***Issued on 30th September 2024***

|  |  |  |
| --- | --- | --- |
|  |  | *(Add the MDA Logo if applicable)* |

*(Indicate the name of the /MDA/COMMISSION/MDA)*

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED**

**30TH JUNE 20XX**

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting Method Under International Public Sector Accounting Standards (IPSAS)**

***(Leave this page blank)***

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# Acronyms and Definition of Key Terms

**A: Acronyms and Abbreviations**

*CS Cabinet Secretary*

*PS Principal Secretary*

*CBK Central Bank of Kenya*

*ICPAK Institute of Certified Public Accountants of Kenya*

*IPSAS International Public Sector Accounting Standards*

*OCOB Office of the Controller of Budget*

*OAG Office of the Auditor General*

*OSHA Occupational Safety and Health Act of 2007*

*PFM Public Finance Management*

*PPE Property Plant & Equipment*

*PSASB Public Sector Accounting Standards Board*

*SAGAs Semi-Autonomous Government Agencies*

*SC State Corporations*

*TNT The National Treasury*

*WB World Bank*

**B: Definition of Key Terms**

**Fiduciary Management**- Members of Management directly entrusted with the responsibility of financial resources of the organisation.

*(This list is an indication of the common acronyms and abbreviations; the MDA should include all from the annual report and financial statements prepared)*

# Key MDA Information and Management

1. **Background information**

The *MDA* was established under the xxx (insert the establishing instrument such as the Constitution and or Act of Parliament and the Executive order.) The *MDA* is domiciled in Kenya and has branches/offices in xxx, xxx (list them).

1. **Mandate**

*(MDA to indicate its mandate/principal activities and their vision, mission and core values).*

1. **Key Management**

The *MDA’s* day-to-day management is under the following Key organs/Offices/ Directorates/Divisions

* *Cabinet Secretary/Commissioners/Speaker/CJ*
* *Principal Secretary/Accounting Officer*
* *Directorates*
* *Divisions*

*(MDA to list the key organs without providing names of the office holders)*

1. **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 20XX and who had direct fiduciary responsibility were:

| **No** | **Designation** | **Name** | **Date of Appointment** |
| --- | --- | --- | --- |
| 1 | Accounting Officer |  |  |
| 2 | Xx |  |  |
| 3 | Xx |  |  |
| 4. | Xx |  |  |
| 5. | Xx |  |  |

*(Where there have been changes in management, the MDA to indicate so and the period for which the officer served)*

1. **Fiduciary Oversight Arrangements**

*Provide a high-level description of the key fiduciary oversight arrangements covering (e.g.):*

* *Audit committee activities*
* *Public Finance Management Committee*
* *Senior Management Committees*
* *Budget Implementation Committee*
* *Parliamentary Committees*
* *Others (specify)*

1. **MDA Headquarters**

P.O. Box XXXXX

XXX Building/House/Plaza

XXX Avenue/Road/Highway

Nairobi, Kenya

1. **MDA Contacts**

Telephone: (254) XXXXXXXX

E-mail: xxxx@xxx.com

Website: [xxx.go.ke](http://www.go.ke)

1. **MDA Bankers**
2. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

**Nairobi, Kenya**

1. **Other Banks** *(state other bankers as appropriate)*
2. **Independent Auditors**

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

1. **Principal Legal Adviser**

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

# Profile of Cabinet Secretary/Commissioners/Speaker/Chief Justice

|  |
| --- |
|  |
| Insert a passport-size photo, name, key professional/academic qualifications, and work experience for each person |

*(This section applies to Entities that have a governing body above the accounting officer)*

# Profile of Accounting Officer and Key Management.

|  |
| --- |
| **Accounting Officer and Key Management** |
| *Passport size photo, Name, Key Academic/Professional qualifications, designation and area of responsibility* |

# Statement by the Cabinet Secretary /Chair of the Commission/Speaker/Chief Justice

*(Customize the title above according to your MDA)*

*-Under this section, give a brief highlight of the key issues affecting the MDA during the year, strategies and policies being implemented to deal with the issues and any other general cross cutting issues related to the MDA.*

***-****Consider inserting**a photo of the CS/Chairman/Speaker/Chief Justice*

***………………………………………….***

***Cabinet Secretary/Chair of the Commission/Speaker/Chief Justice***

# Statement by the Accounting Officer

*Under this section, the Accounting Officer gives a report which highlights the key activities during the year, consolidated successes and challenges faced in carrying out the activities of the MDA. The Accounting officer may also mention at a high level the financial performance of the MDA.*

*Consider having the photo of the accounting officer.*

*……………………*

***Accounting Officer***

# Statement of Performance Against Predetermined Objectives for FY20xx/xx

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer presents a statement of performance against predetermined objectives of the MDA.

The key strategic objectives as per the xxx *(State the name of the MDA)* strategic plan for FY xx- FY xx *(state the period of the strategic plan)* are to:

1. xxxx for example *“To develop and maintain roads and storm water drainage to global standards”.*
2. xxxx
3. xxxx
4. xxxx
5. xxxx

Expenditure in the FY should be geared toward to realization of the aforementioned strategic objectives as captured in the Strategic plan for FY XX to XX. Linked to these objectives are specific programmes outcomes and outputs and performance indicators. The implemented programmes should be tabulated against actual achievements in the format presented in the table below, on programme performance, to demonstrate the progress towards achievement of the predetermined objectives.

***Table xx1: Programme performance***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Program** | **Strategic Objective** | **Outcome** | **Output** | **Output indicator** | **Achievement for the FY** | | | **Cumulative Achievement by end of FY** | | | **Remarks** |
| **Target** | **Actual** | **Variance** | **Target** | **Actual** | **Variance** |
| Public Works, Roads & Transport  **(this is an example)** | To develop and maintain roads and storm water drainage to global standards | Increased efficient transportation of people, goods and services | Roads upgraded to bitumen standards | No of Kilometers of newly upgraded to bitumen standards | 600 | 500 | 100 | 1800 | 1300 | 500 | Delays in negotiations with AfDB resulted in 50% of under achievement. |
| XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX |

# Governance Statement

**(**Two-to-three pages)

*This may include:*

1. *A brief on the key leadership/governance structure of the MDA.*

*(for commissions include appointment, tenure, functions, induction, conflict of interest of the commissioners)*

1. *The audit committee and any other management committees (Their formation, roles, composition, and activities/meetings held).*
2. *Risk management policies within the MDA*
3. *Report on recent training and development on governance for those in key leadership.*
4. *Public participation activities*
5. *Compliance with laws and regulations among others.*

# Management Discussion and Analysis

**(**Two- three pages)

*Under this section, the management gives a report on the operational and financial performance of the organisation for the last three- five years as per the guidance below.*

* *MDA’s key Programs/projects or investment decisions implemented or ongoing,*
* *MDA’s compliance with statutory requirements.*
* *Major risks facing the organisation.*
* *Material arrears in statutory and other financial obligations.*
* *Review of the economy and sector.*
* *Future developments*
* *Any other information considered relevant to the users of the financial statements.*

*(The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)*

# Environmental and Sustainability Reporting

**(Two-to-three pages)**

1. **Sustainability strategy and profile**

*The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failures.*

1. **Environmental performance /climate change/ mitigation of natural disasters**

*Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation’s products.*

1. **Employee welfare**

*Give account of the policies guiding the hiring process and whether they consider the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal, and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).*

1. **Operational practices**

*The organisation should outline its efforts towards:*

*Responsible Supply chain and supplier relations (explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.)*

1. **Community Engagements**-

*The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, water, and sanitation initiatives etc.)*

*Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community*

# Statement of Management Responsibilities

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government MDA shall prepare financial statements in respect of that MDA. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the ***(indicate actual name of the MDA****)* is responsible for the preparation and presentation of the MDA’s financial statements, which give a true and fair view of the state of affairs of the MDA for and as at the end of the financial year (period) ended on June 30, 20xx. 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 MDA, (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 MDA; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the *(****name of the MDA****)* accepts responsibility for the MDA’s financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *MDA’s* financial statements give a true and fair view of the state of MDA’s transactions during the financial year ended June 30, 20xx, and of the MDA’s financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the *MDA*, which have been relied upon in the preparation of the MDA’s financial statements as well as the adequacy of the system of internal controls.

