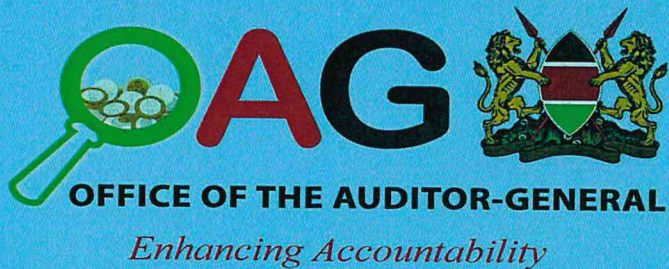


REPUBLIC OF KENYA



## REPORT

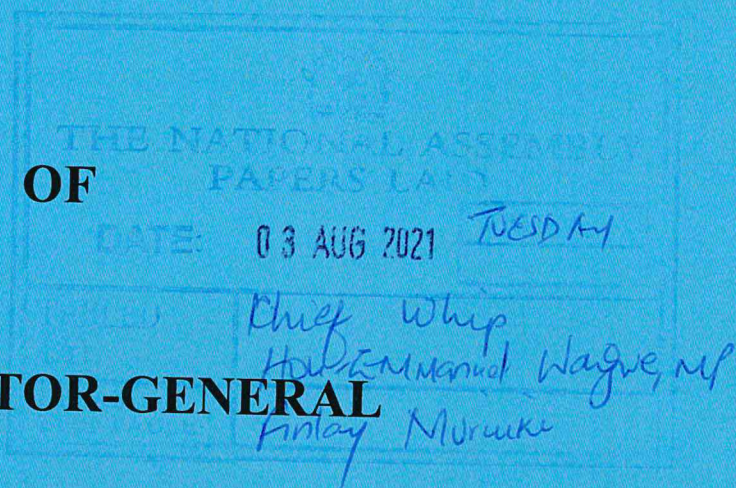
OF

THE AUDITOR-GENERAL

ON

STATE CORPORATIONS APPEAL  
TRIBUNAL

FOR THE YEAR ENDED  
30 JUNE, 2020







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

29 JAN 2021

**RECEIVED**



NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 03 AUG 2021

TABLED  
BY:

**STATE CORPORATIONS APPEAL TRIBUNAL**

**ANNUAL REPORT  
&  
FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30 2020**

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 2020

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# STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

## 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:

1. Mr. Tom Odede – Tribunal Secretary
2. Ms. Trizah Mwasi-Senior Human Resource Officer
3. Ms.Naomi Mwai –Senior Accountant
4. Mr.Collins Okello -Legal Clerk

### d) Fiduciary Management

During the financial year ended 30<sup>th</sup> June 2020 the Tribunal had only one Board and a Secretary to the Board who had direct fiduciary responsibility:

No.	Designation	Name
1.	Board Member	Mr. David N Njuguna
2.	Secretary	Mr.Tom Odede

**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**e) Tribunal's Headquarters**

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

**f) Tribunal's Contacts**

Tel: 0203318374/5/6  
Email: [info@scat.go.ke](mailto:info@scat.go.ke)  
Website: [www.scat.go.ke](http://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,  
Anniversary Towers, University Way  
P.O Box 30084 00100  
NAIROBI.



**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**i) Principal Legal Adviser**

The Attorney General

State Law Office


Harambee Avenue

P.o Box 40112 00200

NAIROBI.

