REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

Paper Laid By Hon. A. Duale (MP) on Thursday 11.06.2015

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF STATE CORPORATIONS APPEAL TRIBUNAL

FOR THE YEAR ENDED 30 JUNE 2014

V.11

STATE CORPORATIONS APPEAL TRIBUNAL

ANNUAL REPORT
&
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30 2014

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

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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:

Ms. Stella Munyi-Tribunal Secretary

Ms.Trizah Mwasi-Human Resource Officer

Ms.Naomi Mwai -Accountant

Mr.Collins Okello -Legal Clerk

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Chairman	Mr.Joseph Kimani
2	Member	Ms. Stella Munyi
3	Member	Mr.Samuel Onyango
4	Secretary	Ms. Stella Munyi

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

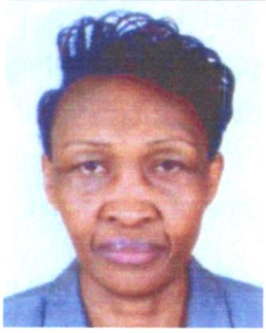
P.O Box 30084 00100

NAIROBI.

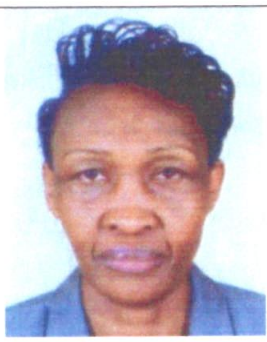
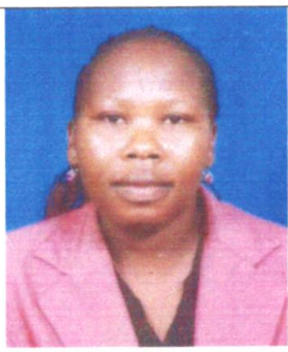
STATE CORPORATIONS APPEAL TRIBUNAL

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
 **MS. JUDITH GUSERWA** Holds masters in Law (LLM) from University of Nairobi MBA Executive from Moi university, Bachelor of Law, Degree from UON and a post graduate diploma from the Kenya School of Law.	**MEMBER** Ms. Guserwa is a lawyer by profession; She is a private legal practitioner at M/S J.A. Guserwa & Co Advocates. She holds a position of a Board Member at the Tribunal. She is a member of the Law Society of Kenya (LSK) D.O.B : 20.3.1959

 **MR. SAMMY ONYANGO** He holds a Bachelor of Commerce (Accounting option) from the UON and a CPAK holder.	**MEMBER** Mr.Onyango is an accountant by profession, he was a Chairman of the Institute of Certified Public Accountants of Kenya (ICPAK), He holds the position of a Chief Executive Officer at Delloite Eastern Africa and he was a Board Member at the Tribunal until 31st March 2014. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of the Certified Public Secretaries of Kenya (ICPSK). D.O.B :7.10.1956
 **MS.STELLA MUNYI** Holds a Bachelor in laws (LLB) from the UON,MBA (Human Resource & Strategic Management) from the UON and a diploma in law from the Kenya School of Law.	**TRIBUNAL SECRETARY** Ms. Munyi is a lawyer by profession and an advocate of the High Court of Kenya; She is currently the Chief Litigation Counsel at the State Law Office and Secretary to the Tribunal. She is a member of Law Society of Kenya (LSK) ,FIDA Kenya and Certified Public Secretaries (CPS) D.O.B :6.9.1968

III. MANAGEMENT TEAM

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
 **MS. STELLA MUNYI** Holds a Bachelor in laws (LLB) from the UON, MBA (Human Resource & Strategic Management) from the UON and a diploma in law from the Kenya School of Law	**TRIBUNAL SECRETARY** She is the Accounting officer of 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.
 **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.	**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.

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.

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.

IV. CHAIRMAN`S STATEMENT

The Chairman of the Tribunal acknowledges good financial performance in the Financial year 2013/14.