The Accounting Officer in charge of the *(****name of the MDA****)* confirms that the MDA has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the MDA’s funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the MDA’s financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The *MDA’s* financial statements were approved on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 20xx and signed by:

|  |  |  |
| --- | --- | --- |
| **………………………………** |  | **………………………………** |
| **Name** |  | **Name** |
| **Accounting Officer** |  | **Head of Accounting Unit** |
|  |  | **ICPAK M/No………….** |

*(Entities with no Chairperson should omit the Chairperson’s signature. For the Commissions, this statement is to be signed by the Chairman in addition to the Accounting Officer and Head of Finance. MDA’s to maintain the signature of the Accounting Officer only*

# Report of the Independent Auditor for the (*Specify MDA Name*)

# Statement of Financial Performance for the year ended 30 June 20xx

|  | **Notes** | ***Insert Current FY*** |
| --- | --- | --- |
|  |  | **Kshs** |
| **Revenue** **from** **non-exchange** **transactions** |  |  |
| Transfers from Exchequer | 6 | xxx |
| Transfers from Other Government entities | 7 | xxx |
| Transfers from Domestic and Foreign Partners | 8 | xx |
| Levies, fines, penalties, and forfeitures | 9 | xxx |
| Reimbursement and Refunds | 10 | xxx |
| **Total** |  | **xxx** |
|  |  |  |
| **Revenue** **from** **exchange** **transactions** |  |  |
| Licenses, Fees and Permits | 11 | xxx |
| Rendering of services | 12 | xxx |
| Rental revenue from facilities and equipment | 13 | xxx |
| Finance income | 14 | xxx |
| Miscellaneous income | 15 | xxx |
| **Total** **revenue** |  | **xxx** |
|  |  |  |
| **Expenses** |  |  |
| Employee costs | 16 | xxx |
| Use of goods and services | 17 | xxx |
| Transfers to other Government Entities | 18 | xxx |
| Commissioners Expenses | 19 | xxx |
| Depreciation and amortization expense | 20 | xxx |
| Other Grants and Subsidies | 21 | xxx |
| Finance costs | 22 | xxx |
| Social Benefits | 23 | xxx |
| **Total** **expenses** |  | **xxx** |
| **Other** **gains/(losses)** |  |  |
| Gain/(loss) on sale of assets | 24 | xxx/(xxx) |
| Gain/Loss on foreign exchange transactions | 25 | xxx |
| Gain/Loss on fair value of investments | 26 | xxx |
| Impairment loss | 27 | (xxx) |
| **Surplus/Deficit for the year** |  | **xxx** |
| Taxation | 28 | (xxx) |
| **Net Surplus/Deficit** |  | **xxx** |

The Financial Statements set out on pages xxx to xxx were signed by:

|  |  |  |
| --- | --- | --- |
| **………………………………** |  | **………………………………** |
| **Name** |  | **Name** |
| **Accounting Officer** |  | **Head of Accounting Unit/Head of Finance** |
|  |  | **ICPAK M/No………….** |

*( paragraph 79 of IPSAS 33 allows for the election by an MDA to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position****,*** *and an opening statement of financial pos****ition*** *at the time of adoption of the accrual basis of accounting. In preparing th****is*** *financial reporting template, this election has been made****;*** *therefore****,*** *there are no comparatives in the first year of transition.)*

# 14 Statement of Financial Position as at 30 June 20xx

|  | **Notes** | ***Insert Currrent FY*** | ***Opening Statement***  ***1st July 20XX*** |
| --- | --- | --- | --- |
|  |  | **Kshs** | **Kshs** |
| **Assets** |  |  |  |
| **Current** **Assets** |  |  |  |
| Cash and Cash equivalents | 29 | xxx | xxx |
| Receivables from Exchange Transactions | 30(a) | xxx | xxx |
| Receivables from Non-Exchange Transactions | 31 | xxx | xxx |
| Inventories | 32 | xxx | xxx |
| Investments | 33 | xxx | xxx |
| **Total Current Assets** |  |  | **xxx** |
|  |  |  |  |
| **Non-Current** **Assets** |  |  |  |
| Receivables from Exchange Transactions | 30(b) | xxx | xxx |
| Investments | 33 | xxx | xxx |
| Property, Plant and Equipment | 34 | xxx | xxx |
| Right of use assets | 35 | xxx | xxx |
| Intangible Assets | 36 | xxx | xxx |
| Investment Property | 37 | xxx | xxx |
| Biological Assets | 38 | xxx | xxx |
| Tangible natural resources | 39 | xxx | xxx |
| **Total Non- Current Assets** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Total** **Assets (a)** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Liabilities** |  |  |  |
| **Current** **Liabilities** |  |  |  |
| Trade and Other Payables | 40 | xxx | xxx |
| Refundable Deposits | 41 | xxx | xxx |
| Current Provision | 42 | xxx | xxx |
| Current Lease Liabilities | 43 | xxx | xxx |
| Deferred Income | 44 | xxx | xxx |
| Employee Benefit Obligation | 45 | xxx | xxx |
| Current Portion of Borrowings | 46 | xxx | xxx |
| Social Benefit Liability | 47 | xxx | xxx |
| **Total Current Liabilities** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Non-Current** **Liabilities** |  |  |  |
| Non-Current Provisions | 42 | xxx | xxx |
| Non-current lease liability | 43 | xxx | xxx |
| Deferred Income | 44 | xxx | xxx |
| Employee Benefit Obligation | 45 | xxx | xxx |
| Borrowings – Non-Current Portion | 46 | xxx | xxx |
| Social Benefit Liability | 47 | xxx | xxx |
| Service Concession Liability | 48 | xxx | xxx |
| **Total Non- Current Liabilities** |  | **xxx** | **xxx** |
| **Total** **Liabilities (b)** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Net** **Assets (a-b)** |  | **xxx** | **xxx** |
| Reserves |  | xxx | xxx |
| Accumulated Surplus |  | xxx | xxx |
| Capital Fund |  | xxx | xxx |
| **Net Assets** |  | **xxx** | **xxx** |

The financial statements set out on pages xxx to xxx were signed by:

|  |  |  |
| --- | --- | --- |
| **………………………………** |  | **………………………………** |
| **Name** |  | **Name** |
| **Accounting Officer** |  | **Head of Accounting Unit** |
|  |  | **ICPAK M/No………….** |

*Entities having a Chair of the Board/Commission should have the Chairperson as the 3rd Signatory*

# 15 Statement of Changes in Net Assets for the year ended 30 June 20xx

|  | **Accumulated Surplus** | **Reserves** | **Capital Fund** | **Total** |
| --- | --- | --- | --- | --- |
| **Fund balance as at 30th June 2024** | **xx** | **xx** | **xx** | **xx** |
| **Adjustment:**  Recognition of Assets and Liabilities | **xx** | **xx** |  |  |
| **As at July 1, 20xx** | **xx** | **xx** | **xx** | **xx** |
| Return to Exchequer | xxx |  |  |  |
| Surplus/ deficit for the year | xxx/(xxx) |  |  |  |
| Revaluation gain/loss |  | xxx/(xxx) |  |  |
| Capital funds received in the year |  |  | xxx |  |
| **As at June 30, 20xx** | **xx** | **xx** | **xx** | **xx** |

*Note:*

1. *For items that are not common in the financial statements, the MDA 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.*
2. *Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.*
3. *Entities have liberty to add additional reserves as appropriate. For all reserves presented provide the nature and purpose.*

# 16. Statement of Cash Flows for the year ended 30 June 20xx

|  |  | ***Insert Current FY*** |
| --- | --- | --- |
|  | **Notes** | **Kshs** |
| **Cash** **flows** **from** **operating** **activities** |  |  |
| **Receipts** |  |  |
| Transfers from exchequers |  | xxx |
| Transfers from other governments entities |  | xxx |
| Levies, fines, penalties and forfeitures |  | xxx |
| Licenses, fees and permits |  | xxx |
| Rendering of services |  | xxx |
| Rental revenue from facilities and equipment |  | xxx |
| Finance income |  | xxx |
| Other income |  | xxx |
| **Total receipts** |  | **xxx** |
| **Payments** |  |  |
| Employee costs |  | xxx |
| Use of goods and services |  | xxx |
| Transfers to other Government Entities |  | xxx |
| Commissioners Expenses |  | xxx |
| Other Grants and Subsidies |  | xxx |
| Social Benefits |  | xxx |
| **Total payments** |  | **xxx** |
| **Net** **cash** **flows** **from/(used in)** **operating** **activities** | 49 | **xxx** |
|  |  |  |
| **Cash flows from investing activities** |  |  |
| Purchase of PPE |  | (xxx) |
| Purchase of Intangible Assets |  | xxx |
| Proceeds from sale of PPE |  | xxx |
| Proceeds from sale of biological assets |  | xxx |
| Purchase of investments |  | (xxx) |
| Sale of investments |  | xxx |
| **Net** **cash** **flows from/(used** **in)** **investing** **activities** |  | **xxx** |
|  |  |  |
| **Cash** **flows** **from** **financing** **activities** |  |  |
| Return to Exchequer |  | (xxx) |
| Proceeds from borrowings |  | xxx |
| Repayment of borrowings |  | (xxx) |
| **Net cash flows from financing Activities** |  | **xxx** |
|  |  |  |
| **Net** **increase/(decrease)** **in** **cash** &  **Cash equivalents** |  | **xxx** |
| Cash and cash equivalents at 1 July | 28 | xxx |
| **Cash** **and** **cash** **equivalents** **at** **30 June** | 28 | **xxx** |