**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**II. LIST OF BOARD MEMBERS**

<b>VACANT</b>	<b>CHAIRMAN</b>
 <p><b>MR.DAVID NJUGUNA</b></p> <p>Holds a Bachelors in Laws (LL.B) from Makerere University, Kampala and a Post Graduate Diploma in Law from the Kenya School of Law.</p>	<p><b>BOARD MEMBER</b></p> <p>Mr.David Njuguna is a lawyer by profession and an advocate of the High Court of Kenya; He is currently working at R. M. Mugo &amp; Co. Advocates, in Embu and a Member at the Tribunal. He is a member of Law Society of Kenya (LSK).</p> <p>He is an Accredited Mediator by MAC Judiciary and a Certified Arbitrator of Fellow status (FCI Arb) of the Chartered Institute of Arbitrators United Kingdom and the Kenyan Branch.</p> <p>D.O.B : 1981</p>
<b>VACANT</b>	<b>BOARD MEMBER</b>



**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**



**MR.TOM ODEDE**

Holds a Bachelor in laws (LLB) from the University of Ailahabad, 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

**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**III. MANAGEMENT TEAM**

NAME AND KEY QUALIFICATIONS, ACADEMIC QUALIFICATIONS	KEY QUALIFICATIONS AND WORK EXPERIENCE
 <p><b>MR. TOM ODEDE</b> Holds a Bachelor in laws (LLB) from the University of Ailahabad, India and a post graduate diploma in law from the Kenya School of Law.</p>	<p><b>TRIBUNAL SECRETARY</b> 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</p>
 <p><b>CPA NAOMI MWAI</b> Holds a Bachelor of Business Management (Accounting) from Moi University and a holder of CPAK. Member, Institute of Certified Public Accountants of Kenya.</p>	<p><b>SENIOR ACCOUNTANT</b>  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/work plans and cashbooks, payroll accounting and petty cash management.</p>



**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**



**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 Bachelor of Laws from Catholic University of Eastern Africa, Post Graduate Diploma from Kenya School of Law and Certificate in Purchasing and Supplies Management from JKUAT.

**LEGAL CLERK**

He is the Legal Clerk to the Tribunal. Responsible for receiving, drafting and production of necessary legal and court documents, assisting the Board with the research on cases, preparation of Tribunal orders/decrees and various correspondences and administration of Tribunal contracts.

**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**IV. CHAIRMAN'S STATEMENT**

The Chairman of the Tribunal acknowledges good financial performance in the Financial year 2019/20.

The achievements during the year include;

- The Tribunal's has developed its five year strategic plan which will run from 2019 to 2022 once it's adopted.
- The Tribunal was able to review the staff establishment and develop the salary structures which were submitted for approval by the Public Service Commission (PSC)

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 enabling legislation does not provide any clarity as to the corporate status of the Tribunal.
- The Tribunal Board was not able to discharge its statutory mandate as it was not fully constituted after the term of the Chairman and the one Board member expired without replacement.
- The public and State Corporations lack awareness about the activities of the Tribunal.
- Absence of a clear transitional policy or framework guiding the transfer of the Tribunal from the executive to the Judiciary so as to optimize its operations.

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

**CHAIRMAN**

Date: , 2020.

**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**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. 21,525,328 for 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 able to discharge its statutory mandate as it was not fully constituted after the term of the Chairman and one Board member expired without replacement.
- The Tribunal did not receive any cases from the Inspectorate of State Corporations.
- Absence of a clear transitional policy or framework guiding the transfer of the Tribunal from the executive to the Judiciary so as to optimize its operations.
- Staff capacity gaps occasioned by the existing Tribunal grading structure and structural organization, which is currently under review. Lack of clarity as to the corporate status of the Tribunal.

The Tribunal has raised the above challenges with the relevant authorities for the purpose of improving its operations.



Tom Odede

**SECRETARY**

**Date. 25/9/2020.**



**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**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.

**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**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:-

- Consider and determine appeals from the Inspector of State Corporations;
- Hear and grant interim reliefs on applications;
- Confirm certificate of surcharge upon lapse of the limitation period; and
- Inform policy development through its decisions;

**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 2019/20 the Tribunal was involved in workshop for Induction of Board Members of State Corporations, attended to its stakeholders at the Mombasa International trade fair, Mt.Kenya Central show, Kitale Show and at the Jamhuri International Trade Fair,we were also involved in the induction of Board Members from various State Corporations.