The achievements during the year include;

- Concluding all pending cases and delivered judgments
- Initiated the process of developing a five year strategic plan.
- Procurement of important office assets for office use.
- Received grants for the purchase of office space from Treasury.

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

- Limited number of cases referred to the Tribunal by the Inspector of State Corporations since the decision to surcharge lies solely with the Inspector General as provided 4 under Sec 19 of the State Corporations Act Cap 446;

- Insufficient funds to cater for the Tribunal`s need.

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: 16/9/2014

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, 2003.

The Tribunal is fully funded by the Government. In the financial year, the Tribunal was allocated Kshs. 49,709,039 which amount included Kshs. 24,476,773 as capital expenditure and Kshs.25,232,366 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:

- Inadequate resources from National Treasury.
- Weak legal and institutional framework which limits the mandate of the Tribunal to hearing only surcharge cases from the Inspectorate of State Corporations.
- Staff capacity gaps as the Tribunal has not been able to fill all necessary positions due to inadequate resources as a result of underfunding.
- Lack of clarity as to the status of the Tribunal.

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

Stella Munyi
TRIBUNAL SECRETARY
Date. 16/9/2014

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 comprises of four (4) members who are independent non-executive directors including the Chairman.
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 don'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. The Board held nine (9) regular and two (2) special meetings during the year under review.

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 when the Tribunal Court was set up and started receiving appeals from persons surcharged. The Tribunal was established following an increase in cases of surcharge when the Government found it necessary to provide an avenue for redress to those who felt aggrieved from surcharge by the Inspector of State Corporations.More specifically, 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;

VISION

To be a model Tribunal respected for being just at all times and recognized for dealing with appeals in a transparent and expeditious manner, without compromising on the relevant laws.

MISSION

To provide impartial, fair, efficient, accurate and accessible services to all parties.

CORE VALUES

- Fairness
- Justice
- Impartiality
- Accessibility
- Integrity
- Professionalism
- Timeliness

The Tribunal is planning to have its corporate responsibily activity in the year 2015 which and will de reflected in the statements of the financial year 2015/16.

STATE CORPORATIONS APPEAL TRIBUNAL

VIII.REPORT OF THE TRIBUNAL MEMBERS'

The Board Members submit their report together with audited financial statements for the year ended June 30,2014 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, 2014 are set out on page 1-5.

Directors

The members of the Board who served during the year are shown on page v & vi.The contract for one member, Mr Samuel Onyango expired on 31st March 2014.

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 30,2014.

Stella Munyi
Tribunal Secretary

IX.STATEMENT OF MEMBERS' 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 30,2014.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 matter 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, 2014, and of the Tribunal`s financial position as at that date. 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.

STATEMENT OF MEMBERS' RESPONSIBILITIES contin.....

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 Board on 22nd August, 2014 and signed on its behalf by:

By order of the Board

Mr. Joseph Kimani
CHAIRMAN

Ms.Stella Munyi
SECRETARY

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATE CORPORATIONS APPEAL TRIBUNAL FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of State Corporations Appeal Tribunal, set out on pages 1 to 13, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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 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 13 of the Public Audit Act, 2003.

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 15(2) and (3) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of State Corporations Appeal Tribunal as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the State Corporations Act, Cap 446 Laws of Kenya.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

14 May 2015

STATE CORPORATIONS APPEAL TRIBUNAL

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Kshs	2013 Kshs
Revenue			
Revenue from non-exchange transactions			
ɪovernment Grants	3(i)	49,709,039	49,709,128
		49,709,039	**49,709,128**
Revenue from exchange transactions			
Other revenue	3(ii)	3,178,739	23,000
		3,178,739	**23,000**
Total Revenue		**52,887,778**	**49,732,128**
Expenses			
Employee costs	4	5,490,082	8,491,990
Board Expenses	5	3,556,129	3,610,643
Depreciation expenses	6	1,658,144	1,892,873
Repairs and maintanance	7	146,598	253,247
General Expenses	8	7,854,398	8,056,353
Finance costs	9	14,985	19,738
Total Expenses		**18,720,336**	**22,324,844**
Other gains/(losses)			
Loss on sale of assets		-	(22,530)
Surplus for the year		**34,167,442**	**27,384,754**

