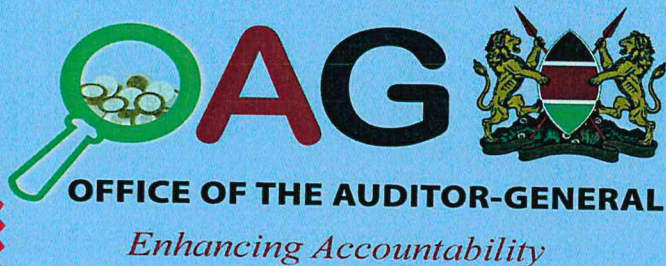


REPUBLIC OF KENYA



REPORT

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| THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 05 APR 2022 | DAY: TUES. |
| TABLED BY: | LOM |
| CLERK-AT-TABLE: | M. WANJIKU MW |

THE AUDITOR-GENERAL

ON

STORES AND SERVICES FUND

**FOR THE YEAR ENDED
30 JUNE, 2021**

**STATE DEPARTMENT FOR
PUBLIC WORKS**



**MINISTRY TRANSPORT, INFRASTRUCTURE, HOUSING,
URBAN DEVELOPMENT AND PUBLIC WORKS**

STATE DEPARTMENT FOR PUBLIC WORKS

STORES AND SERVICES FUND

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021**

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



Stores and Services Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021

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KEY STORES AND SERVICES FUND INFORMATION AND MANAGEMENT

(a) Background Information

The stores and services fund established in 1960 vide Treasury circular No. 12/57/02 with an initial capital of Kshs.15million was set up for the running of Supplies Branch operations.

By then the organization focused its activities on purchase of bulk fuel and stores items for resale to public bodies achieving bulk discounts and savings in a monopoly model that reserved entire classes of common user items for procurement by Supplies Branch alone. Non-store items such as motor vehicles and equipment were advertised and circularized also as reserved categories exclusively by Supplies Branch.

The administration of 11 countywide depots and running of fuel pumps in most of the District Headquarters of Kenya created a complex organization of activities with a large staff complement, vehicle establishment, including delivery trucks and a vibrant fund that extracted a 0.00375% commission to cover operating costs. Additionally, Treasury circular CFN.12/18/01 of 1961 accorded the Supplies Branch the role of investigating prices, the quality and the source of items. Functionally, in addition to obtaining bulk discount from economies of scale, the Supplies Branch established standards for all common user items in liaison with concerned agencies and departments of Government to ensure obtaining of standardized items at best price.

In 1984, the emergence of the Districts Focus for Rural Development and the World Bank sponsored economic liberalization policies of 1990 significantly affected the monopoly of Stores and Service Fund resulting in loss of standardization and leading to varied pricing of goods and services in Government, increased costs and duplicitous processes for procuring similar goods and services. For Stores and Services Fund, this led to dead stock, obsolescence, redundancy and running down of the fund due to inactivity.

In addition the PPDA of 2005 and regulations (2006) left a legal lacuna in the operations of Stores and Services Fund which as the Treasury circular Regime was overtaken by legislation gave no obligation to its operations. The fund has therefore been marginally operational and records unclear during a brief hiatus that saw it transferred to Office of the President and also Treasury in the 1980's and 90's before being returned to Works.

The strategic importance of the function was nonetheless recognized by Government resulting in Taskforces in 2004, 2011/12, 2016 and lately one in 2019. Cabinet directives have been issued in 2019 to review the business model and modalities to activate the organization.

The direction for the fund implies the dropping of the stores and warehousing model in favour of a virtual system which is ICT driven and conversion of the warehouse into leaseholds to public entities and rendering of the fund into an operating budgetary system that runs programmed activities as opposed to the current parallel systems where the organization is funded by State Department budget while the fund remains inactive.



PRINCIPAL ACTIVITIES

The principal activity/mission/ mandate of the Stores and Services Fund is to ensure that the Government realizes savings in the procurement of common-user items/services both effectively and efficiently through annual and two yearly contracts obtained through open tenders and provision of other supply chain management solutions for government.

VISION

To be a leading institution in provision of Supply Chain solutions in the region and beyond.

MISSION

To offer affordable, reliable and quality goods, works and services in a responsive model/system powered by best practices that realizes value for money for the public.

THE MANDATE

1. To obtain Framework agreements for Common User Items (CUIs) for use by Procuring Entities in the public sector.
2. To prepare and manage Framework Contracts & Agreements (FWC&A) for Common User Items (CUIs), whereby suppliers commit to provide indefinite amounts but actual contracts will only exist after “call-offs” by the procuring entities;
3. To provide procurement agency services to public entities within National Government;
4. Identification and classification of Common User Items (CUIs), in consultation with the National Treasury [NT]; and PPRA
5. Establishment of a coding system for the common user items used by Public Entities for the public sector
6. Ensure that the agreements and contracts provide adequate quality supplies and services at competitive prices;
7. Maintain and publish register and database of suppliers of common user items (CUIs);
8. Manage an electronic infrastructure of common user items and build the capacity of suppliers/user
9. Procurement and disposal services on behalf of MDAs;
10. To advise on consortium buying for public sector.
11. Source and manage the supply of Petroleum, Oils and Lubricants (P.O.L.) for Government;
12. Administer Inventory management and stock control systems (for limited stock)
13. Develop, promote and support the training of staff of the Organization;
14. Undertake capacity building of the Supplier base in liaison with other stakeholders;
15. Manage warehousing and storage facilities, including leasing the facilities on behalf of Government
16. Prudent management of resources at the disposal of the Organization; and
17. Any other functions as may be advised through a gazette notice by the Cabinet Secretary.

(b) Key Management

The *stores and services Fund's* day-to-day management is under the following key organs:

| No. | Designation | Name |
|------------|-----------------------------|---|
| 1. | Principal Secretary | Maj. Gen (Rtd) Dr. Gordon O. Kihalangwa, CBS Upto 29 th September 2021. Mr. Solomon Kitungu, CBS from 29 th September 2021 up-to-date. |
| 2. | Head, Supplies Branch | George N. Macgoye, EBS, OGW, SA |
| 3. | Senior Deputy Director SCMS | Kevin K.Kieti |
| 4. | Head of Accounting Unit CPA | Samuel Kihara Kung'u |

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|------------|-----------------------------|---|
| 1. | Principal Secretary | Maj. Gen (Rtd) Dr. Gordon O. Kihalangwa, CBS Upto 29 th September 2021. Mr. Solomon Kitungu, CBS from 29 th September 2021 up-to-date. |
| 2. | Head, Supplies Branch | George N. Macgoye, EBS, OGW, SA |
| 3. | Senior Deputy Director SCMS | Kevin K.Kieti |
| 4. | Head of Accounting Unit CPA | Samuel Kihara Kung'u |



KEY STORES AND SERVICES FUND INFORMATION AND MANAGEMENT (Continued)

(d) Stores and Services Fund Headquarters

P.O Box 30743 - 00100
Supplies Branch - Likoni
Industrial Area
Nairobi, Kenya

(e) Stores and Services Fund Contacts

Telephone: 020-2140020 / 020-2150020
E-mail: info@suppliesbranch.go.ke
Website: [www. Suppliesbranch.go.ke](http://www.Suppliesbranch.go.ke)

(f) Stores and Services Fund Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

THE BOARD OF DIRECTORS

1. Director 2: Principal Secretary



Solomon Kitungu, CBS

Mr. Solomon Kitungu, CBS, is currently the Principal Secretary State Department for Public Works. He was reassigned duties from the State Department for Transport by his Excellency the President on 29th September, 2021.