**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**VIII.REPORT OF THE TRIBUNAL BOARD MEMBERS'**

The Board Members submit their report together with audited financial statements for the year ended June 30,2020 which show the state of the Tribunal`s affairs.

**Principal activities**

The principal activities of the Tribunal are;

- Receiving certificates of surcharges;
- Registration of new appeals /applications;
- Hearing of appeals/applications;
- Carrying out research and new jurisprudence;
- Writing of judgement and rulings;
- Preparation of witness summons ,orders, proceedings and decrees; and
- Sensitization of the public on the role of the Tribunal

**Results**

The results of the Tribunal for the year ended June 30, 2020 are set out on page 1-5.

**Directors**

During the financial year 2019/20 there was only one Board Member. The positions of the other Board Member (Mr.Samuel Onyango) fell vacant on 31<sup>st</sup> March 2014, and for the Chairman on 11<sup>th</sup> February 2018 when the terms expired.

**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, 2019.



Tom Odede  
Secretary



## **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, 2020. 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, 2020, and of the Tribunal's financial position as at that date.

**STATE CORPORATIONS APPEAL TRIBUNAL DRAFT ANNUAL  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2020**

**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 Secretary on 25/9, 1 2020.

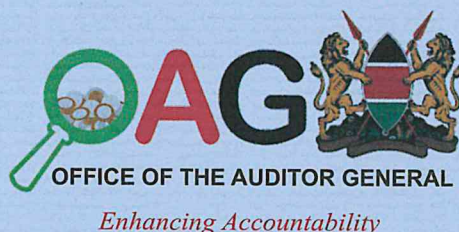


Mr. Tom Odede  
**SECRETARY**



# REPUBLIC OF KENYA

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E-mail: [info@oagkenya.go.ke](mailto:info@oagkenya.go.ke)  
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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON STATE CORPORATIONS APPEAL TRIBUNAL FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of State Corporations Appeal Tribunal set out on pages 1 to 19, which comprise the statement of financial position as at 30 June, 2020, 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 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of State Corporations Appeal Tribunal as at 30 June, 2020, 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 and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Corporations Appeal Tribunal 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 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.



## **Other Matter**

### **Unresolved Prior Year Audit Matter - Staff Advances Written-Off**

As reported previously, staff advances amounting to Kshs.4,479,440 were written off without the approval of the Cabinet as required under Section 69(3) of the Public Finance Management Act, 2012 and Regulation 148(8) of the Public Finance Management (National Government) Regulations, 2015. No evidence of the Tribunal having written back the advances and commenced recoveries from the affected staff was provided for audit.

## **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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, I confirm that, nothing else 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**

#### **Non-Compliance with Executive Order No. 1 of 2018**

As previously reported, the Presidential Executive Order No.1 of 2018 transferred oversight of the State Corporations Appeal Tribunal to The National Treasury. However, as reflected in Note 6 to the financial statements, the Tribunal continued to receive its budgetary allocation (government grants) from the Judiciary. The Tribunal is therefore, in continued breach of the Executive Order to this extent.

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.



## **Basis for Conclusion**

### **Non-Functional Board**

As previously reported, the Tribunal operated without a functional Board, as the Secretary was the only person in office during the year. This is contrary to the provisions of Section 22 of the State Corporations Act, CAP 446 which states that the Tribunal shall consist of a Chairman, appointed by the President, and two other members appointed by the Minister responsible for matters relating to Finance while the Attorney-General shall appoint a public officer to be Secretary to the Tribunal. Consequently, it has not been possible to confirm the Tribunal's effectiveness over controls, risk management and overall governance in absence of a functional Board.