*(PSASB has prescribed the use of direct method for cashflow preparation)*

# 17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 20xx

**Recurrent and Development Combined**

| **Description** | **Original budget** | **Adjustments** | **Final budget** | **Actual on a comparable basis** | **Budget utilization difference** | **% of utilization** |
| --- | --- | --- | --- | --- | --- | --- |
|  | **A** | **B** | **C=a+b** | **D** | **E=c-d** | **F=d/c %** |
| **Revenue** |  |  |  |  |  |  |
| Transfers from exchequer | xxx | xxx | xxx | xxx | xxx | xxx |
| Transfers from other government entities | xxx | xxx | xxx | xxx | xxx | xxx |
| Levies, fines, penalties and forfeitures | xxx | xxx | xxx | xxx | xxx | xxx |
| Licenses, fees, and permits | xxx | xxx | xxx | xxx | xxx | xxx |
| Rendering of services | xxx | xxx | xxx | xxx | xxx | xxx |
| Rental revenue from facilities and equipment | xxx | xxx | xxx | xxx | xxx | xxx |
| Finance income | xxx | xxx | xxx | xxx | xxx | xxx |
| Other income | xxx | xxx | xxx | xxx | xxx | xxx |
| **Total revenue** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
|  |  |  |  |  |  |  |
| **Expenses** |  |  |  |  |  |  |
| Employees Costs | xxx | xxx | xxx | xxx | xxx | xxx |
| Use of goods and services | xxx | xxx | xxx | xxx | xxx | xxx |
| Transfers to other government units | xxx | xxx | xxx | xxx | xxx | xxx |
| Commissioners Expenses | xxx | xxx | xxx | xxx | xxx | xxx |
| Other grants and transfers | xxx | xxx | xxx | xxx | xxx | xxx |
| Social benefits | xxx | xxx | xxx | xxx | xxx | xxx |
| Other payments | xxx | xxx | xxx | xxx | xxx | xxx |
| Total recurrent expenses | xxx | xxx | xxx | xxx | xxx | xxx |
| **Capital items** |  |  |  |  |  |  |
| Acquisition of PPE | xxx | xxx | xxx | xxx | xxx | xxx |
| Acquisition of Intangible assets | xxx | xxx | xxx | xxx | xxx | xxx |
| Purchase of investments | xxx | xxx | xxx | xxx | xxx | xxx |
| Repayment of borrowings | xxx | xxx | xxx | xxx | xxx | xxx |
| **Total expenses Development** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **Total expenses** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **Surplus/ deficit** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

**Reconciliation table**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Operating** | **Financing** | **Investing** | **total** |
| Actual amounts on comparable basis presented in the budget and actual comparative statement | xx | xx | xx | xx |
| Basis difference | xx | xx | xx | Xx |
| Timing differences | xx | xx | xx | xx |
| MDA differences | xx | xx | xx | xx |
| Classification differences | xx | xx | xx | xx |
| Actual in the statement of cashflows | xx | xx | xx | xx |

***Budget Notes***

*Provide an explanation of differences between actual and budgeted amounts for significant under/ overutilization IPSAS 24.14*

*Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)*

*Where the total of actual on a comparable basis does not tie to the statement of cashflows due to differences in accounting basis, classification, MDA, and timing differences, provide a reconciliation.*

# 18. Notes to the Financial Statements

1. **Establishment**

*The MDA* is established by and derives its authority and accountability from xxx Act/Executive Order. *The MDA* is wholly owned by the Government of Kenya and is domiciled in Kenya. The MDA’s principal activity is xxx.

1. **Statement of Compliance and Basis of Reporting**

**Statement of compliance**

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

For the purpose of these financial statements, the *Ministry/Department/Agency* has been categorized as a Schedule 1 national government MDA in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. MDAs are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by MDAs is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Accounting Officer on xxx.

*Guiding note during the transition period:*

*The financial statements have been prepared in accordance with the Public Finance Management Act, and International Public Sector Accounting Standards (IPSAS) or the MDA has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st/ 2nd/ 3rd/year financial statements are transitional financial statements and* ***the following elements xxxx*** *of the financial statements have not been recognised as the MDA has taken advantage of the transition provisions outlined in IPSAS 33. (MDA to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).*

**Notes to the financial statements**

**Reporting period**

The reporting period for these financial statements is for the period ended xxxx.

**Basis of preparation**

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

**Critical accounting judgements**

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of *MDA* for an outflow of resources that results from a past event.Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgement is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The *MDA* pursues a number of policy targets and outcomes. However the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the *MDA* is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the *MDA* policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the *MDAs* future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya’s current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO2eq. MDAs commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the MDA as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

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**Notes to the Financial Statements (Continued)**

1. **Adoption of New and Revised Standards**
2. ***New and amended standards and interpretations in issue effective in the year ended 30 June 2024*.**

There were no new and amended standards issued in the financial year.

1. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024****.*

| **Standard** | **Effective date and impact:** |
| --- | --- |
| IPSAS 43 | ***Applicable 1st January 2025***  The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an MDA.  The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.  ***State the expected impact of the standard to the MDA if relevant*** |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | ***Applicable 1st January 2025***  The Standard requires,  Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:  Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.  ***State the expected impact of the standard to the MDA if relevant*** |
| IPSAS 45- Property Plant and Equipment | ***Applicable 1st January 2025***  The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.  ***State the expected impact of the standard to the MDA if relevant*** |
| IPSAS 46  Measurement | ***Applicable 1st January 2025***  The objective of this standard was to improve measurement guidance across IPSAS by:   1. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. 2. Clarifying transaction costs guidance to enhance consistency across IPSAS; 3. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.   The standard also introduces a public sector specific measurement bases called the current operational value.  ***State the expected impact of the standard to the MDA if relevant*** |
| IPSAS 47- Revenue | ***Applicable 1st January 2026***  This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.  ***State the expected impact of the standard to the MDA if relevant*** |
| IPSAS 48- Transfer Expenses | ***Applicable 1st January 2026***  The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.  ***State the expected impact of the standard to the MDA if relevant*** |
| IPSAS 49- Retirement Benefit Plans | ***Applicable 1st January 2026***  The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.  ***State the expected impact of the standard to the MDA if relevant*** |

1. ***Early adoption of standards***

The MDA did not early – adopt any new or amended standards in the financial year or *the MDA adopted the following standards early (state the standards, reason for early adoption and impact on MDA’s financial statements.)*

1. **Summary of Significant Accounting Policies**
2. **Revenue recognition**
3. **Revenue from non-exchange transactions**

**Fees, taxes and fines**

The MDA 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 MDA 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 MDA and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

**ii) Revenue from exchange transactions**

**Rendering of services**

The MDA 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.

**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.

**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.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

1. **Budget information**

The original budget for FY 20xx/xx was approved by the National Assembly on *xxxx*. 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 MDA upon receiving the respective approvals in order to conclude the final budget. Accordingly, the MDA recorded additional appropriations of *xxxx* on the 20xx/xx budget following the governing body’s approval. The MDA’s budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under section *xxx* of these financial statements.

1. **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 an *xx-*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.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued**

1. **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 MDA 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.

1. **Right of use asset**

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the MDA incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the MDA expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

**Notes to the Financial Statements (Continued)**

1. **Tangible Natural Resources**

The MDA recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the MDA; the MDA controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where this criteria is not met, the MDA discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An MDA shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

1. **Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the MDA. 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 MDA 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 MDA 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.