He holds a Bachelor of Arts degree in Economics (1987) from the University of Nairobi and has a Master of Arts degree in Economics (1990) from the University of Manchester, United Kingdom. He also attended the Advanced Management Programme at Strathmore Business School and University of Navara Barcelona, Spain and many other trainings in public sector management, investment reforms, privatizations, infrastructure, procurement, Public Private Partnerships, negotiations, coaching and strategic management.

He Joined the State Department for Transport from the National Treasury and Planning where he was an Investment Director from 2003 – 2009 and October 2017 to January 2020. Between April 2009 and October 2017, he served as the Executive Director and the Chief Executive Officer of the Privatization Commission, while prior to 2003, he had served in other positions at the National Treasury from January 1988. Mr. Kitungu has served as an Alternate Director as well as a Substantive Director in many boards of State Corporations.

2. Director 3: Head, Supplies Branch



George N. Macgoye, EBS, OGW

Born in 1963, holder of BA (UoN) majoring in Government and postgraduate of University of Birmingham on a chevening scholarship in Governance Law and Security, the CEO has 31years of service in government beginning with field service in the Kenya Administration, Command Positions in the Administration Police and Prisons Service of Kenya and several executive positions in Public Works, lands and Irrigation departments and attachment as CEO of Kenya Maritime Authority. He was chairman to the Supplies Branch reform task force of 2012/13 which made far reaching recommendations.

**3. Director 4: Snr. Deputy Director
Supply Chain Management**



Kevin K. Kieti

Born in 1967, holder of masters in Procurement and Logistics and Bachelor of Commerce Degree (Business Administration). He has 26 years of experience in Supply Chain Management Services. He has attended strategic leadership and senior management courses and been a member to the National Treasury Task Force of 2018/2019 for Standardization of Supply Chain Framework. Currently he is a member to the National Treasury Task Force for revamping Supplies Branch and also council member of Rongo University



MANAGEMENT TEAM

| | |
|--|--|
| <p>1. Head, Supplies Branch</p>  <p>George N. Macgoye, EBS, OGW</p> | <p>Born in 1963, holder of BA (UoN) majoring in Government and postgraduate of University of Birmingham on a chevening scholarship in Governance Law and Security, the CEO has 32years of service in government beginning with field service in the Kenya Administration, Command Positions in the Administration Police and Prisons Service of Kenya and several executive positions in Public Works, lands and Irrigation departments and attachment as CEO of Kenya Maritime Authority.</p> <p>He was chairman to the Supplies Branch reform task force of 2012/13 which made far reaching recommendations.</p> |
| <p>2. Director 4. Snr. Deputy Director Supply Chain Management.</p>  <p>Kevin K. Kieti</p> | <p>Born in 1967, holder of masters in Procurement and Logistics and Bachelor of Commerce Degree (Business Administration).He has 26 years of experience in Supply Chain Management Services. He has attended strategic leadership and senior management courses and been a member to the National Treasury Task Force of 2018/2019 for Standardization of Supply Chain Framework. Currently he is a member to the National Treasury Task Force for revamping Supplies Branch and also council member of Rongo University.</p> |
| <p>3. Director 3. Deputy Director Supply Chain Management</p>  <p>Moraa Nyamwaro</p> | <p>Moraa Nyamwaro is a Deputy Director, Supply Chain Management Services at the Supplies Branch having joined the State Department in November 2020. Prior to that, she worked in the State Department for Public Service, Office of the Registrar of Political Parties and the Office of the Vice President and Ministry of Home Affairs. She has 17 years' experience as a Supply Chain Practitioner and is a member of Kenya Institute of Supplies Management (KISM).</p> <p>She holds a Master of Science degree in Procurement and Logistics, Bachelor of Arts degree (Economics), Graduate Diploma in Purchasing and Supplies and is a Certified Public Accountant Finalist.</p> |

4. Assistant Director Supplies Chain Management



Evans O. Achimba

Born in 1966, holds a BA (Economics) from University of Nairobi and is pursuing Masters of Procurement and Logistics at JKUAT. Has served for 18 years in procurement within office of the President, State Department of Infrastructure and Kenya Prisons. He has undertaken extensive trainings within the Treasury Supply Management system, Quality Management systems by SGS, E-Procurement by Crown Agent, Senior Management Financial Management and various workshops also as a facilitator.

5. Head of Accounting Unit



CPA Samuel Kihara Kung'u

Born in 1973, holder of Masters in Science in Development Finance, Bachelor of Commerce Degree (Finance) from KCA University and CPA(K) from Strathmore University. He has 24 years of experience in Accounting and Finance. He is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and Development Finance Institute of Kenya. I joined State Department of Public Works as the Head of Accounting Unit in December 2018.



CHAIRMAN'S STATEMENT

The year ending 30th June 2021 has marked the continuation of changes anticipated in the Cabinet directive of 2019 to revamp the Stores and Services Fund and also the 2019 regulations to the PP & DA (2015) for Treasury to give direction on the institutional arrangement for procurement of common user items under section 7(3) PPADA.

Notably the Stores and Services Fund operated historically on a string of Treasury Circulars and the Financial Regulations which were not totally eclipsed by the PPDA (2005) and PP & DA (2015) but required strengthening to give meaning to the revamping of the organization as a compelling means for obtaining framework contracts for goods and services that are common to Government at competitive prices and optimum quality in an efficient model.

It is therefore with this goal that the Cabinet gave direction for National Treasury and the State Department of Public Works to staff the organization at high level and commence a comprehensive reform program based on earlier task force recommendations. This is still in process despite delays occasioned by Covid-19 restrictions during the period.