The notes set out on pages 7 to 13 form an integral part of the Financial Statements

STATE CORPORATIONS APPEAL TRIBUNAL

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014	2013
ASSETS		**Kshs**	**Kshs**
Current Assets			
Cash and cash equivalents	10	68,430,856	31,846,494
Receivables from exchange transactions	11	1,368,221	2,137,722
		69,799,077	33,984,216
Non-current assets			
Property,Plant & Equipment	12	2,254,666	3,500,311
Long term receivables from non-exchange t	13	4,479,440	4,539,652
		6,734,107	8,039,963
Total Assets		**76,533,184**	**42,024,180**
LIABILITIES			
Current liabilities			
Trade and other Payables from non-exchang	14	1,489,955	1,487,320
Trade and other payables from exchange transa	15	285,577	14,650
Provisions	16	300,000	232,000
Total liabilities		**2,075,532**	**1,733,970**
NET ASSETS			
Accumulated Surplus		74,457,652	40,290,210
Net Assets		**74,457,652**	**40,290,210**
Total Net Assets and Liabilities		**76,533,184**	**42,024,180**

The financial statements set on page 1 to 13 were approved by the Board on August 22,2014 and were signed on behalf of the Board by:

Stella Munyi
Tribunal Secretary
Date: 16/9/2014

Joseph Kimani
Chairman
Date: 16/9/2014

STATE CORPORATIONS APPEAL TRIBUNAL

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Accumulated Surpluses Restated Kshs
Balance as at 30th June, 2012	**12,344,452**
Surplus for the period	27,384,754
Prior year adjustment	561,004
Balance as at 30th June, 2013	**40,290,210**
Balance as at 30th June, 2013	**40,290,210**
Surplus for the period	34,167,442
Balance as at 30th June, 2014	**74,457,652**

The accumulated surplus has been restated with Kshs. 561,004 being prior year adjustments for an overprovision made in the year ended 30 June 2013 accounted as accounts payable which was supposedd to be an over provision for gratuity.

STATE CORPORATIONS APPEAL TRIBUNAL

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		KSHS	KSHS
Cash flows From Operating Activities:			
Receipts			
Government Grants	3(i)	49,709,039	49,709,128
Other Revenues	3(ii)	3,178,739	23,000
Decrease/ (Increase) in current receivables	11	769,501	(529,685)
		53,657,279	**49,202,442**
Payments			
Employee costs	4	5,490,082	8,491,990
Board of Directors expenses	5	3,556,129	3,610,643
Rent paid		3,985,556	3,848,768
Finance Cost	9	14,985	19,738
Other payments	8	4,015,440	4,460,831
(Decrease)/ Increase in trade and other payables		(341,562)	1,442,509
		16,720,630	**21,874,479**
Net cashflows from operating activities		**36,936,649**	**27,327,963**
Cashflow from investing activities			
Purchase of property,plant and equipment	12	(412,499)	(533,994)
Proceeds on Disposal of equipments	12	-	71,000
Decrease in non current receivable	13	60,212	346,060
Net cash outflow from investing activities		**(352,287)**	**(116,934)**
Net increase in cash and cash equivalents		36,584,362	27,211,029
Cash and cash equivalents at the beginning of the period		31,846,494	4,635,465
Cash and cash equivalents at the end of the period	10	**68,430,856**	**31,846,494**