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 Tribunal'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 intention to terminate the Tribunal 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 Tribunal's 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 Tribunal 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 overall 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 Tribunal'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 Tribunal 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 Tribunal 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**

**06 July, 2021**





# STATE CORPORATIONS APPEAL TRIBUNAL

Annual Reports and Financial Statements for the year ended 30 June 2020

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Note	<u>2020</u> <u>Kshs</u>	<u>2019</u> <u>Kshs</u>
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Government Grants	6(i)	21,525,328	39,700,000
		<u>21,525,328</u>	<u>39,700,000</u>
<b>Total Revenue</b>		<u>21,525,328</u>	<u>39,700,000</u>
<b>Expenses</b>			
Employee costs	7	5,664,094	13,226,712
Board Expenses	8	1,146,930	1,628,207
Depreciation expenses	9	697,110	890,101
Repairs and maintenance	10	3,600	559,582
General Expenses	11	18,503,340	27,026,547
<b>Total Expenses</b>		<u>26,015,074</u>	<u>43,331,149</u>
<b>Surplus(Deficit) for the year</b>		<u>(4,489,746)</u>	<u>(3,631,149)</u>
Refund of surplus for fy 2018/19		<u>0</u>	<u>(2,029)</u>
<b>Net Surplus(Deficit) for the year</b>		<u>(4,489,746)</u>	<u>(3,633,178)</u>

The notes set out on pages 7 to 19 form an integral part of the Financial Statements

# STATE CORPORATIONS APPEAL TRIBUNAL

Annual Reports and Financial Statements for the year ended 30 June 2020

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ASSETS	Note	2020	2019
		Kshs	Kshs
Current Assets			
Cash and cash equivalents	12	112,286,315	117,763,902
Receivables from exchange transactions	13	905,639	905,639
		113,191,954	118,669,542
Non-current assets			
Property,Plant & Equipment	14	1,411,339	2,108,448
		1,411,339	2,108,448
Total Assets		114,603,293	120,777,990
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transac	15	1,532,623	3,517,574
Provision for audit fees	16	600,000	300,000
Total liabilities		2,132,623	3,817,574
NET ASSETS			
Accumulated Surplus		112,470,670	116,960,416
Net Assets		112,470,670	116,960,416
Total Net Assets and Liabilities		114,603,293	120,777,990

The financial statements set on page 1 to 19 were approved by the Chairman and Secretary on and were signed on behalf of the Board by:



Secretary  
Tom Odede

Date: 25/9/2020



Senior Accountant  
Naomi Mwai  
ICPAK M.no.10307

Date: 25/9/2020

Chairman

Date: 2020

# STATE CORPORATIONS APPEAL TRIBUNAL

Annual Reports and Financial Statements for the year ended 30 June 2020

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

---

	Accumulated Surpluses
	Kshs
Balance as at 1st July, 2018	120,593,594
Surplus for the year 2018/19	(3,633,178)
Balance as at 30th June, 2019	<u>116,960,416</u>
Balance as at 1st July, 2019	116,960,416
Surplus for the year 2019/20	(4,489,746)
Balance as at 30th June, 2020	<u>112,470,670</u>



# STATE CORPORATIONS APPEAL TRIBUNAL

Annual Reports and Financial Statements for the year ended 30 June 2020

## STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 KSHS	2019 KSHS
<b>Cash flows From Operating Activities:</b>			
<b>Receipts</b>			
Government Grants	6(i)	21,525,328	39,700,000
Refund of surplus from previous Fy		0	(2,029)
Decrease/ (Increase) in current receivables	13	0	13,800
		<u>21,525,328</u>	<u>39,711,771</u>
<b>Payments</b>			
Employee costs	7	5,664,094	13,226,712
Board of Directors expenses	8	1,146,930	1,628,207
Rent paid	11	5,276,499	5,105,981
Withholding VAT/corporation tax		3,874,708	420,008
Other payments	11	9,355,733	22,060,140
(Decrease)/ Increase in trade and other payables	15	1,684,951	(2,729,112)
		<u>27,002,915</u>	<u>39,711,936</u>
<b>Net cashflows from operating activities</b>		<u>(5,477,587)</u>	<u>(165)</u>
Cashflow from investing activities			
<b>Net cash outflow from investing activities</b>		<u>0</u>	<u>0</u>
Net increase in cash and cash equivalents		(5,477,587)	(165)
Cash and cash equivalents at the beginning of the period		117,763,902	117,764,068
Cash and cash equivalents at the end of the period	12	<u>112,286,315</u>	<u>117,763,902</u>