Previous low staffing levels had led to low levels of performance, slow processing and review of tenders and failure to sustain a niche in the arena of competitive and efficient administration of common user item procurement.

With the posting of a Secretary Administration (CSG4) to head the Stores and Services Fund and a Senior Deputy Director Supplies Chain Management (CSG5) during the year 2019 and accompanying Senior and mid-level officers the organization of Stores and Service Fund has taken off, and further staffing is anticipated.

One of the key achievements of this team has been the launching of a website containing vital information including current contracts, supplies and prevailing prices of the same.

This opening up has resulted in reduction of paperwork and increased transparency as manual documents have been known to be altered and abused. The savings occurring from this cannot be gainsaid.

Some previously uncompleted tenders have been successfully finished in record time and improvements noted in the Infrastructure and general organization of the Supplies Branch.

Internet connectivity which was a challenge has been accomplished by concerted effort through laying of fiber internet connection to the facility and networking in general during this period.

Funding and equipping for the organization still stands at a low level with need to invest in basic infrastructure, technology, transport and equipment. This is however administered through the State Department budget as the fund has technically speaking, been non functional.

With further anticipated growth in the staffing level the investment in the organization must grow and policies be put in place to give primacy to the Stores and Services Fund as the prime mover of the activities of Supplies Branch.



Solomon Kitungu, CBS

Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

The year ending 30th June, 2021 for the purposes of the stores fund has not been strictly reportable, however not to say that business is low, but the business model has changed drastically with the organization seeking to redefine the use of the fund.

In the current regime contracted items fell into two categories, store items and non-store items with the former attracting a 0.0375% commission while buying, warehousing and resupplying. The latter are bought straight by MDAs from suppliers. With the moving away from warehousing and stocking to virtual posting of contracts there is no interphase for fund transactions. This can be remedied once we embark on a model and ICT platform that could enable electronic extraction of commission. These are however subject to findings of the current taskforce on reform and adoption by statute.

The initial staffing establishment of 145 staff which has never been achieved was not only untenable under the downturn of the organization, but no longer feasible for an organization shifting from warehousing to virtual inventory management.

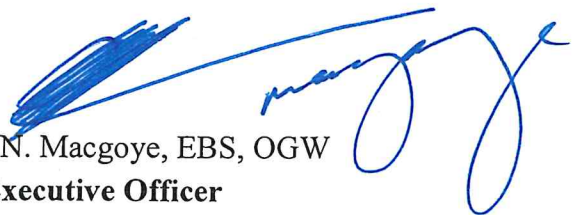
The current staff of twenty (20.) needs to grow to at least 100 staff over a three-year period to operate all the branches and engage in the total scope of activities including pre-advertising and post award which entail continuous processes.

The dichotomous nature of the financial operations of Stores and Services Fund do not do full justice to the financial statement due to the dependence of the organization on one hand to finite resources in the recurrent/development votes of the State Department for which there is great competition internally and the running of a separate account, The Stores Fund, which gives a very limited side of the story and whose statement will by its very nature conceal many variables contained in the Voted Account of the State Department.

This anomaly needs to be addressed to enable the Stores and Services Fund operate optimally with control over its resource and exercise budget propriety which this statement requires. The anticipated staffing therefore to support this model will include dedicated accounting, finance, ICT, Human Resources and Administration to give the independence and accountability demanded by this Financial Statement.

The task force report of 2016 and submission to cabinet anticipate an investment of Kshs. 1.4 Billion over three years' period which includes the revamping of physical infrastructure, placement of an appropriate ICT platform, staffing, ISO certification training and equipping among other costs. The anticipated EG pay system proposed for procurement by Treasury may cushion this budget. The current arrangement however needs to be addressed so that the budget domiciled in the State department for Supplies Branch shifts to the fund and give justification to Audit in the logic of IPSAS.

This prayer is currently challenged by the prevailing economic downturn as well as ministerial envelope limitation which management is alive to.


George N. Macgoye, EBS, OGW
Chief Executive Officer



CORPORATE GOVERNANCE STATEMENT

The Stores and Services Fund currently operates as a Department within the State Department of Public Works within the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works and is domiciled within the Supplies Branch.

Staff and personnel are subject to all prevailing guidelines in the Human Resource manual for Public Service, The PFM Act (2017) PP & DA (2015) and Regulations (2019) and are bound to perform within guidelines set out in annual performance contracts entered with the principals of the Ministry and the Head of State.

The Stores and Service Fund is committed to the highest levels of transparency, value for money and inclusivity embracing Government directives of 30% minimum business to women and youth, and priority of business for buy Kenya, Build Kenya.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The organization has continuously hosted attachees, Interns and casuals in performing its mandate functions, but also for maintenance of forested areas and greenery ensured inclusion of youth and women in the tasks and performance also of contracted services.



George N. Macgoye EBS, OGW, SA
Chief Executive Officer

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the *stores and services Fund's* affairs.

Principal activities

The principal activities of the Stores and Services Fund are to ensure that the Government realizes savings in the procurement of common-user items/ services both effectively and efficiently through use of framework contracts obtained on basis of economies of scale.

Results

The results of the stores and services Fund for the year ended June 30, 2021 are set out on page 1.

Auditors

The Auditor General is responsible for the statutory audit of the *stores and services Fund* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board



Accounting Officer
Solomon Kitungu, CBS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that stores and services Fund, which give a true and fair view of the state of affairs of the stores and services Fund at the end of the financial year and the operating results of the stores and services Fund for that year. Management is also required to ensure that the Stores and Services Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the stores and services Fund. The Fund's Management is also responsible for safeguarding the assets of the stores and services Fund.

Management is responsible for the preparation and presentation of the Stores and Services Fund's financial statements, which give a true and fair view of the state of affairs of the stores and services Fund for and as at the end of the financial year ended on 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 Stores and Services Fund; (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 *stores and services Fund*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Management accept responsibility for the *Stores and Services Fund's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the *stores and services Fund's* financial statements give a true and fair view of the state of *stores and services Fund's* transactions during the financial year ended June 30, 2020, and of the *stores and services Fund's* financial position as at that date. The Management further confirm the completeness of the accounting records maintained for the *stores and services Fund*, which have been relied upon in the preparation of the *stores and services Fund's* financial statements as well as the adequacy of the systems of internal financial control.