**Notes to the Financial Statements (Continued)**

1. **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.

1. **Research and development costs**

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

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

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.

1. **Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The MDA does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company’s financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one MDA and a financial liability or equity instrument of another MDA. At initial recognition, the MDA measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

1. **Financial assets**

**Classification of financial assets**

The MDA classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the MDA’s management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an MDA has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the MDA classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Notes to the Financial Statements (Continued)**

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the MDA manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

The MDA assesses, on a forward-looking basis, the expected credit loss (‘ECL’) associated with its financial assets carried at amortized cost and fair value through net assets/equity. The MDA recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx.*

1. **Financial liabilities**

**Classification**

The MDA classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**Notes to the Financial Statements (Continued)**

1. **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:

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

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 *MDA.*

1. **Provisions**

Provisions are recognized when the MDA 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 MDA 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.

**Notes to the Financial Statements (Continued)**

1. **Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The MDA recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the MDA will incur in fulfilling the present obligations represented by the liability.

1. **Contingent liabilities**

The MDA 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.

1. **Contingent assets**

The MDA 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 MDA 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.

1. **Nature and purpose of reserves**

The MDA creates and maintains reserves in terms of specific requirements. *MDA to state the reserves maintained and appropriate policies adopted.*

1. **Changes in accounting policies and estimates**

The MDA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

1. **Employee benefits**

**Retirement benefit plans**

The *MDA* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an MDA pays fixed contributions into a separate MDA (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.

1. **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.

1. **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.

1. **Related parties**

The *MDA* regards a related party as a person or an MDA with the ability to exert control individually or jointly, or to exercise significant influence over the *MDA*, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the CEO and senior managers. (MDA to amend accordingly)*

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

1. **Service concession arrangements**

The *MDA* 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 *MDA* 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 *MDA* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

1. **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.

1. **Comparative figures**

In preparing these financial statements, the MDA has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an MDA to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

1. **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, 20xx.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

1. **Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the MDA'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 MDA 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 MDA. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

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

1. The condition of the asset based on the assessment of experts employed by the MDA.
2. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
3. The nature of the processes in which the asset is deployed.
4. Availability of funding to replace the asset.
5. Changes in the market in relation to the asset

**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 40.

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.

*(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).*

**Notes to the Financial Statements (Continued)**

1. **Transfers from Exchequer**

|  |  |  |  |
| --- | --- | --- | --- |
| **Nature of transfer** | **Amount recognized to Statement of Financial performance** | **Amount deferred under deferred income** | **Total transfers**  **Period ended Sep\*/Dec\*/March\*/June\* 20xx** |
| **Kshs** | **Kshs** | **Kshs** |
| Recurrent | xxx | xxx | xxx |
| Development | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** |

1. **Transfers from Other Government entities**

|  |  |  |  |
| --- | --- | --- | --- |
| **Name Of The MDA Sending The Grant/Transfer** | **Amount recognized to Statement of Financial performance**  **Kshs** | **Amount deferred under deferred income**  **Kshs** | **Total transfers**  **Current FY** |
| **Kshs** |
| Ministry/State Department | xxx | xxx | xxx |
| xx Ministry | xxx | xxx | xxx |
| xx other MDA |  |  |  |
| **Total** | **xxx** | **xxx** | **xxx** |

1. **Transfers from Domestic and Foreign Partners**

| **Description** | ***Insert Current FY*** |
| --- | --- |
|  | **Kshs** |
| Grants in Cash from Bilateral donors | xxx |
| Grants in Cash from Multilateral donors | xxx |
| Grants in Kind from Bilateral donors | xxx |
| Grants in Kind from Multilateral donors | xxx |
| Direct Payments | xxx |
| Other Public Donations (Specify) | xxx |
| **Total** | **xxx** |

***Details on Transfers from domestic and foreign partners***

|  |  |  |  |
| --- | --- | --- | --- |
| **Name Of The MDA Sending The Grant/Transfer** | **Amount recognized to Statement of Financial performance**  **Kshs** | **Amount deferred under deferred income**  **Kshs** | **Total transfers 20xx-20xx** |
| **Kshs** |
| xxx | xxx | xxx | xxx |
| xxx | xxx | xxx | xxx |
| xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Levies, fines, penalties and forfeitures**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Fuel Levy | xxx |
| Petroleum Development levy | xxx |
| Fines | xx |
| Penalties | xx |
| forfeitures | xx |
| Other Levies (Specify) | xxx |
| **Total** | **xxx** |

(Provide brief explanation for this revenue)

1. **Reimbursement and Refunds**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **KShs** |
| African Union | xxx |
| European Union | xxx |
| Others (specify) | xxx |
| **Total** | **xxx** |

(Provide brief explanation for this revenue)

1. **Licenses, Fees and Permits**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Licenses | xxx |
| Fees | xxx |
| Permits | xxx |
| **Total** | **xxx** |

(Provide a brief explanation for this revenue)

1. **Rendering Of Services**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **KShs** |
| Audit | xxx |
| Security | xxx |
| Service Fees | xxx |
| Other fees | xxx |
| **Total** | **xxx** |

(Provide brief explanation for this revenue)

**Notes to the Financial Statements (Continued)**

1. **Rental Revenue from Facilities and Equipment**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Rent | xxx |
| Property income | xxx |
| Contingent Rentals\* | xxx |
| Others specify | xxx |
| **Total** | **xxx** |

(*Provide brief explanation for this revenue*)

**\****Contingent rentals include hire grounds, institutional facilities like halls, kitchen etc.*

1. **Finance Income**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Interest from Cash investments and fixed deposits | xxx |
| Interest income from Treasury Bills | xxx |
| Interest income from Treasury Bonds | xxx |
| Interest from outstanding debtors | xxx |
| Others (specify) | xxx |
| **Total** | **xxx** |

(*Provide brief explanation for this revenue*)

1. **Other Incomes**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Insurance recoveries | xxx |
| Sale of incidental goods | xxx |
| Sale of market establishments | xxx |
| Sale of non-market establishment | xxx |
| Administrative fees and charges | xxx |
| Bulk infrastructure levies | xxx |
| Income from profits and dividends | xxx |
| Infrastructure improvement fee | xxx |
| Income from sale of tender | xxx |
| Services concession income | xxx |
| Skills development levy | xxx |
| Agency fee | xxx |
| Other incomes not specified elsewhere | xxx |
| **Total** **other** **income** | **xxx** |

*(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified*).

**Notes to the Financial Statements (Continued)**

1. **Employee Costs**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Basic salaries of permanent employees | xxx |
| Basic wages of temporary employees | xxx |
| Personal allowances – part of salary | xxx |
| Pension and other social security contributions | xxx |
| Employer contributions to compulsory national social security schemes | xxx |
| Employer contributions to compulsory national health insurance schemes | xxx |
| Other social benefit schemes | xxx |
| Other personnel costs | xxx |
| **Employee** **costs** | **xxx** |

\* *Other employee related costs- please provide a brief explanation for these costs*

1. **Use of Goods and Services**

| **Description** | ***Insert Current FY*** |
| --- | --- |
|  | **Kshs** |
| Utilities, supplies and services | xxx |
| Communication, supplies and services | xxx |
| Domestic travel and subsistence | xxx |
| Foreign travel and subsistence | xxx |
| Printing, advertising, and information supplies & services | xxx |
| Rentals of produced assets | xxx |
| Training expenses | xxx |
| Hospitality supplies and services | xxx |
| Insurance costs | xxx |
| Specialized materials and services | xxx |
| Bank Charges | xxx |
| Office and general supplies and services | xxx |
| Fuel Oil and Lubricants | xxx |
| Routine maintenance – vehicles and other transport equipment | xxx |
| Routine maintenance – other assets | xxx |
| Other operating expenses | xxx |

**Notes to the Financial Statements (Continued)**

1. **Transfers to Other Government Entities**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Transfers to national govt entities- SAGAs & SC | xxx |
| Transfer to other Central Government entities | xxx |
| Transfers to Projects | xxx |
| Transfers to car loan and mortgage schemes | xxx |
| Transfers to County Governments entities | xxx |
| Others (specify) | xxx |
| **Total** | **xxx** |

1. **Commissioner’s Expenses**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Chairman’s Honoraria | xxx |
| Sitting Allowances | xxx |
| Medical Insurance | xxx |
| Induction and Training | xxx |
| Travel and Accommodation | xxx |
| Health clubs | xxx |
| Other Allowances | xxx |
| **Total** | **xxx** |