# STATE CORPORATIONS APPEAL TRIBUNAL

Annual Reports and Financial Statements for the year ended 30 June 2020

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 30th June 2020

	Original Budget	Adjsutments	Final Budget	Actual on comparable basis	Performance Difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
<b>Revenue</b>					
Government grants	21,525,328	-	21,525,328	21,525,328	-
Other Revenue	-	-	-	-	-
<b>Total Revenue</b>	<b>21,525,328</b>	-	<b>21,525,328</b>	<b>21,525,328</b>	-
<b>Expenses</b>					
Employee costs	5,737,060	-	5,737,060	5,664,094	72,966
Board Expenses	1,146,930	-	1,146,930	1,146,930	0
Depreciation expenses	-	-	0	697,110	(697,110)
Repairs and maintainance	49,898	-	49,898	3,600	46,298
General expenses	14,591,440	-	14,591,440	18,503,340	(3,911,900)
<b>Total Expenditure</b>	<b>21,525,328</b>	-	<b>21,525,328</b>	<b>26,015,074</b>	<b>(4,489,746)</b>
<b>Surplus for the period</b>	-		0	<b>(4,489,746)</b>	- 4,489,746
Surplus b/f					
Surplus for the year					

### Notes.

SCAT was allocated Kshs.21,525,328 million in the financial year 2019/20 as per the AIE's issued from the Judiciary.

### Adjustments

There was no adjustment in the budget during the year 2019/20.

### Board Expenses

One Member was nominated to the Tribunal to represent the Law Society of Kenya .

### Deficit

During the financial year the Tribunal had a deficit of Kshs. 4.49 million this was occasioned by payment of corporation tax that was not in the budget plus the depreciation of Kshs. 0.7 million.

## STATE CORPORATIONS APPEAL TRIBUNAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 1. GENERAL INFORMATION

The State Corporations Appeal Tribunal is established by and derives its authority and accountability from the State Corporations Act, Cap 446. The Tribunal is wholly owned by the Government of Kenya. The Tribunal's principal activity is to consider and determine appeals emanating from decision of the Inspector General - State Corporations.

#### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity'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 cashflow is prepared using the direct method. The financial statements are prepared on accrual basis.

#### 3. ADOPTION OF NEW AND REVISED STANDARDS

##### i. Relevant new standards and amendments to published standards effective for the year ended ended 30 June 2020.

Standards	Impact
IPSAS 40: Public Sector Combinations	<b>Applicable :1 st January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>This IPSAS did not have any impact on the Tribunal</i>



## STATE CORPORATIONS APPEAL TRIBUNAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.

Contd.....

#### ii. New and amended standards and interpretations in issue effective in the year ended 30 June 2019.

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable :1 st January 2022</b> The objective is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cashflows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29
<b>IPSAS 42</b> Social Benefits	<b>Applicable: 1st January 2022</b> SCAT does not have social benefits for now to report

#### iii. Early adoption of standards

SCAT did not early-adopt any new or amended standards in year 2020.

## 4. 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 accrual basis. During the Financial year the Tribunal received recurrent grants amounting to Kshs.39,700,000

#### Trasfers from other government entities

Revenue from non exchange transactions with other government entities are measured at fair value and recognised on obtaining control of the asset and its probable that the transfer is free from conditions and it is probable that the 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. Recurrent grants are recognised in the statement of comprehensive income. Development grants are recognised in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

#### ii) Revenue from exchange transactions.

Other sources of revenue are recognised to the extent that the related revenue can be reliably measured.

