647,000</u>
<i>Closing Balance</i>	7,643,704,000

15.(d).

INTEREST PAID TO ESTATES	
MONTH	AMOUNT
	2018/2019
	Kshs.
<i>July 2018</i>	-
<i>August 2018</i>	3,889,000
<i>September 2018</i>	1,198,000
<i>October 2018</i>	9,131,000
<i>November 2018</i>	4,775,000
<i>December 2018</i>	13,281,000
<i>January 2019</i>	718,000
<i>February 2019</i>	27,476,000
<i>March 2019</i>	61,400,000
<i>April 2019</i>	22,343,000
<i>May 2019</i>	5,579,000
<i>June 2019</i>	101,133,000
TOTAL	250,923,000

16. Provision due to beneficiaries - Annual Interest

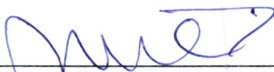
	2019	2018
	Kshs	Kshs
<i>Public Trustee Administration Estates</i>	201,000,000	245,000,000
<i>Public Trustee Trust Estates</i>	32,000,000	32,000,000
Total	<u>233,000,000</u>	<u>275,000,000</u>

The above provision for interests to beneficiaries results from the average interest earned within the year under review taking into consideration the reserves and Cash on call for payments to beneficiaries within the year. In the year under review, the provision was based on three percent interest rate.


17. Immovable Properties

The financial statements do not include the immovable properties due to the technical nature of the value and identity of the said assets. The Public Trustee is the administrator of last resort and therefore does not have the power to enforce the valuation and other disclosures in regard to the assets by the beneficiaries.

Beneficiaries bear the valuation cost and in most cases they are unable to raise valuation fees even for purposes of administration of estates. Therefore including assets without proper value may not be prudent and the accounts may not present a true and fair view of the financial position.



 Concepta Wasilwa
 Ag. Head Public Trustee
 Date: 28/05/2020



 Principal Accountant
 CPA Augustine K. Mburu
 ICPAK.NO: 10823
 Date: 28/05/2020

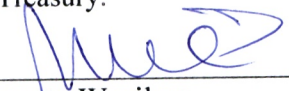
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
526	Unsupported investments	The management has taken note of the recommendation by PAC and hence provided confirmed and reconciled figures from the office of the Official receiver and Kenya Deposit Insurance Corporation. The Public Trustee continue to engage the office of the Official receiver and Kenya Deposit Insurance Corporation for the recovery of the same.	SOLICITOR GENERAL AND PUBLIC TRUSTEE	PARTIALLY RESOLVED	ON GOING
534	Deposits-Imperial Bank	The Public Trustee through the Solicitor General has written to the Cabinet Secretary National Treasury seeking authority to open bank account with Kenya Commercial Bank in compliance with PFM Act, and the bank operations requirement. The Public Trustee is therefore waiting for the response.	SOLICITOR GENERAL AND PUBLIC TRUSTEE	PARTIALLY RESOLVED	ON GOING

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.


Concepta Wasilwa
Ag. Head Public Trustee
Date: 28.05.2020