1. **Depreciation and Amortization Expense**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Property, plant and equipment | xxx |
| Intangible assets | xxx |
| Investment property carried at cost | xxx |
| **Total** | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Other Grants and Subsidies**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Membership dues and subscriptions to international organizations | xxx |
| Scholarships and other educational benefits | xxx |
| Emergency relief and refugee assistance | xxx |
| Grants to small businesses, cooperatives, and self employed | xxx |
| Grants to foreign government | xxx |
| Relief to the disabled, the sick, unemployed | xxx |
| Subsidies to Public entities | xxx |
| Subsidies to Private entities | xxx |
| **Total** **Grants** **and** **Subsidies** | **xxx** |

1. **Finance Costs**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Interest Payments on Foreign Borrowings | xxx |
| Interest Payments on Guaranteed Debt Taken over by Govt | xxx |
| Interest on Domestic Borrowings (Non-Govt) | xxx |
| Interest on Borrowings from Other Government Units | xxx |
| Interest on bank overdrafts | xxx |
| Interest on loans from commercial banks | xxx |
| **Total** **finance** **costs** | **xxx** |

*Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)*

1. **Social Benefits**

|  |  |
| --- | --- |
| **Description** | **Insert Current FY** |
| **Kshs** |
| Transfers to the elderly | xxx |
| Transfers to orphans | xxx |
| Transfers to the physically challenged | xxx |
| **Total** **social benefit expenses** | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Gain/Loss on Sale of Assets**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
|  | xxx |
| Property, plant and equipment | xxx |
| Intangible assets | xxx |
| Other assets not capitalised | xxx |
| **Total** **gain** **on** **sale** **of** **assets** | **xxx** |

1. **Gain/Loss on Foreign Exchange**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Gain or loss on foreign exchange transactions | xxx |
| Gain or loss on balances in foreign exchanges | xxx |
| **Total** | **xxx** |

1. **Gain/Loss on Fair Value Investments**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Investments at Fair Value | xxx |
| **Total** **Gain** | **xxx** |

1. **Impairment Loss**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Property, Plant and Equipment | xxx |
| Intangible Assets | xxx |
| **Total** **Impairment** **Loss** | **xxx** |

1. **Taxation**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
| **Kshs** |
| Current income tax charge | xxx |
| Tax charged on rental income | xxx |
| Tax charged on interest income | xxx |
| Deferred tax | xxx |
| Original and reversal of temporary differences | xxx |
| **Income tax expense reported in the statement of financial performance** | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Cash and Cash Equivalents**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert current FY*** | ***Opening statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Recurrent Account | xxx | xxx |
| Development Account | xxx | xxx |
| Deposits Account | xxx | xxx |
| On - Call Deposits | xxx | xxx |
| Fixed Deposits Account | xxx | xxx |
| Others(Specify) | xxx | xxx |
| **Total** | **xxx** | **xxx** |

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

**Notes to the Financial Statements (Continued)**

**29 (a) Detailed Analysis of the Cash and Cash Equivalents**

|  |  | ***Insert Current FY*** | ***Opening statement***  ***1st July 20XX*** |
| --- | --- | --- | --- |
| **Financial Institution** | **Account number** | **Kshs** | **Kshs** |
| Recurrent Account |  | xxx | xxx |
| *CBK001* | 1000\*\*\*\* |  |  |
| Development Accounts |  | xxx | xxx |
| *CBK002* | 1000\*\*\*\* |  |  |
| Deposits Accounts |  | xxx | xxx |
|  |  |  |  |
| On - Call Deposits |  | xxx | xxx |
|  |  |  |  |
| Fixed Deposits Account |  | xxx | xxx |
|  |  |  |  |
| **Others (Specify)** |  | xxx | xxx |
| Cash on Hand |  | xxx | xxx |
| Mobile Money Accounts |  | xxx | xxx |
| **Sub- Total** |  | **xxx** | **xxx** |
| **Grand Total** |  | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Receivables from Exchange Transactions**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Other exchange debtors | xxx | xxx |
| Less: impairment allowance | (xxx) | (xxx) |
| **Total Receivables** | **xxx** | **xxx** |
| 1. Current receivables | xxx | xxx |
| 1. Non-current receivables | xxx | xxx |
| **Total** **receivables (a+b)** | **xxx** | **xxx** |

**30 (c) Ageing analysis for Receivables**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | ***Insert Current FY*** | | ***Opening statement***  ***1st July 20XX*** | |
| **Kshs** | | **Kshs** | |
|  | **Current FY** | **% of the total** | **1st July** | **% of the total** |
| Less than 1 year | xxx | % | xxx | % |
| Between 1- 2 years | xxx | % | xxx | % |
| Between 2-3 years | xxx | % | xxx | % |
| Over 3 years | xxx | % | xxx | % |
| **Total (a+b)** | **xxx** | **%** | **xxx** | **%** |

**30 (d) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions**

|  |  |
| --- | --- |
| **Impairment allowance** | ***Insert Current FY*** |
|  | **Kshs** |
| At the beginning of the year | xxx |
| Additional allowance during the year | xxx |
| Recovered during the year | (xxx) |
| Written off during the year | (xxx) |
| At the end of the year | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Receivables from Non-Exchange Transactions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | ***Insert Current FY*** | | ***Opening Statement 1st July 20XX*** | |
| **Kshs** | | **Kshs** | |
| Property tax debtors | Xxx | | Xxx | |
| Levies, fines, and penalties | Xxx | | Xxx | |
| Licences, fees and permits | Xxx | | Xxx | |
| Other debtors (non-exchange transactions) | Xxx | | Xxx | |
| Less: impairment allowance | (xxx) | | (xxx) | |
| **Total** **receivables from non- exchange transactions** | **xxx** | | **xxx** | |
| **Ageing Analysis- Receivables from non-**  **exchange transactions** | ***Current FY*** | **% of the total** | ***Opening Statement 1st July 20XX*** | **% of the total** |
| Less than 1 year | xxx | % | xxx | % |
| Between 1-2 years | xxx | % | xxx | % |
| Over 3 years | xxx | % | xxx | % |
| **Total** | xxx | % | xxx | % |

**31 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| At the beginning of the year | xxx |
| Additional allowances during the year | xxx |
| Recovered during the year | (xxx) |
| Written off during the year | (xxx) |
| At the end of the year | **xxx** |

1. **Inventories**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Consumable stores | xxx | xxx |
| Goods held for distribution | xxx | xxx |
| Spare parts and meters | xxx | xxx |
| Less: allowance for impairment | (xxx) | (xxx) |
| **Total** | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Investments**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| 1. **Investment in Treasury bills and bonds** |  |  |
| Financial institution |  |  |
| CBK | xxx | xxx |
| CBK | xxx | xxx |
| Sub- total | **xxx** | **xxx** |
| 1. **Investment with Financial Institutions/ Banks** |  |  |
| Bank x | xxx | xxx |
| Bank y | xxx | xxx |
| Sub- total | **xxx** | **xxx** |
| 1. **Equity investments (specify)** |  |  |
| Equity/ shares in MDA xxx | xxx | xxx |
| Sub- total | **xxx** | **xxx** |
| **Grand total** | **xxx** | **xxx** |
| Analysed as: |  |  |
| **Current Portion of Investments** | **xxx** | **xxx** |
| **Non-current portion of investments.** | **xxx** | **xxx** |

1. **Movement of Equity Investments**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| At the beginning of the year | xxx |
| Purchase of investments in the year | xxx |
| Sale of investments during the year | (xxx) |
| Increase /(decrease ) in fair value of investments | xxx |
| At the end of the year | **xxx** |