## STATE CORPORATIONS APPEAL TRIBUNAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.

Contd.....

#### **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.

There was no interest income during the year.

#### **b) Budget information - IPSAS 24**

SCAT's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section of these financial statements.

#### **(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 maintenance costs are recognised in surplus or deficit as incurred.

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%

## **STATE CORPORATIONS APPEAL TRIBUNAL**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.**

#### **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.

Where 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.

#### **Contingent assets**

SCAT does not recognise a contingent asset, 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). Changes in accounting policies and estimates**

SCAT recognises the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective applications are impractical.

#### **f). Employee benefits**

##### **Retirement benefit plans**

SCAT provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post employment benefit plans other than defined contribution plans. The defined benefits fund are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lumpsum payments or increased future contributions on proportional basis to all participating employers. The contributions and lumpsum payments reduce the post-employment benefit obligation.



## **STATE CORPORATIONS APPEAL TRIBUNAL**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.**

#### **g). Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

#### **h). Borrowing Costs**

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalised over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

#### **i). Related parties**

SCAT regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the entity, or vice versa. Judiciary, Members of key management at SCAT are regraded as related parties and comprise the Board Members, the CEO and senior managers.

#### **j). Service concession arrangements**

SCAT analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, SCAT recognises that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement. Any assets so recognised, SCAT also recognises a corresponding liability, adjusted by a cash consideration paid or received.

#### **k ). 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.

#### **l). Comparative figures**

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

## **STATE CORPORATIONS APPEAL TRIBUNAL**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.**

#### **m). Subsequent events**

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, 2020.

#### **n). 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 an 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:

- i. The debtors or a entity of debtors are experiencing significant financial difficulty
  - ii. Default or delinquency in interest or principal payments
  - iii. 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)

##### **Taxation**

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



## **STATE CORPORATIONS APPEAL TRIBUNAL**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.**

#### **Incorporation**

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

#### **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.



## **STATE CORPORATIONS APPEAL TRIBUNAL**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.**

#### **Credit risk management.Continued.....**

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.

Th 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 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 mainatining enough required funds for its operations through continous monitoring of forecast and actual cashflows.

### **5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

#### **Estimates and assumptions**

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

#### **Useful lives and residual values**

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

- a.The condition of the asset based on the assessment of the experts employed by SCAT.
- b.The nature of the asset,its susceptibility and adaptability to changes in technology and processes
- c.The nature of the processes in which the asset is deployed
- d.Availability of funding to replace the asset
- e.Changes in the market in relation to the asset

## STATE CORPORATIONS APPEAL TRIBUNAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the managements' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

#### 6 (i). Revenue from non-exchange transactions

	2020	2019
Government Grants		
1st Quarter	5,471,085	9,925,000
2nd Quarter	6,038,003	9,925,000
3rd Quarter	6,319,570	9,925,000
4th Quarter	3,688,120	9,925,000
4th Quarter	8,550	
	<u>21,525,328</u>	<u>39,700,000</u>

#### 6(ii). Transfers from Other Government departments

Name of sending entity	Amount in comprehensive income	Amount deferred	Amount recognised in capital fund	Total grants
The Judiciary				5,471,085
The Judiciary				6,038,003
The Judiciary				6,319,570
The Judiciary				3,688,120
The Judiciary				8,550
				<u>21,525,328</u>