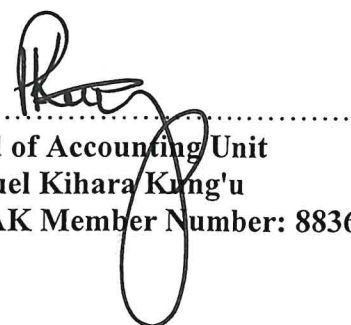
Nothing has come to the attention of Management to indicate that the *Stores and Services Fund* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *Stores and Services Fund's* financial statements were approved by the Board on 19th January 2022 and signed on its behalf by:



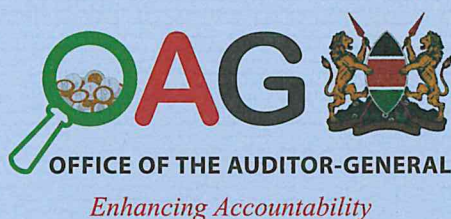
Accounting Officer
Solomon Kitungu, CBS



Head of Accounting Unit
Samuel Kihara Kung'u
ICPAK Member Number: 8836

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON STORES AND SERVICES FUND FOR THE YEAR ENDED 30 JUNE, 2021 - STATE DEPARTMENT FOR PUBLIC WORKS

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution of Kenya and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Stores and Services Fund set out on pages 1 to 31 which comprise the statement of financial position as at 30 June, 2021, statement of financial performance, statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Lack of Underlying Records and Approved Budget

During the audit, the Fund did not provide for audit review, the underlying records used to prepare the financial statements by way of approved budget and trial balance. In addition, the financial statements presented for audit did not include the statement of comparison of budget and actual amounts contrary to the reporting template issued by the Public Sector Accounting Standards Board (PSASB)

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions - sale of goods of Kshs.112,673. However, the Fund Management did not provide the relevant supporting documents in support of the sales. Further, it appears strange that there were no expenses to match the revenue as required by the matching concept.

In the circumstances, the accuracy and validity of the reported revenue from exchange transactions - sale of goods of Kshs.112,673 could not be confirmed.

3. Receivables from Exchange Transactions

As previously reported, the statement of financial position reflects receivables from exchange transactions balance of Kshs.1,232,261 which has been outstanding for more than three (3) years. No provision for bad and doubtful debts has been made in the financial statements. Further, the Fund Management did not provide any documentation or information in support of this balance.

Consequently, the accuracy and recoverability of the receivables from exchange transactions balance of Kshs.1,232,261 could not be confirmed.

4. Unsupported Inventories Balance

The statement of financial position reflects inventories balance of Kshs.197,048,168 as at 30 June, 2021. This figure has remained the same over the years. However, no supporting documents including stock take schedules for the inventory balance as well as stock ledgers were provided for audit.

In the circumstances, the accuracy and existence of the inventory balance of Kshs.197,048,168 as at 30 June, 2021 could not be confirmed.

5. Trade and Other Payables from Exchange Transactions

5.1. Unsupported Suspense Account Balance

As reported previously, the statement of financial position reflects a suspense account balance of Kshs.19,641,489 as at 30 June, 2021. However, supporting documents for the balance were not provided for audit review.

Consequently, the accuracy and validity of the suspense account balance of Kshs.19,641,489 could not be confirmed.

5.2. Unsupported Payments Received in Advance

As reported previously, the statement of financial position reflects payments received in advance balance of Kshs.57,166,713 as at 30 June, 2021. However, documents in support of the balance by way of bank statements and/or a schedule indicating dates of the deposits were not provided for audit review.

In the circumstances, the accuracy of the payments received in advance balance of Kshs.57,166,713 could be confirmed.

6. Unsupported Bank Overdraft

As reported previously, the statement of financial position and Note 12 to the financial statements reflects borrowings - bank overdraft (CBK) balance of Kshs.283,595,154 as at 30 June, 2021 contrary to Section 83(3) of Public Finance Management (National Government) Regulations, 2015 which requires that a National Government overdraft at the Central Bank of Kenya shall be retired by the end of the financial year. Further, the supporting documents for this balance was not provided for audit.

Consequently, it was not possible to confirm that the bank overdraft balance of Kshs.283,595,154 as at 30 June, 2021 was fairly stated.

7. Effectiveness of the Audit Committee

During the year under review, the State Department for Public Works nominated five members to the Audit Committee. However, available information indicates that the Committee met only once contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations which states that the audit committee shall meet at least once in every three months.

In the circumstances, the effectiveness of the audit committee over the Fund's operations for the year ended 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 governance.

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

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

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

The Board of Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Stores and Services Fund 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2022

Stores and Services Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2020-2021 | 2019-2020 |
|---|-------|----------------|----------------|
| | | Kshs | Kshs |
| Revenue from non-exchange transactions | | | |
| Revenue from exchange transactions | | | |
| Sale of Goods | 6 | 112,673 | 383,376 |
| Total revenue | | 112,673 | 383,376 |
| Expenses | | | |
| Use of goods and services | 7 | - | - |
| Total expenses | | - | - |
| Surplus before tax | | 112,673 | 383,376 |
| Surplus/(deficit) for the period/year | | 112,673 | 383,376 |

The notes set out on pages 1 to 41 form an integral part of these Financial Statements



Accounting Officer
Solomon Kitungu, CBS



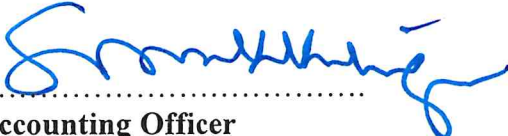
Head of Accounting Unit
Samuel Kihara Kung'u
ICPAK Member Number: 8836

Stores and Services Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021

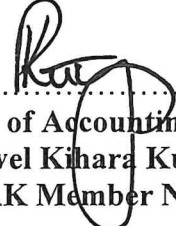
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

| | Notes | 2020-2021 | 2019-2020 |
|---|-------|--------------------|--------------------|
| | | Kshs. | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 591,703 | 479,031 |
| Receivables from exchange transactions | 9 | 1,232,261 | 1,232,261 |
| Inventories | 10 | 197,048,168 | 197,048,168 |
| Non-current assets | | | |
| Long term receivables from exchange transactions | | | - |
| Total assets | | 198,872,132 | 198,759,460 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 11 | | - |
| Suspense Account | 11 | 19,641,489 | 19,641,489 |
| Payments received in advance | 11 | 57,166,713 | 57,166,713 |
| Non-current liabilities | | | |
| Borrowings | 12 | 283,595,154 | 283,595,154 |
| Total liabilities | | 360,403,356 | 360,403,356 |
| Net assets | | | |
| Reserves | | 120,975,370 | 120,975,370 |
| Capital Fund | | | |
| Accumulated surplus | | (282,506,594) | (282,619,267) |
| Total net assets and liabilities | | 198,872,132 | 198,759,459 |

The Financial Statements set out on pages 2 to 39 were signed on behalf of the Board of Directors by:



Accounting Officer
Solomon Kitungu, CBS



Head of Accounting Unit
Samwel Kihara Kung'u
ICPAK Member Number: 8836

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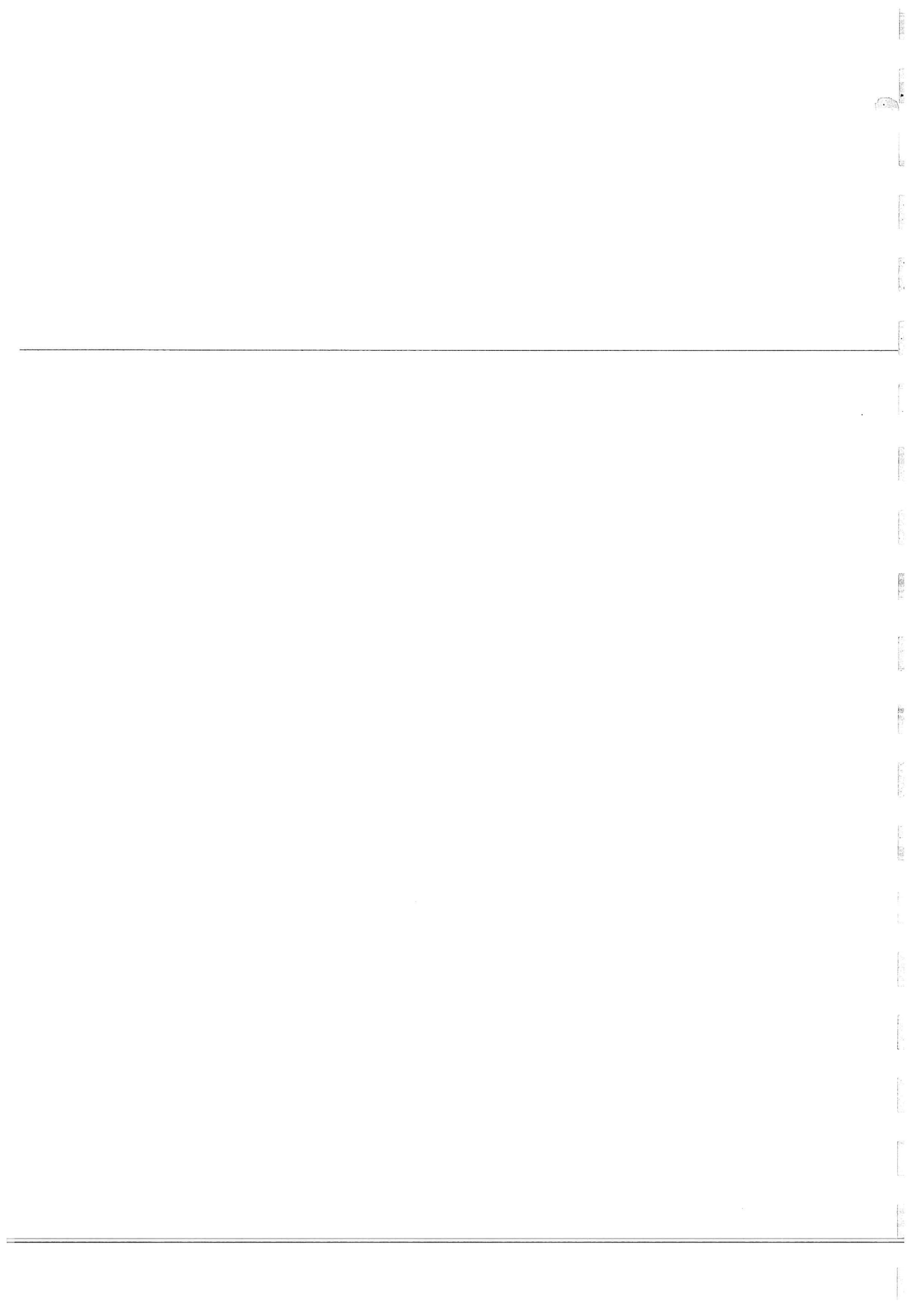
Stores and Services Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021

| | Capital Fund | Accumulated Surplus | Total |
|--|--------------------|----------------------|----------------------|
| | | Kshs. | Kshs. |
| Balance as at 1 July 2019 | 120,975,370 | 283,002,643 | (161,027,273) |
| Surplus/deficit) for the period | - | 383,376 | 383,376 |
| Funds received during the year | - | - | - |
| Revaluation gain | - | - | - |
| Balance as at 30th June 2020 | 120,975,370 | (282,619,267) | (161,027,273) |
| Balance as at 1 July 2020 | 120,975,370 | (282,619,267) | (161,027,273) |
| Surplus/deficit) for the period | - | 112,673 | 112,673 |
| Funds received during the year | - | | |
| Revaluation gain | - | | |
| Balance as at 30th June 2021 | 120,975,370 | (282,506,594) | (161,531,224) |

Note:

- For items that are not common in the financial statements, the stores and services Fund should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*
- Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances need to be done.*



Stores and Services Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020-2021 | 2019-2020 |
|---|----------|----------------|--------------------|
| | | Kshs. | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Public Contributions and donations | | | |
| Receipts from other operating activities | | 112,673 | 383,376 |
| Total Receipts | | 112,673 | 383,376 |
| Payments | | | |
| Fund administration expenses | | - | - |
| General expenses | | - | - |
| Total Payments | | - | - |
| Net cash flow from operating activities | | 112,673 | 383,376 |
| Cash flow from investing activities | | - | - |
| Proceeds from loan principal repayments | | - | -- |
| Loan disbursement paid out | | - | - |
| Net cash flows used in investing activities | | - | - |
| Cash flows from financing activities | | | |
| Proceeds from revolving fund receipts | | - | - |
| Additional payables | | - | - |
| Payment on deposits | | - | (9,708,535) |
| Net Cash flows used in financing activities | | - | (9,708,535) |
| Net increase/(decrease) in cash and cash equivalents | | 112,673 | (9,325,159) |
| Cash and cash equivalent at 1 JULY | 8 | 479,031 | 9,804,190 |
| Cash and cash equivalents at 30 JUNE | 8 | 591,704 | 479,031 |

(IPSAS 2 allows the stores and services Fund to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. Sales amount in the cash flow relates to the amounts on commissions received during the financial year.

The amounts of the sale amounts are derived from the advance payment account from MDAS and relates to the financial year in review.

Stores and Services Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF COMPERISON ON BUDGET AND ACTUAL AMOUNT.



NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Stores and Services Fund is established by and derives its authority and accountability from PFM Act. The stores and services Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The stores and services Fund's principal activity is to ensure that the Government realizes savings in the procurement of common-user items/services both effectively and efficiently through bulk Purchasing, hence realizing the economies of scale.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *stores and services Fund's* accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *stores and services Fund*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act. and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

| Standard | Impact |
|--|--|
| IPSAS 40: Public Sector Combinations | Applicable: 1st January 2019 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. The stores & Services fund had no business combinations or acquisitions that would be impacted by this revision in the period under review |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

| Standard | Effective date and impact: |
|---------------------------------------|---|
| IPSAS 41: Financial Instruments | <p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 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 stores and services Fund's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the stores and services Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| IPSAS 42: Social Benefits | <p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting stores and services Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the stores and services Fund;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> |

Stores and Services Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021

| Standard | Effective date and impact: |
|----------|---|
| | <p>(c) The impact of such social benefits provided on the stores and services Fund's financial performance, financial position and cash flows.</p> <p>The fund does not operate a social security benefit scheme hence not affected by the revisions in this standard</p> |

(iii) Early adoption of standards

The Stores and Services Fund did not early – adopt any new or amended standards in year 2021.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

(i) Revenue from non-exchange transactions

Fees, taxes and fines

The stores and services Fund recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the stores and services Fund and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the stores and services Fund and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Revenue from exchange transactions

Rendering of Services

The stores and services Fund recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Stores and Services Fund.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the stores and services Fund's right to receive payments is established.

Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget Information

The original budget for FY 2020-2021 was approved by the National Assembly on June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the stores and services Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the stores and services Fund recorded additional appropriations *of - on the 2020-2021 budget following the governing body's approval.*

The stores and services Fund'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.

c) Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Stores and services Fund operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Taxes (Continued)

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable stores and services Fund and the same taxation authority.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

C) Taxes (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(d) Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

(e) Property, Plant and Equipment

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 items. When significant parts of property, plant and equipment are required to be replaced at intervals, the stores and services Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Stores and services Fund. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Stores and services Fund also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Stores and services Fund will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Stores and services Fund. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

(g) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

(h) Research and Development Costs

The Stores and services Fund expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Stores and services Fund can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
 - Its intention to complete and its ability to use or sell the asset
 - How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Horizontal line

Horizontal line

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(h) Research and Development Costs (Continued)

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

(i) Financial Instruments

(a) 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 Stores and services Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an 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 recognized 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 Stores and services Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus or deficit.

Impairment of Financial Assets

The Stores and Services Fund assesses at each reporting date whether there is objective evidence that a financial asset or an stores and services Fund of financial assets is impaired. A financial asset or a stores and services Fund 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 future cash flows of the financial asset or the stores and services Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- The debtors or a stores and services Fund of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Stores and services Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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.

(J) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Stores and services Fund.

(k) Provisions

Provisions are recognized when the Stores and services Fund has a present obligation (legal or constructive) 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 Stores and services Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

(l) Contingent liabilities

The Stores and services Fund 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.

(m) Contingent assets

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

(n) Nature and purpose of reserves

The Stores and services Fund creates and maintains reserves in terms of specific requirements.
Stores and services Fund to state the reserves maintained and appropriate policies adopted.

(o) Changes in accounting policies and estimates

The Stores and services Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

(p) Employee benefits

Retirement benefit plans

The Stores and services Fund provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an stores and services Fund pays fixed contributions into a separate stores and services Fund (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 benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

(q) 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 recognized as income or expenses in the period in which they arise.

(r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

(s) Related parties

The Stores and Services Fund regards a related party as a person or an stores and services Fund with the ability to exert control individually or jointly, or to exercise significant influence over the Stores and services Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

(t) Service concession arrangements

The Stores and services Fund 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, the Stores and services Fund recognizes 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 the 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 recognized are measured at their fair value. To the extent that an asset has been recognized, the Stores and services Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(v) Comparative figures

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

(w) 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, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Stores and services Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets 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. State all judgements, estimates and assumptions made:

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 next financial year, are described below. The Stores and services Fund 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 of the Stores and services Fund. 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:

- The condition of the asset based on the assessment of experts employed by the Stores and services Fund
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset



**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)**

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's 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. SALE OF GOODS

| Description | 2020-2021 | 2019-2020 |
|---|----------------|----------------|
| | KShs | KShs |
| Sale of goods | | |
| Sales of Stores | 112,673 | 383,376 |
| Total revenue from the sale of goods | 112,673 | 383,376 |

Revenue is recognized when common user items are received by Stores and Services Fund on behalf of MDA's and goods are inspected and accepted by inspection and acceptance committee in the presence of MDA respective and significant risk transferred to the buyer. Supplies Branch charges a commission of 0.0375 on the value of invoice for all common user items and 50 cents for fuel sold to MDA's.

7. GENERAL EXPENSES

| Description | 2020-201 | 2019-2020 |
|-------------------------------|----------|-----------|
| | KShs | KShs |
| Consumables | - | - |
| Total general expenses | - | - |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. CASH AND CASH EQUIVALENTS

| Description | 2020-2021 | 2019-2021 |
|--|----------------|----------------|
| | KShs | KShs |
| Current account | 591,704 | 479,031 |
| Total cash and cash equivalents | 591,704 | 479,031 |

8 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

| Financial institution | Account number | 2020-2021 | 2019-2020 |
|-----------------------|----------------|----------------|----------------|
| | | KShs | KShs |
| a) Current account | | | |
| Central Bank of Kenya | | 591,704 | 479,031 |
| Sub- total | | 591,704 | 479,031 |

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| Description | 2020-2021 | 2019-2020 |
|--------------------------------------|------------------|------------------|
| | KShs | KShs |
| Current receivables | | |
| Stores and Fuel | 1,232,261 | 1,232,261 |
| Other exchange debtors | - | - |
| Total current receivables | 1,232,261 | 1,232,261 |
| Non-current receivables | | |
| Long term debtors | - | - |
| | - | - |
| Total non-current receivables | - | - |
| Total receivables | 1,232,261 | 1,232,261 |

10. INVENTORIES

| Description | 2020-2021 | 2019-2020 |
|--|--------------------|--------------------|
| | KShs | KShs |
| Other goods held for resale | 197,048,168 | 197,048,168 |
| Total inventories at the lower of cost and net realizable value | 197,048,168 | 197,048,168 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

| Description | 2020-2021 | 2019-2020 |
|---------------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Suspense | 19,641,489 | 19,641,489 |
| Payments received in advance | 57,166,713 | 57,166,713 |
| Total trade and other payables | 76,808,202 | 76,808,202 |