**Notes to the Financial Statements (Continued)**

**e) Shareholding in other entities**

For investments in equity share listed under note 32 above, list down the equity investments under the following categories:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Name of MDA where investment is held | No of shares | | | Nominal value of shares | Fair value of shares | Fair value of shares |
|  | **Direct shareholding** | **Indirect shareholding** | **Current year** |  | **Insert Current FY** | **Opening Statement 1st July 20XX** |
|  | **%** | **%** | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| MDA A | xxx | xxx | xxx | xxx | xxx | xxx |
| MDA B | xxx | xxx | xxx | xxx | xxx | xxx |
| MDA C | xxx | xxx | xxx | xxx | xxx | xxx |
|  | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Property, Plant and Equipment**

|  | **Land** | **Buildings** | **Motor vehicles** | **Infrastructure assets** | **Furniture and fittings** | **Computers & ICT Equipment** | **Heritage assets** | **Work in progress** | **Service concession assets** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Depreciation Rate** |  | **2-10%** | **10-16.67%** | **2-20%** | **12.5%** | **33.3%** | **x%** |  |  |  |
| **Cost** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Opening Bal as 1st July 20xx** | **xxx** | **xxx** | **xxx** | **Xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| Additions | xxx | xxx | xxx | Xxx | xxx | - | xxx | xxx | xxx | **xxx** |
| Disposals | (xxx) | (xxx) | - | (Xxx) | - | - | (xxx) | (xxx) | (xxx) | **(xxx)** |
| Transfer/Adjustments | (xxx) | (xxx) | xxx | Xxx | xxx | (xxx) | (xxx) | xxx | xxx | **(xxx)** |
| **As At Jun 20xx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **Depreciation And Impairment** |  |  |  |  |  |  |  |  |  |  |
| Depreciation | - | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | - | - | **(xxx)** |
| Disposals | - | xxx | - | - | - | - | xxx | - | - | **xxx** |
| Impairment | - | (xxx) | (xxx) | (xxx) | - | - | (xxx) | - | - | **(xxx)** |
| Transfer/Adjustment | - | xxx | (xxx) | (xxx) | (xxx) | xxx | (xxx) | - | - | **xxx** |
| **As At** | **-** | **xxx** | **Xxx** | **Xxx** | **xxx** | **xxx** | **xxx** | **-** | **-** | **xxx** |
| **Net Book Values** |  |  |  |  |  |  |  |  |  |  |
| **Opening Bal as at 1st July 20xx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **As At xx, 20xx** | **xxx** | **xxx** | **Xxx** | **Xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

*(Include a brief description of WIP as a footer.)*

**Notes to the Financial Statements (Continued**

**Valuation**

Items of PPE are valued at Historical cost at the point of recognition in the financial statements. Where historical cost is not available or the item has been acquired at , PPE has been valued at the current operational value which is the amount the MDA would pay for the remaining service potential of an asset at the measurement date.

1. **Right- of-use assets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ***Buildings*** | **Motor vehicles** | ***Plant and equipment*** | ***Total*** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Cost** |  |  |  |  |
| As at 1 July 20xx | xxx | xxx | xxx | xxx |
| Additions | xxx | xxx | xxx | xxx |
| As at 30 Sept/Dec/ March/June 20xx | xxx | xxx | xxx | xxx |
|  |  |  |  |  |
| **Accumulated Depreciation** |  |  |  |  |
| As at 1 July 20xx | xxx | xxx | xxx | xxx |
| Charge for the year | xxx | xxx | xxx | xxx |
| As at 30 Sept/Dec/ March/June 20xx | xxx | xxx | xxx | xxx |
|  |  |  |  |  |
| **Carrying Amount** |  |  |  |  |
| As at 30 Sept/Dec/ March/June 20xx | xxx | xxx | xxx | xxx |

**Notes to the Financial Statements (Continued)**

1. **Intangible Assets**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| **Cost** |  |
| **At beginning of the year** | xxx |
| Additions | xxx |
| Disposal | (xxx) |
| **At end of the year** | xxx |
| **Opening Bal 1st July** | **xxx** |
| Additions–internal development | xxx |
| Disposal | (xxx) |
| **At end of the year** | xxx |
| **Amortization and impairment** |  |
| **At beginning of the year** | xxx |
| Amortization | xxx |
| **At end of the year** | xxx |
| Impairment loss | xxx |
| **At end of the year** | xxx |
| **NBV** | xxx |

1. **Investment Property**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| **At beginning of the year** | **xxx** |
| Additions | xxx |
| Disposal during the year | (xxx) |
| Depreciation | (xxx) |
| Impairment | (xxx) |
| **At end of the year** | **xxx** |

*(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance***).**

**Notes to the Financial Statements (Continued)**

1. **Biological Assets**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Trees in a plantation forest | xxx | xxx |
| Animals: Dairy Cattle, Pigs, Sheep | xxx | xxx |
| Fruit Trees | xxx | xxx |
| **Total** | **xxx** | **xxx** |

1. **Tangible Natural Resources**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Sub- soil assets** | **Water** | **Wildlife** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Cost** |  |  |  |  |
| As at 1 July 20xx | xxx | xxx | xxx | xxx |
| Additions | xxx | xxx | xxx | xxx |
| As at 30 Sept/Dec/ March/June 20xx | xxx | xxx | xxx | xxx |
|  |  |  |  |  |
| **Accumulated Depreciation** |  |  |  |  |
| As at 1 July 20xx | xxx | xxx | xxx | xxx |
| Charge for the year | xxx | xxx | xxx | xxx |
| As at 30 Sept/Dec/ March/June 20xx | xxx | xxx | xxx | xxx |
|  |  |  |  |  |
| **Carrying Amount** |  |  |  |  |
| As at 30 Sept/Dec/ March/June 20xx | xxx | xxx | xxx | xxx |

**Notes to the Financial Statements (Continued**

1. **Trade and Other Payables**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | ***Insert Current FY*** | | | ***Opening Statement 1st July 20XX*** | |
| **Kshs** | | | **Kshs** | |
| Trade payables | xxx | | | xxx | |
| Payments received in advance | xxx | | | xxx | |
| Employee payables | xxx | | | xxx | |
| Third-party payments | xxx | | | xxx | |
| Other payables | xxx | | | xxx | |
| **Total** **trade** **and** **other** **payables** | **xxx** | | | **xxx** | |
|  |  | |  | | |
| **Ageing analysis: (Trade and other payables)** | **Current FY** | **% of the Total** | | **1st July** | **% of the Total** |
| Under one year | xxx | % | | xxx | % |
| 1-2 years | xxx | % | | xxx | % |
| 2-3 years | xxx | % | | xxx | % |
| Over 3 years | xxx | % | | xxx | % |
| **Total (tie to above total)** | **xxx** |  | | **xxx** |  |

**Notes to the Financial Statements (Continued)**

1. **Refundable Deposits and Prepayments**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | ***Insert Current FY*** | | ***Opening Statement 1st July 20XX*** | |
| **Kshs** | | **Kshs** | |
| Customer deposits | xxx | | xxx | |
| Prepayments | xxx | | xxx | |
| Other deposits | xxx | | xxx | |
| **Total** **deposits** | **xxx** | | **xxx** | |
|  |  | |  | |
| **Ageing analysis: (Refundable deposits)** | **Current FY** | **% of the Total** | **1st July** | **% of the Total** |
| **Under one year** | **xxx** | % | **xxx** | % |
| 1-2 years | xxx | % | xxx | % |
| 2-3 years | xxx | % | xxx | % |
| Over 3 years | xxx | % | xxx | % |
| **Total** | **xxx** |  | **xxx** |  |

1. **Provisions**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Leave provision** | **Bonus provision** | **Gratuity**  **Provision** | **Other provision** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Opening bal 1st July** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| Additional provisions | xxx | xxx | xxx | xxx | xxx |
| Provision utilised | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| Change due to discount and time value for money | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| **Total provisions year end** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| Current Provisions | xxx | xxx | xxx | xxx | xxx |
| Non-current Provisions | xxx | xxx | xxx | xxx | xxx |

**Notes to the Financial Statements (Continued)**

1. **Lease Liability**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| **At the start of the year** | **xxx** |
| Discount interest on lease liability | xxx |
| Paid during the year | (xxx) |
| **At end of the year** | **xxx** |

**Maturity Analysis**

|  |  |
| --- | --- |
| **Period** | **Amount** |
| Year 1 | xxx |
| Year 2 | xxx |
| Year 3 | xxx |
| Year 4 | xxx |
| Year 5 And Onwards | xxx |
| Less: Unearned Interest | (xxx) |
|  | xxx |

**Analysed as:**

|  |  |
| --- | --- |
| **Description** | **Amount** |
| Current | xxx |
| Non- Current | xxx |
| **Total** | **xxx** |

1. **Deferred Income**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| National Government | xxx | xxx |
| International Funders | xxx | xxx |
| Public Contributions and Donations | xxx | xxx |
| **Total** **Deferred** **Income** | xxx | xxx |

**Analysed as:**

|  |  |
| --- | --- |
| **Description** | **Amount** |
| Current | xxx |
| Non- Current | xxx |
| **Total** | **xxx** |