**STATE CORPORATIONS APPEAL TRIBUNAL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>7 Employee Costs</b>		
Salaries	2,421,690	2,437,867
House Allowances	1,173,000	1,173,000
Commuter Allowance	288,000	288,000
Leave Allowance	44,000	-
Pension/Gratuity	242,168	170,208
NSSF	9,600	1,680
Staff Medical and GPA	-	-
Facilitation allowances	-	-
Training & capacity building	1,278,761	7,036,257
Other-allowances & benefits	206,875	2,119,700
	<u>5,664,094</u>	<u>13,226,712</u>
	No.	No.
Number of employees	<u>6</u>	<u>6</u>
<b>8 Board Expenses</b>	<b>2020</b>	<b>2019</b>
Honoraria	-	-
Sitting Allowances	-	-
Board Meetings	-	-
Extraneous Allowances	960,000	720,000
Subsistence Allowance	28,130	60,817
Training and Seminars	158,800	847,390
	<u>1,146,930</u>	<u>1,628,207</u>
<b>9 Depreciation Expense</b>		
Property, plant and equipment	<u>697,110</u>	<u>890,101</u>
<b>10 Repairs and Maintenance</b>	<b>2020</b>	<b>2019</b>
Office Equipment	3,600	559,582
Vehicles	-	-
	<u>3,600</u>	<u>559,582</u>



**STATE CORPORATIONS APPEAL TRIBUNAL****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.**

<b>11 General Expenses</b>	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Printing and stationery	471,809	1,458,286
Postage	9,072	11,008
Consumables	219,175	130,208
Newspapers, books and periodicals	-	6,360
Official entertainment	22,933	58,671
General office travelling	43,935	343,870
Fuel & Oil	19,685	22,960
Vehicle insurance & other charges	59,694	-
Property insurance costs	-	-
Telephone expenses-Board	192,029	144,777
Telephone expenses-secretariat	127,120	160,380
Internet and email	191,831	196,295
Computer Antivirus	-	42,300
Office suite 2010	-	-
Rent	5,276,499	5,105,981
Office cleaning	2,300	30,810
Audit fees-current year	600,000	300,000
Retreat on Public Procurement	-	2,981,438
Development of strategic plan retreat	2,138,610	1,310,265
Outreach programs (Mombasa & Ny	1,533,750	2,411,180
Staff establishment & org structure	1,821,823	2,972,300
Sensitization to Parastatals	444,000	2,917,560
Conference fees	-	2,044,596
IPPD workshop	-	616,700
Development of Salary structure	-	751,800
ITAX retreat	1,426,900	898,551
GHRIS retreat	-	949,700
PAS training	-	703,676
corporation tax	3,874,708	420,008
Bank charges	27,466	36,867
<b>Total General Expenses</b>	<b>18,503,340</b>	<b>27,026,547</b>

**STATE CORPORATIONS APPEAL TRIBUNAL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020.**

<b>12 Cash and Cash Equivalents</b>	<b>2020</b>	<b>2019</b>
	Kshs	Kshs
Bank	112,286,315	117,763,902
Cash-on- hand	-	-
	<u>112,286,315</u>	<u>117,763,902</u>

**12 (a). Detailed analysis of the cash and cash equivalents**

**Financial Instituti Account number**

**Current Account**

National Bank of K	100100911400	(168,723.00)	4,164
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**Savings Account**

National Bank of K	1285000911400	100,000	100,000
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KCB Bank	1143251776	112,355,038	117,659,738
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	<u>112,286,315</u>	<u>117,763,902</u>
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**13 Receivables from Exchange Transactions**

	<b>2020</b>	<b>2019</b>
	Kshs	Kshs
Telephone and rent deposits	905,639	905,639
Prepaid rent and insurance	-	-
	<u>905,639</u>	<u>905,639</u>

**STATE CORPORATIONS APPEAL TRIBUNAL**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**14 Property, Plant and Equipments**

	<b>Motor Vehicles</b>	<b>Computer Equipment &amp; Software</b>	<b>Furniture &amp; Fittings</b>	<b>Equipment (Telephone, Fax, Other)</b>	<b>Total</b>
<b>COST</b>					
At 1st July, 2018	3,048,000	7,880,114	5,266,695	3,992,029	20,186,838
At 30 June 2019	<u>3,048,000</u>	<u>7,880,114</u>	<u>5,266,695</u>	<u>3,992,029</u>	<u>20,186,838</u>
<b>2018/2019</b>	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1st July, 2019	3,048,000	7,880,114	5,266,695	3,992,029	20,186,838
Additions during the year	-	-	-	-	-
At 30 June 2020	<u>3,048,000</u>	<u>7,880,114</u>	<u>5,266,695</u>	<u>3,992,029</u>	<u>20,186,838</u>
<b>Depreciation:</b>					
At 1 July, 2018	3,048,000	6,588,342	5,113,318	2,438,629	17,188,288
Charge for the year	-	546,109	25,125	318,867	890,101
At 30 June, 2019	<u>3,048,000</u>	<u>7,134,451</u>	<u>5,138,443</u>	<u>2,757,496</u>	<u>18,078,389</u>
At 1 July, 2019	3,048,000	7,134,451	5,138,443	2,757,496	18,078,389
Charge for the year	-	494,725	21,383	181,002	697,110
At 30 June, 2020	<u>3,048,000</u>	<u>7,629,176</u>	<u>5,159,826</u>	<u>2,938,498</u>	<u>18,775,499</u>
<b>N.B.V:30.6.2019</b>	<u>-</u>	<u>745,663</u>	<u>128,252</u>	<u>1,234,533</u>	<u>2,108,448</u>
<b>N.B.V :30.6.2020</b>	<u>-</u>	<u>250,938</u>	<u>106,869</u>	<u>1,053,531</u>	<u>1,411,339</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.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**15 Trade and other payables from exchange transactions**

	<b>2020</b>	<b>2019</b>
Others	1,532,623	3,517,574
	<u>1,532,623</u>	<u>3,517,574</u>

**16 Provisions**

	<b>2020</b>	<b>2019</b>
Audit fees	600,000	300,000
	<u>600,000</u>	<u>300,000</u>

**17** There were no contingent liabilities as at June 30,2020

# STATE CORPORATIONS APPEAL TRIBUNAL

## APPENDICES

### APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR FY 2018/19

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)
1.	Prior year audit matters- Staff Advances Written Off	<p>Other matters</p> <p>The Tribunal wrote to the Cabinet Secretary National Treasury vide a letter dated 21<sup>st</sup> June 2018 seeking approval to write off a staff advance of Kshs.4,479,440.</p> <p>The National Treasury responded through a letter dated 16<sup>th</sup> May 2019 Ref no. AG/3/101/VOL.VIII/ (11) requesting THE Tribunal to provide investigative report together with duly filled S45 loss report and other documents for further consideration. The Tribunal has forwarded the required documents to the National Treasury for consideration and we are waiting for a response.</p>	Tom Odede Secretary	Not resolved	30.06.2020

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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)
2.	Executive Order No.1 of 2018	<p>The President of the Republic of Kenya issued an Executive Order No.1 of 2018. This order therefore, reverses the previous categorization where the Tribunal was placed under the Judiciary. As it is the Executive Order has not yet been implemented.</p> <p>The Management has taken up the matter and we are doing a follow up with the appointing Authorities.</p>	Tom Odede Secretary	Resolved	30.06.2020
3.	Lack of a functional board	<p>The lack of a functional board at the Tribunal, occasioned by the expiry of the terms of board members, is hampering the operations of the Tribunal as a whole.</p> <p>We have written letters to the Cabinet Secretary at the National Treasury as the relevant ministry responsible for implementation of the State Corporations Act.</p>	Tom Odede Secretary	Not resolved	1 year



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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)
		One Board Member representing Law Society of Kenya (LSK) has been gazetted with effect from September 2019 and we are following up on appointment of the Member representing Institute of Certified Public Accountants of Kenya (ICPAK) and the Chairman.			



TOM ODEIDE  
SECRETARY  
STATE CORPORATIONS APPEAL TRIBUNAL

Chairman of the Tribunal

Date, 25 September, 2020