12. BORROWINGS

| Description | 2020-2021 | 2019-2020 |
|--|-------------|-------------|
| | KShs | KShs |
| CBK Overdraft at beginning of the period | 283,595,154 | 283,595,154 |
| Domestic borrowings during the year | - | - |
| Repayments of domestics borrowings during the period | - | - |
| Balance at end of the period | 283,595,154 | 283,595,154 |

The analyses of the overdraft are as follows:

| Description | 2019-2020 | 2018-2019 |
|--|-------------|-------------|
| | KShs | KShs |
| External Borrowings | | |
| Domestic Borrowings | | |
| Kenya Shilling loan from Central Bank of Kenya | 283,595,154 | 283,595,154 |
| Total balance at end of the year | 283,595,154 | 283,595,154 |

| Description | 2020-2021 | 2019-2020 |
|--|-------------|-------------|
| | KShs | KShs |
| Short term borrowings(current portion) | - | - |
| Long term borrowings | 283,595,154 | 283,595,154 |
| Total | 283,595,154 | 283,595,154 |

13. FINANCIAL RISK MANAGEMENT

The Stores and Services Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The stores and services Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The stores and services Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The stores and services Fund's financial risk management objectives and policies are detailed below:

(i) Credit risk

The stores and services Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the stores and services Fund's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the stores and services Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| | Total amount Kshs | Fully performing Kshs | Past due Kshs | Impaired Kshs |
|--|----------------------|-----------------------------|------------------|------------------|
| At 30 June 2021 | | | | |
| Receivables from exchange transactions | 1,232,261 | 1,232,261 | - | - |
| Total | 1,232,261 | 1,232,261 | - | - |
| At 30 June 2020 | | | | |
| Receivables from exchange transactions | 1,232,261 | 1,232,261 | - | - |
| Bank balances | 591,704 | 591,704 | - | - |
| Total | 1,823,965 | 1,823,965 | - | - |

(NB: The totals column should tie to the individual elements of credit risk disclosed in the stores and services Fund's statement of financial position)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the stores and services Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The stores and services Fund has significant concentration of credit risk on amounts due from Customers

The board of directors sets the stores and services Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the stores and services Fund's directors, who have built an appropriate liquidity risk management framework for the management of the stores and services Fund's short, medium and long-term funding and liquidity management requirements. The stores and services Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the stores and services Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Liquidity Risk Management

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| | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|--|----------------------|-----------------------|------------------|------------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | | |
| Trade payables(Payment received in Advance) | - | - | - | - |
| Total | - | - | - | - |
| At 30 June 2020 | | | | |
| Trade payables (Payment received in Advance) | - | - | - | - |
| Total | - | - | 57,166,713 | 57,166,713 |

(iii) Market Risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the stores and services Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the stores and services Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The stores and services Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the stores and services Fund's exposure to market risks or the manner in which it manages and measures the risk.

(a) Foreign Currency Risk

The stores and services Fund has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Market Risk Continued

The carrying amount of the stores and services Fund's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | Ksh | Other currencies | Total |
|-------------------------------|--------------------|---------------------|--------------------|
| | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | |
| Financial assets | 198,759,460 | - | 198,759,460 |
| Receivable from Trade | 1,232,261 | - | 1,232,261 |
| Cash | 591,704 | - | 479,031 |
| Inventories | 197,048,168 | - | 197,048,168 |
| Total financial assets | | | |

The stores and services Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

| | Ksh | Other currencies | Total |
|------------------------------------|--------------------|---------------------|--------------------|
| | Kshs | Kshs | Kshs |
| At 30 June 2018 | | | |
| Financial assets | 198,872,132 | - | 198,872,132 |
| Cash | 591,704 | - | 591,704 |
| Inventories | 197,048,168 | - | 197,048,168 |
| Total financial assets | 198,872,132 | - | 198,872,132 |
| Financial Liabilities | | | |
| Trade and other payables | 360,403,356 | - | 360,403,356 |
| Reserves | (161,643,897) | - | (161,643,897) |
| Total financial liabilities | 198,759,459 | - | 198,759,459 |
| Net asset/(liability) | 162,027,272 | - | 162,027,272 |

Foreign Currency Sensitivity Analysis

The following table demonstrates the effect on the stores and services Fund's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Foreign currency sensitivity analysis (Continued)

| | Change in currency rate | Effect on Profit before tax | Effect on equity |
|-------------|----------------------------|--------------------------------|---------------------|
| | Kshs | Kshs | Kshs |
| 2019 | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |
| 2018 | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |

a) Interest rate risk

Interest rate risk is the risk that the stores and services Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The stores and services Fund's interest rate risk arises from bank deposits. This exposes the stores and services Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the stores and services Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

b) Sensitivity analysis

The stores and services Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

The stores & services fund does not have deposits and investments that are subject to interest rate risk the overdraft facility extended has not been subjected to interest on the outstanding amount



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *stores and services Fund's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *stores and services Fund* considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

There were no transfers between levels 1, 2 and 3 during the year.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the stores and services Fund's capital risk management is to safeguard the Board's ability to continue as a going concern. The stores and services Fund capital structure comprises of the following funds:

| | 2020-2021 | 2019-2020 |
|---|----------------------|----------------------|
| | Kshs | Kshs |
| Revaluation reserve | - | - |
| Retained earnings | (282,506,594) | (282,506,594) |
| Capital reserve | 120,975,370 | 120,975,370 |
| Total funds | (161,531,224) | (161,531,224) |
| | | |
| Total borrowings | 283,595,154 | 283,595,154 |
| Less: cash and bank balances | (591,703) | (479,031) |
| Net debt/(excess cash and cash equivalents) | | 283,116,123 |
| Gearing | 57% | 57% |

14. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the stores and services Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *stores and services Fund*, holding 100% of the *stores and services Fund's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the stores and services Fund, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works

Government of Kenya (Continued)

- iii) Key management;
- iv) Board of directors;



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| | 2020-2021 | 2019-2020 |
|--|----------------|----------------|
| | Kshs | Kshs |
| Transactions with related parties | | |
| a) Sales to related parties | | |
| Sales of goods to MDAs | 591,703 | 383,376 |
| Sales of services | - | - |
| Total | 591,703 | 383,376 |
| b) Grants from the Government | | |
| Grants from National Govt | - | - |
| Grants from County Government | - | - |
| Donations in kind | - | - |
| Total | - | - |
| c) Expenses incurred on behalf of related party | | |
| Payments for goods and services | - | - |
| Total | - | - |
| d) Key management compensation | | |
| Directors' emoluments | - | - |
| Compensation to the CEO | - | - |
| Compensation to key management | - | - |
| Total | 591,703 | 383,376 |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. SEGMENT INFORMATION

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an stores and services Fund to present segmental information of each geographic region or department to enable users understand the stores and services Fund's performance and allocation of resources to different segments)

16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

| Contingent liabilities | 2020-2021 | 2019-2020 |
|---|-----------|-----------|
| | Kshs | Kshs |
| Court case against the stores and services Fund | - | - |
| Bank guarantees in favour of subsidiary | - | - |
| Total | - | - |

17. CAPITAL COMMITMENTS

| Capital commitments | 2020-2021 | 2019-2020 |
|-------------------------------|-----------|-----------|
| | Kshs | Kshs |
| Authorised for | - | - |
| Authorised and contracted for | - | - |
| Total | - | - |

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

18. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

19. ULTIMATE AND HOLDING STORES AND SERVICES FUND

The stores and services Fund is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of lands housing and urban development. Its ultimate parent is the Government of Kenya.

20. Currency

The financial statements are presented in Kenya Shillings (Kshs).

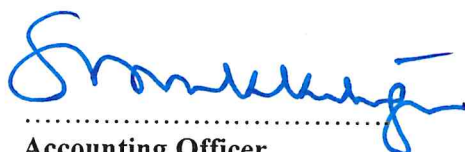


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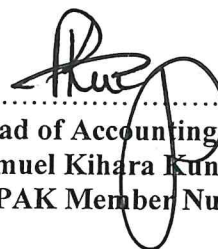
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

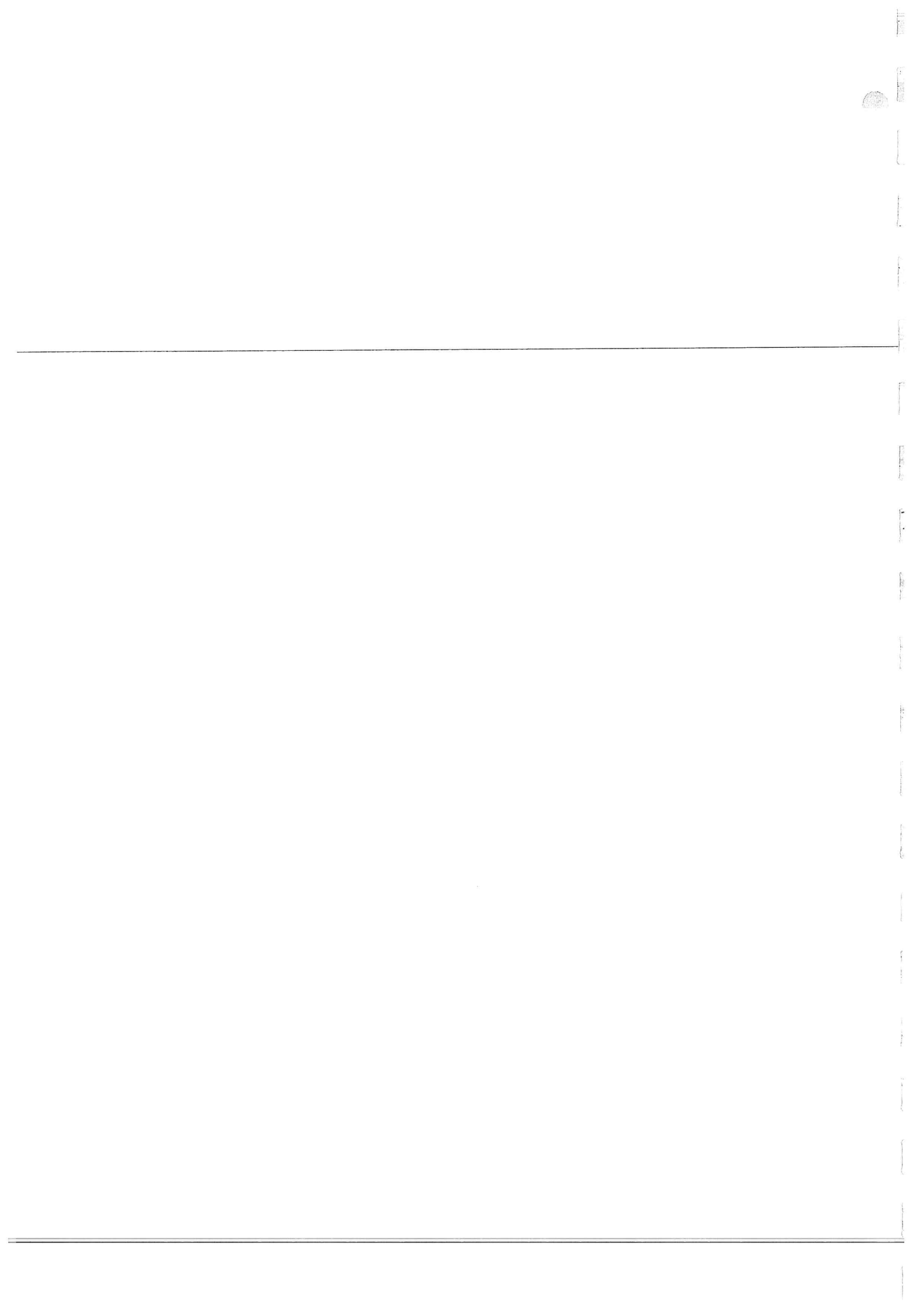
| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe : (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---|--|-----------------------------------|---|
| 1 | Inventories | Differences in closing balances | Accounting Officer – Solomon Kitungu, CBS | Resolved | - |
| 2 | Bulk purchase stores | Differences in bulk purchase | Accounting Officer- Solomon Kitungu, CBS | Resolved | - |
| 3 | Bulk purchase stores and Fuel | Accuracy of bulk purchase to be confirmed | Accounting Officer – Solomon Kitungu, CBS | Resolved | - |
| 4 | Trade and Other Payables | Unpaid purchases were excluded from trade | Accounting Officer – Solomon Kitungu, CBS | Resolved | - |
| 10 | Sale of Goods | Stock not presented for audit review | Accounting Officer- Solomon Kitungu CBS | Resolved | - |



Accounting Officer
Solomon Kitungu, CBS



Head of Accounting Unit
Samuel Kihara Kung'u
ICPAK Member Number: 8836



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APPENDIX II: PROJECTS IMPLEMENTED BY THE STORES AND SERVICES FUND

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|----------------|-------|------------------|------------------|---|---|
| I | - | - | - | - | - | - |

Status of Projects completion


No Project being implemented.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

APPENDIX III: INTER-STORES AND SERVICES FUND TRANSFERS

The above amounts have been communicated to and reconciled with the parent Ministry
N/A


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Accounting Officer
Solomon Kitungu, CBS


.....
Head of Accounting Unit
Samuel Kihara Kung'u
ICPAK Member Number: 8836



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES-N/A