**Notes to the Financial Statements (Continued)**

**The deferred income movement is as follows:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **National government** | **International funders** | **Public contributions and donations** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| Balance Brought Forward | **xxx** | **xxx** | **xxx** | **xxx** |
| Additions | xxx | xxx | xxx | xxx |
| Transfers To Capital Fund | (xxx) | (xxx) | (xxx) | (xxx) |
| Transfers To Income Statement | (xxx) | (xxx) | (xxx) | (xxx) |
| Other Transfers | (xxx) | (xxx) | (xxx) | (xxx) |
| Balance Carried Forward | **xxx** | **xxx** | **xxx** | **xxx** |

1. **Employee Benefit Obligations**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Defined benefit plan** | **Post-employment medical benefits** | **Other Benefits** | ***Opening Bal As At 1st July 20XX*** | ***Insert Current FY*** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| Current Benefit Obligation | xxx | xxx | xxx | xxx | xxx |
| Non-Current Benefit Obligation | xxx | xxx | xxx | xxx | xxx |
| **Total** **Employee Benefits Obligation** | xxx | xxx | xxx | xxx | xxx |

**Retirement benefit Asset/ Liability *(Applicable to Pensions)***

The MDA operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

**Notes to the Financial Statements (Continued)**

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  |  |
| Discount Rates | x% |
| Future Salary Increases | x% |
| Future Pension Increases | x% |
| Mortality (Pre- Retirement) | x% |
| Mortality (Post- Retirement) | x% |
| Withdrawals | xx% |
| Ill Health | xx% |
| Retirement | xx years |

**Recognition of Retirement Benefit Asset/ Liability**

1. Amounts recognised under other gains/ Losses in the statement of Financial Performance:

|  |  |  |
| --- | --- | --- |
|  | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
| **Description** | **Kshs** | **Kshs** |
| The return on defined plan assets | xxx | xxx |
| Actuarial gains/ losses arising from changes in demographic assumptions | xxx | xxx |
| Actuarial gains/ losses arising from changes in financial assumptions | xxx | xxx |
| Actuarial gains and losses arising from experience adjustments | xxx | xxx |
| Others (specify) | xxx | xxx |
| Adjustments for restrictions on the defined benefit asset | xxx | xxx |
| **Remeasurement of the net defined benefit liability (asset)** | xxx | xxx |

**Notes to the Financial Statements (Continued)**

1. **Amounts recognised in the Statement of Financial Position**

|  |  |  |
| --- | --- | --- |
|  | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
| **Description** | **Kshs** | **Kshs** |
| Present value of defined benefit obligations(a) | xxx | xxx |
| Fair value of plan assets(b) | (xxx) | (xxx) |
| Funded status(=a-b) | **xxx** | **xxx** |
| Restrictions on asset recognised | xxx | xxx |
| Others | xxx | xxx |
| Net asset or liability arising from defined benefit obligation | **xxx** | **xxx** |

The MDA also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The MDA’s obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. XXX per employee per month. Other than NSSF the MDA also has a defined contribution scheme operated by XXX Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

1. **Borrowings**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| 1. **External borrowings** |  |  |
| Balance at beginning of the year | xxx | xxx |
| External borrowings during the year | xxx | xxx |
| Repayments of during the year | (xxx) | (xxx) |
| **Balance at end of the year** | **xxx** | **xxx** |
|  |  |  |
| 1. **Domestic borrowings** |  |  |
| Balance at beginning of the year | xxx | xxx |
| Domestic borrowings during the year | xxx | xxx |
| Repayments during the year | (xxx) | (xxx) |
| **Balance at end of the year** | **xxx** | **xxx** |
|  |  |  |
| **Balance at end of the period- domestic and**  **External borrowings c = a+b** | **xxx** | **xxx** |

The analyses of both external and domestic borrowings are as follows:

|  |  |  |
| --- | --- | --- |
|  | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| **External Borrowings** |  |  |
| Dollar Denominated Loan From ‘X Organisation’ | xxx | xxx |
| Sterling Pound Denominated Loan From ‘Y Organisation’ | xxx | xxx |
| Euro Denominated Loan From Z Organisation’ | xxx | xxx |
| **Domestic Borrowings** |  |  |
| Kenya Shilling Loan From KCB | xxx | xxx |
| Kenya Shilling Loan From Barclays Bank | xxx | xxx |
| Kenya Shilling Loan From Consolidated Bank | xxx | xxx |
| Total Balance At End Of The Year | **xxx** | **xxx** |

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Short Term Borrowings (Current Portion) | xxx | xxx |
| Long Term Borrowings | xxx | xxx |
| Total | **xxx** | **xxx** |

*(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).*

**Notes to the Financial Statements (Continued)**

1. **Social Benefit Liability**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
| **Kshs** | **Kshs** |
| Health social benefit scheme | xxx | xxx |
| Unemployment social benefit scheme | xxx | xxx |
| Orphaned and vulnerable benefit scheme | xxx | xxx |
| Elderly social benefit scheme | xxx | xxx |
| Disability social benefits | xxx | xxx |
| **Total** | **xxx** | **xxx** |
|  |  |  |
| Current social benefits | xxx | xxx |
| Non- current social benefits | xxx | xxx |
| **Total (tie to totals above)** | **xxx** | **xxx** |

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.*

1. **Service Concession Arrangements Liability**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
|  |  | **Kshs** |
| Fair value of service concession assets recognized under PPE | xxx | xxx |
| Accumulated depreciation to date | (xxx) | (xxx) |
| Net carrying amount | **xxx** | **xxx** |
| Service concession liability at beginning of the year | xxx | xxx |
| Service concession revenue recognized | (xxx) | (xxx) |
| Service concession liability at end of the year | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Cash Generated from Operations**

|  | ***Insert Current FY*** |
| --- | --- |
|  | **Kshs** |
| **Surplus for the year before tax** | **xxx** |
| **Adjusted for:** |  |
| Depreciation | xxx |
| Non-cash grants received | (xxx) |
| Contributed assets | (xxx) |
| Impairment | xxx |
| Gains and losses on disposal of assets | (xxx) |
| Contribution to provisions | xxx |
| Contribution to impairment allowance | xxx |
| **Working capital adjustments** |  |
| Increase in inventory | (xxx) |
| Increase in receivables | (xxx) |
| Increase in deferred income | xxx |
| Increase in payables | xxx |
| Increase in payments received in advance | xxx |
| **Net cash flow from operating activities** | **xxx** |

*(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)*

1. **Financial Risk Management**

The MDA’s activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The MDA’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 MDA 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 MDA’s financial risk management objectives and policies are detailed below:

* 1. **Credit risk**

The MDA 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. 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 MDA’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 MDA’s maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total amount** | **Fully performing** | **Past due** | **Impaired** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **As at at July 20xx** |  |  |  |  |
| Receivables from exchange transactions | xxx | xxx | xxx | xxx |
| Receivables from non-exchange transactions | xxx | xxx | xxx | xxx |
| Bank balances | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the MDA’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 MDA has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The MDA has significant concentration of credit risk on amounts due from xxxx. The board of directors sets the MDA’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

* 1. **Liquidity risk management**

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

The table below represents cash flows payable by the MDA 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.

|  | **Less than 1 month** | **Between 1-3 months** | **Over 5 months** | **Total** |
| --- | --- | --- | --- | --- |
| **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **As at 30 June 20xx** |  |  |  |  |
| Trade payables | xxx | xxx | xxx | xxx |
| Current portion of borrowings | xxx | xxx | xxx | xxx |
| Provisions | xxx | xxx | xxx | xxx |
| Deferred income | xxx | xxx | xxx | xxx |
| Employee benefit obligation | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

* 1. **Market risk**

The MDA has put in place an internal audit function to assist it in assessing the risk faced by the MDA 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 MDA’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 MDA’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 MDA’s exposure to market risks or the manner in which it manages and measures the risk.