STATE CORPORATIONS APPEAL TRIBUNAL

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30th June 2014

	Original Budget 2013-2014 Kshs`000	Adjsutments 2013-2014 Kshs`000	Final Budget 2013-2014 Kshs`000	Actual on comparable basis 2013-2014 Kshs`000	Performance Difference 2013-2014 Kshs`000
Revenue					
Government grants	114,834,123	65,124,995	49,709,128	49,709,039	-
Other Revenue	-	-	-	3,178,739	3,178,739
Total Revenue	**114,834,123**	**65,124,995**	**49,709,128**	**52,887,778**	**3,178,739**
Expenses					
Employee costs	18,242,351	9,569,883	8,672,468	5,490,082	3,182,386
Board Expenses	15,704,000	9,344,000	6,360,000	3,556,129	2,803,871
Finance cost	50,000	20,000	20,000	14,985	5,015
Rent paid	6,710,532	1,332,532	5,378,000	4,461,555	916,445
Other payments	74,127,240	44,828,580	29,278,660	5,197,585	24,081,075
Total Expenditure	**114,834,123**	**65,094,995**	**49,709,128**	**18,720,336**	**30,988,792**
Surplus for the period	-			**34,167,442**	

1. Statement of compliance and basis of preparation-IPSAS 1

The Tribunal`s 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 entity .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 The cashflow 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- IPSAS 23
The Tribunal operations are financed by Government Grants.The grants are accounted for on cash basis.

ii) Revenue from exchange transactions.
Other sources of revenue are recognised to the extent that the related revenue can be reliably measured.

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 method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information -IPSAS 24

The annual budget is prepared on the accrual basis,that is,all planned costs and income are presented in a single statement to determine the needs of the Tribunal.As a result of the adoption of the accrual basis for budgeting purposes,there are no basis,timing or entity differences that would require reconciliation between the actual comparable amounts and amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

(c) Property,plant and equipment - IPSAS 17

All property ,plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.
When significant parts of property, plant and equipment are required to be replaced at intervals,Tribunal recognises such parts as individual assets with specific useful lives and depreciates them accordingly.
All other repair and maintanace costs are recognised in surplus or deficit as incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014.

Contd...........

When an asset is acquired in a non exchange transaction for nil or nominal consideration the asset is intially 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%

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.

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 includeshort 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 ammended or reconfigured to conform to the required changes in presentation.

(g). Taxation

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

(h) 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 2014.

3 (i). Revenue from non-exchange transactions

	2014	2013
Government Grants		
1st Quarter	12,427,260	8,808,092
2nd Quarter	12,427,260	18,808,091
3rd Quarter	12,427,260	10,784,855
4th Quarter	12,427,259	6,308,091
4th Quarter	-	4,999,999
	49,709,039	**49,709,128**

3 (ii). Revenue from exchange transactions

	2014	2013
Fees on prequalification/tender fee	198,000	23,000
Interest on Fixed Deposit Investmer	2,980,739	-
	3,178,739	**23,000**

4 Employee Costs

	2014 Kshs	2013 Kshs
Salaries	2,337,889	3,780,000
House Allowances	817,500	1,956,000
Commuter Allowance	423,000	720,000
Leave Allowance	30,000	-
Pension/Gratuity	31,500	378,000
Under provision of pension arrears	0	12,886
NSSF Employers portion	1,400	16,800
Staff Medical and GPA	956,363	846,508
Facilitation allowances	31,500	56,000
Training & capacity building	294,610	113,895
Other-allowances & benefits	566,320	611,901
	5,490,082	8,491,990

	No.	No.
Number of employees	7	7

5 Board Expenses

	2014	2013
Honoraria	960,000	221,333
Hearing Allowances	-	140,000
Sitting Allowances	1,116,000	906,000
Board Meetings	540,000	736,000
Extraneous Allowances	240,000	-
Subsistense Allowance & Accomod	126,015	-
Training and Seminars	574,114	1,607,310
	3,556,129	3,610,643

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014.

6 Depreciation Expense		
Property,plant and equipment	1,658,144	1,892,873
7 Repairs and Maintanance		
Office Equipment	92,650	183,578
Vehicles	53,948	69,669
	146,598	253,247
8 General Expenses	**2014**	**2013**
	Kshs	**Kshs**
Printing and stationery	149,582	251,871
Postage		
Consumables	421,714	429,549
Newspapers,books and periodicals	29,360	63,770
Official entertainment	126,671	106,504
General office travelling	153,864	137,425
Fuel & Oil	380,000	370,000
Vehicle insurance & other charges	67,696	150,745
Property insurance costs	49,167	71,602
Telephone expenses	430,926	428,479
Internet and e-mail	-	5,000
Web design and Maintanance	-	2,000
Rent	3,985,556	3,848,768
Service charge -provision	267,885	-
Office cleaning	66,297	103,460
Consultancy and Legal Services	-	302,140
Advertising	119,480	45,240
Audit fees-current year	300,000	232,000
Audit fees-under provision	-	32,000
Strategic Plan 5 years	1,306,200	1,475,800
Total General Expenses	**7,854,398**	**8,056,353**
9 Finance Costs		
Bank charges	14,985	19,738

10 Cash and Cash Equivalents

	2014	2013
	Kshs	Kshs
Bank	12,442,391	31,806,494
Cash-on- hand	40,000	40,000
Short term deposits	55,948,464	-
	68,430,856	31,846,494

11 Receivables from Exchange Transactions

	2014	2013
	Kshs	Kshs
Telephone and rent deposits	648,198	648,198
Prepaid rent and insurance	720,023	1,489,524
	1,368,221	2,137,722

12 Property,Plant and Equipments

	Motor Vehicles	Computer Equipment & Software	Furniture & Fittings	Equipment (Telephone, Fax, Other)	Total
2012/2013	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost					
At 1st July,2012	3,048,000	5,872,584	5,095,695	2,980,444	16,996,723
Additions during the year	-	448,000	-	85,994	533,994
Disposals during the year	-	(123,062)	-	(63,997)	(187,059)
At 30 June 2013	3,048,000	6,197,522	5,095,695	3,002,441	17,343,658
2013/2014					
At 1st July,2013	3,048,000	6,197,522	5,095,695	3,002,441	17,343,658
Additions during the year	-	346,000	-	66,499	412,499
At 30 June 2014	3,048,000	6,543,522	5,095,695	3,068,940	17,756,157
Depreciation:					
At 1 July,2012	1,460,501	4,393,535	4,780,512	1,409,454	12,044,002
Charge for the year	762,000	819,067	58,969	252,837	1,892,873
Elimination on Disposal	-	(38,198)		(55,331)	(93,529)
At 30 June,2013	2,222,501	5,174,404	4,839,481	1,606,961	13,843,346
As at 1 July,2013	2,222,501	5,174,404	4,839,481	1,606,961	13,843,347
Charge for the year	762,000	598,311	53,586	244,246	1,658,144
	2,984,501	5,772,715	4,893,067	1,851,207	15,501,491
N.B.V:30.6.2014	**63,499**	**770,807**	**202,628**	**1,217,733**	**2,254,666**
N.B.V :30.6.2013	**825,499**	**1,023,118**	**256,214**	**1,395,480**	**3,500,311**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13 Long term receivables from non-exchange transactions

Staff advances	4,479,440	4,539,652

14 Trade and other payables from non-exchange transactions

Filling Fees	1,489,955	1,487,320

15 Trade and other payables from exchange transactions

	2014	2013
	Restated	
Telephone	4,352	2,470
Others	13,340	12,180
Rent-service charge	267,885	-
	285,577	14,650

16 Provisions

Audit fees	300,000	232,000

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. 2,980,739 and collected a revenue of Kshs. 198,000 from sale of tender documents both adding up to Kshs. 3,178,739.

ii. **Employee costs**

There was a surplus of Kshs. 3,182,386 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.

iii. **Board Expenses**

The surplus refers to the money that was budgeted for hearing allowance for the year under audit in which there was no hearing during the period.Hence the surplus.

iv. **Rent paid**

The rent was paid in in full in the year under audit and the surplus resulted from a provision of increament in rent budgeted for.

v. **Other payments**

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