1. **Foreign currency risk**

The *MDA* 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. The *MDA* manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

The carrying amount of the *MDA’s* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

**FY 20XX**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **In Kshs** | **Other currencies** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **As At 30 June 20xx** |  |  |  |
| **Financial Assets** | xxx | xxx | xxx |
| Investments | xxx | xxx | xxx |
| Cash | xxx | xxx | xxx |
| Debtors | xxx | xxx | xxx |
| **Total Financial Assets** | **xxx** | **xxx** | **xxx** |
| **Financial Liabilities** |  |  |  |
| Trade And Other Payables | xxx | xxx | xxx |
| Borrowings | xxx | xxx | xxx |
| **Total Financial Liabilities** | **xxx** | **xxx** | **xxx** |
| **Net Foreign Currency Asset/(Liability)** | **xxx** | **xxx** | **xxx** |

**Foreign currency sensitivity analysis**

**FY 20xx**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **In Kshs** | **Other currencies** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **As At 30 June 20xx** |  |  |  |
| **Financial Assets** | xxx | xxx | xxx |
| Investments | xxx | xxx | xxx |
| Cash | xxx | xxx | xxx |
| Debtors | xxx | xxx | xxx |
| **Total Financial Assets** | **xxx** | **xxx** | **xxx** |
| **Financial Liabilities** |  |  |  |
| Trade And Other Payables | xxx | xxx | xxx |
| Borrowings | xxx | xxx | xxx |
| **Total Financial Liabilities** | xxx | xxx | xxx |
| **Net Foreign Currency Asset/(Liability)** | **xxx** | **xxx** | **xxx** |

The following table demonstrates the effect on the MDA’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.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Change in**  **currency rate** | **Effect on Profit**  **before tax** | **Effect on**  **Equity/Net assets** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **20xx** |  |  |  |
| Euro | 10% | xxx | xxx |
| USD | 10% | xxx | xxx |

1. **Interest rate risk**

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

**Financial Risk Management**

**Sensitivity analysis**

The MDA 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. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20XX: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (20XX – KShs xxx)

**Fair value of financial assets and liabilities**

1. **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 *MDA’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 *MDA* 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:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Level 1** | **Level 2** | **Level 3** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **As At 30 June 20xx** |  |  |  |  |
| **Financial Assets** |  |  |  |  |
| Quoted Equity Investments | xxx | xxx | xxx | xxx |
| **Non- Financial Assets** |  |  |  |  |
| Investment Property | xxx | xxx | xxx | xxx |
| Land And Buildings | xxx | xxx | xxx | xxx |
|  | **xxx** | **xxx** | **xxx** | **xxx** |

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

**Notes to the Financial Statements (Continued)**

**iv) Capital Risk Management**

The objective of the MDA’s capital risk management is to safeguard the MDA’s ability to continue as a going concern. The MDA capital structure comprises of the following funds:

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  | **Kshs** |
| Revaluation Reserve | xxx |
| Retained Earnings | xxx |
| Capital Reserve | xxx |
| **Total Funds** | **xxx** |
| Total Borrowings | xxx |
| Less: Cash And Bank Balances | (xxx) |
| Net Debt/(Excess Cash And Cash Equivalents) | xxx |
| **Gearing** | xx% |

1. **Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the *MDA* 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 *MDA*, holding 100% of the *MDA’s* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the MDA, both domestic and external.

**Other related parties include:**

1. The Parent Ministry.
2. County Governments
3. Other SCs and SAGAs
4. Xxx.
5. Key management.
6. Board of directors.

**Notes to the Financial Statements (Continued)**

|  | ***Insert Current FY*** |
| --- | --- |
|  | **Kshs** |
| **Transactions with related parties** |  |
| 1. **Sales to related parties** |  |
| Sales of electricity to govt agencies | xxx |
| Rent income from govt. Agencies | xxx |
| Water sales to govt. Agencies | xxx |
| Others (specify) e.g. interest and bank charges | xxx |
| **Total** | **xxx** |
| **B) purchases from related parties** |  |
| Purchases of electricity from KPLC | xxx |
| Purchase of water from govt service providers | xxx |
| Rent expenses paid to govt agencies | xxx |
| Training and conference fees paid to govt. Agencies | xxx |
| Others (specify) | xxx |
| **Total** | **xxx** |
| 1. **Grants /transfers from the government** |  |
| Grants from national govt | xxx |
| Grants from county government | xxx |
| Donations in kind | xxx |
| **Total** | **xxx** |
| 1. **Expenses incurred on behalf of related party** |  |
| Payments of salaries and wages for xxx employees | xxx |
| Payments for goods and services for xxx | xxx |
| **Total** |  |
| 1. **Key management compensation** |  |
| Directors’ emoluments | xxx |
| Compensation to key management | xxx |
| **Total** | **xxx** |

1. **Segment Information**

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

**Notes to the Financial Statements (Continued)**

1. **Contingent Assets and Contingent Liabilities**

**Contingent Assets**

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  | **Kshs** |
| **Contingent Assets** |  |
| Insurance Reimbursements | xxx |
| Assets Arising from Determination Of Court Cases | xxx |
| Reimbursable Indemnities and Guarantees | xxx |
| Receivables From Other Government Entities | xxx |
| Others (Specify) | xxx |
| **Total** | xxx |

*(Give details)*

**Contingent Liabilities**

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  | **Kshs** |
| **Contingent Liabilities** | xxx |
| Court Case xx against the MDA | xxx |
| Bank Guarantees in Favour of Subsidiary | xxx |
| Contingent Liabilities arising from Contracts Including PPPs | xxx |
| Others (Specify) | xxx |
| **Total** | **xxx** |

*(Give details)*

1. **Capital Commitments**

|  |  |
| --- | --- |
| **Capital Commitments** | ***Insert Current FY*** |
|  | **Kshs** |
| Authorised for | xxx |
| Authorised and Contracted for | xxx |
| **Total** | **xxx** |

*(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)*

**Notes to the Financial Statements (Continued)**

1. **Events after the Reporting Period**

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

1. **Ultimate And Holding MDA**

The MDA ultimate parent is the Government of Kenya.

1. **Currency**

The financial statements are presented in Kenya Shillings (Kshs) and is rounded off to the nearest shilling.

# 19. Appendix

**Appendix 1: Implementation Status of Auditor-General’s Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| **Reference No. on the external audit Report** | **Issue / Observations from Auditor** | **Management comments** | **Status:**  ***(Resolved / Not Resolved)*** | **Timeframe:**  ***(Put a date when you expect the issue to be resolved)*** |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

***Guidance Notes:***

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your MDA responsible for implementation of each issue;
4. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

|  |
| --- |
| ……………………………………… |
| Accounting Officer |
| Date |

**Appendix II: Projects implemented by** *(The MDA)*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **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)** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Project** | **Total project Cost** | **Total expended to date** | **Completion % to date** | **Budget** | **Actual** | **Sources of funds** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Appendix III: Fixed Asset Register**

| **Asset class** | **Historical Cost b/f**  **(Kshs)**  **Previous Year** | **Additions during the year**  **(Kshs)** | **Disposals during the year**  **(Kshs** | **Transfers in/(out) during the year** | **Historical Cost c/f**  **(Kshs)**  **Current Year** |
| --- | --- | --- | --- | --- | --- |
| Land |  |  |  |  |  |
| Buildings and structures |  |  |  |  |  |
| Transport equipment |  |  |  |  |  |
| Office equipment, furniture and fittings |  |  |  |  |  |
| ICT Equipment |  |  |  |  |  |
| Machinery and Equipment |  |  |  |  |  |
| Biological assets |  |  |  |  |  |
| Infrastructure Assets- Roads, Rails |  |  |  |  |  |
| Heritage and cultural assets |  |  |  |  |  |
| Intangible assets |  |  |  |  |  |
| Work in Progress |  |  |  |  |  |
| **Total** |  |  |  |  |  |

**Appendix IV: Transfers from Other Government Entities**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of the MDA/Donor Transferring the funds** |  |  | |  | **Where Recorded/recognized** | | | |  |
| **Date received as per bank statement** | **Nature: Recurrent/Development/Others** | **Total Amount - KES** | **Statement of Financial Performance** |  | **Deferred Income** | **Receivables** | **Others - must be specific** | **Total Transfers during the Year** |
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**Appendix VI: Reporting of Climate Relevant Expenditures**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Project Name** | **Project Description** | **Project Objectives** | **Project Activities** |  | | | | **Source Of Funds** | **Implementing Partners** |
|  |  |  |  | **Q1** | **Q2** | **Q3** | **Q4** |  |  |
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**Appendix VII: Disaster Expenditure Reporting Template**

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| --- | --- | --- | --- | --- | --- | --- |
| Column I | Column II | Column III | Column IV | Column V | Column VI | Column VII |
| Programme | Sub-programme | Disaster Type | Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness) | Expenditure item | Amount (Kshs.) | Comments |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |