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Majority Whip  
[Hon. Benjamin  
Washiri] on  
Thursday  
21<sup>st</sup> June 2018  
[Afternoon].



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STATE DEPARTMENT OF EAC INTEGRATION

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017

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

**STATE DEPARTMENT OF EAC INTEGRATION**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

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# STATE DEPARTMENT OF EAC INTEGRATION

## Reports and Financial Statements

For the year ended June 30, 2017

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### I. KEY ENTITY INFORMATION AND MANAGEMENT

#### (a) Background information

The Ministry of East African Community Integration, Labour and Social Protection was formed by Executive Order No.1 of May 2016 by merging the Ministry of East African Community (State Department of East African Affairs) and the Ministry of Labour and Social security Services.

At Cabinet level, the Ministry of East African Community Integration, Labour and Social Protection is represented by the Cabinet Secretary who is responsible for the general policy and strategic direction of the Ministry.

#### Vision Statement

To deepen and widen East African Integration for Sustainable development and improved livelihood for all Kenyans

#### Mission Statement

- To facilitate, coordinate and oversee the development, monitoring and evaluation of the implementation of EAC Policies, projects and programmes for effective integration.
- To promote partnerships, liaison and maintain linkages with all stakeholders on EAC matters for maximized benefits.

#### Core Values

##### Teamwork

Participatory approach in discharging the mandate of the ministry

##### Commitment

Being an effective agent of the East African Regional integration, with people at the centre of all related efforts.

##### Professionalism

Maintaining high level Professionalism through continuous skills development and training.

##### Accountability

Commitment to discharging our mandate in an accountable manner.

##### Transparency

To endeavour to be transparent in serving the government and all other nationalities.

##### Integrity

Openness in conducting our affairs and being, devoid of corrupt practices while executing our mandate

##### Equity

Commitment to treat all members of staff fairly and to recognize their contribution in the discharge of the ministry's mandate, and to mainstream government policies on gender, the physically challenged, and the HIV/AIDS pandemic in our activities

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**(b) Key Management**

The State Department of East African Community Integrations' day-to-day management is under the following key organs:

- Senior Management Committee
- Ministerial Human Resource Advisory Committee
- Ministerial Budget Committee; and
- Ministerial Training Committee

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Betty C. Maina, CBS
2.	Integration Secretary	Barrack Ndegwa, HSC
3.	Director of Administration	Jane Nzau, ndc(K)
4.	Chief Finance Officer	Nelson Mose
5.	Senior Assistant Accountant General	CPA Samson M. Ongalo
6.	Director Political Affairs	David Njoka
7.	Director Social Affairs	Dr. Alice Yalla
8.	Director Productive & Services	Alfred Kitolo
9.	Director Economic Affairs	Richard Sindiga, HSC

**(d) Fiduciary Oversight Arrangements**

- *National Treasury-Internal Auditor General*
- *National Assembly*
- *Controller of Budget*
- *Commissioner for Revenue Allocation*
- *Auditor General*

**(e) Entity Headquarters**

P.O. Box 8846-00200  
Co-operative Bank House  
16<sup>th</sup>-19<sup>th</sup> Floor  
Hail Selassie Avenue  
Nairobi, KENYA

**Entity Contacts**

Telephone: (254) -02-2245741/2211614  
E-mail: ps@meac.go.ke

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

**(f) Entity Bankers**

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

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

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

## **II. FORWARD BY THE CABINET SECRETARY**

### **KEY ACHIEVEMENTS**

During the period under review, tremendous achievements have been realised in the implementation of the Single Customs Territory (SCT), as EAC continue to implement and consolidate gains from the Customs Union. These include:

- i. Continued implementing various aspects of Single Customs Territory (SCT) which has led to consolidating and maintaining gains achieved so far. This measure has resulted in reduction in the time taken to transport goods to Partner States. More products from EAC are now cleared through SCT. It is estimated that the implementation of the SCT has reduced the cost of doing business by about 50% in East Africa.
- ii. Coordinated the participation of micro and small enterprises in the 17<sup>th</sup> EAC Jua Kali/Nguvu Kazi exhibition held in Kampala, Uganda in December, 2016 where over 200 Kenyan exhibitors participated.
- iii. Coordinated and participated in the comprehensive review of Common External Tariff (CET). Some of the key milestones achieved include:
  - ✓ Regional and National consultant recruited;
  - ✓ Criteria for the classification and categorization of Goods within the EAC-CET finalised and under application in the on-going review process;
  - ✓ Draft data collection instruments touching on different regimes e.g. duty remission, exports and imports under different Regional Economic Communities etc. were prepared
- iv. Institutionalized the Common Market Score Card and coordinated the preparation, and launch of the common market scorecard 2016 which tracks the progress in the implementation of the common market provisions on free movement of persons, goods and services;
- v. Finalized the EAC common market score card 2017 on movement of labour and rights of establishment and residence;
- vi. Prepared two (2) regional monitoring reports on implementation of the EAC Common Market Protocol;
- vii. Prepared two (2) National Reports on the implementation of the EAC Common Market Protocol;
- viii. Finalized the negotiations of the East Africa Community-European Union Economic Partnership Agreement (EAC-EU EPA), and signed and ratified the same to facilitate EU market access to Kenya's horticultural crops and flowers;
- ix. Finalized the EAC Tax Treaty Policy and EAC Model Tax Treaty which are critical in tax negotiations with third party;
- x. Finalized the EAC framework on harmonization of domestic taxes to guide the process of developing the EAC Tax Policy on harmonisation of domestic taxes;
- xi. Successfully negotiated and finalized the Bills on establishment of EAC Monetary Institute and EAC Statistics Bureau;
- xii. Coordinated the negotiations leading to the adoption of the Confederation as the model for the EAC Political Federation by the 18th Ordinary Summit of EAC Heads of State in May, 2017;
- xiii. Coordinated the development, launch and roll out of the EAC e-Passport;
- xiv. Developed and Ratified the EAC Protocol on Sanitary and Phyto-Sanitary Measures (SPS) which seeks to harmonize standards in trade in the agricultural sector products;
- xv. Coordinated the negotiations and launching of Voi-Mwatate-Taveta-Arusha

## STATE DEPARTMENT OF EAC INTEGRATION

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- road construction to link Northern Corridor with Arusha Namanga road for interconnectivity of the region in order to facilitate trade and movement of people;
- xvi. Build capacity of border regulatory agencies at Lunga Lunga, Taveta, Namanga and Isebania for familiarization on the OSBP operations;
  - xvii. Coordinated and participated in the development of mechanisms for joint planning and exchange of information on the exploration, exploitation, and development of energy resources;
  - xviii. Coordinated the participation of Kenya in joint marketing of EAC as a single tourist destination in international forums;
  - xix. Established EAC Clubs in thirty (30) Universities and launched EAC Clubs in fifty-five (55) secondary schools to serve as pilot schools for nationwide outreach and enhance youth participation in the EAC process;
  - xx. Published and disseminated Guidelines on Establishment and Operations of EAC Clubs and A Journey through the EAC as support materials for vibrant EAC Club activities;
  - xxi. Concluded agreements for Mutual Recognition (MR) of academic and professional qualifications and certificates for Land Surveyors, Veterinarians, Nurses and Midwives.

#### Emerging issues

1. Consensus on alternative financing options for the EAC to address issues of equity and sustainability of EAC programmes, projects, organs and institutions, will have far reaching financial implications since Kenya will be expected to contribute more than the other Partner States if parameters such as GDP, Customs Revenue and Intra-EAC trade are considered in determining the level of contributions by each Partner State.
2. Establishment of new EAC Institutions which require contributions from the Partner States namely EAC Monetary Institute, EAC Statistics Bureau, EAC Competition Authority temporary hosted in Arusha, Tanzania, EAC Centre for Aviation Medicine in Nairobi, Kenya, EAC Health Research Commission in Bujumbura, Burundi, EAC Kiswahili Commission in Zanzibar, and EAC Science and Technology Commission in Kigali, Rwanda.
3. Implementation of the Government policy on Internship; the new Human Resource and Development Policy, 2016; Medical ex-gratia policy; and operationalization of the superannuation contributory pension scheme require increased financial input.
4. Uncertainties in sub-regional integration process including fear of loss of national sovereignty and perceived loss of revenues and employment.
5. Multiple memberships to regional economic blocs resulting in conflicting policies and protracted decision making processes.
6. The increased threats from international terrorism.
7. Perceived prevalence of corruption in governance in the region and ineffective approaches of addressing it.
8. Slow implementation of council decisions and summit directives affecting the pace of integration in the EAC.

#### Implementation challenges, Recommendations and way forward.

- i. Slow implementation of EAC Council Decisions by Partner States which has hampered implementation of programmes and projects at national level;
- ii. Inadequate budgetary funding due to limitation in the General Economic and Commercial Affairs (GECA) sector ceilings and fluctuation of the Kenya shilling against the dollar;
- iii. Lack of adequate research, documentation and database/statistics on East African Community activities;
- iv. Inadequate human resource capacity;

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- v. Slow implementation of the customs union: Inconsistent application of the Common External Tariff (CET), re-occurrence and emergence of new NTBs, and restrictive use of rules of origin continue to be detrimental to the free flow of trade;
- vi. Inadequate legal and institutional reforms across the EAC Partner States to facilitate implementation of the EAC Common Market Protocol;
- vii. Slow process in finalizing EAC negotiations due to the principle of consensus and sovereignty of Partner States;
- viii. Delays in ratification of the EAC protocols such as Foreign Policy Coordination, Environment and Natural Resources Management and by implication the delayed implementation of the provisions therein. This has restricted the operational space necessary for the region's response interventions;
- ix. Donor dependence on most of the EAC projects and programs leading to non-implementation of planned activities.

#### **Recommendations:**

1. Additional resources should be provided towards deepening and widening the integration process through fast tracking the implementation of the Customs Union, Common Market, and laying the foundation for Monetary Union and Political Federation;
2. The Department is in the process of establishing additional Regional Integration Centers (RIC) within the major Border Posts with EAC. Additional resources are therefore required to put in place basic infrastructure such as ICT, office accommodation, installation of digital screens at major border posts, furniture and fittings and also sensitizing local business community and stakeholders at the Border Posts;
3. There is need to adequately fund Publicity and advocacy programmes on market access, benefits and opportunities of the EAC Integration;

Provide adequate resources to capacity build the SDEACI staff as well as EAC Focal Point officers from Ministries, Counties, Departments and Agencies (MCDAs) to ensure that national interests are secured.

#### **Way Forward:**

- i. The Department has enhanced joint training and sensitization of stakeholders at all the six (6) border posts of Namanga, Lungaliunga, Taveta, Isebania, Busia and Malaba;
- ii. The EAC is currently considering the alternative financing mechanism to support the execution of projects and programmes within the region.



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**ACKNOWLEDGEMENT**

I wish to thank all the staff in the Ministry for diligently and effectively working towards the implementation of our policy and agreed Annual work plan(s). I understand the many challenges we went through during the implementation exercise, but working together as a team and putting the resource available where they were planned to be, we will make Kenya a great nation, creating substantial wealth and many job opportunities. The opportunities in the sector are enormous. We desire more stable and reliable funding, especially for the Ministry's flagship projects, staff development, applied research and necessary tools to unlock the enormous potential in Kenya, in the immediate future.

We, at the Headquarters, need to develop a close and trusted working partnership with the Partner States so that the Regional Integration and investments can continue contributing to the economic growth of Kenya and improve the standard of living of our people.

On behalf of my Ministry, I wish to take this early opportunity to thank the Government for the support in funding the strategic steps we have taken in building capacity for Kenya to manage Regional Integration and investments.

Signed.....

Date.....

**Mrs Phyllis J. Kandie**  
**Cabinet Secretary**

**STATE DEPARTMENT OF EAC INTEGRATION**

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**III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial standards as prescribed statements so prepared to be in a form that complies with relevant accounting the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department of East African Integration is responsible for the preparation and presentation of the department's financial statements, which give a true and fair view of the state of affairs of the Department's for and as at the end of the financial year (period) ended on June 30, 2015. 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Department (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 State Department of East African Integration accepts responsibility for the Department's financial statements, which have been prepared on the Cash 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 Department's financial statements give a true and fair view of the state of Department's transactions during the financial year ended June 30, 2015, and of the Department's financial position as at that date. The Accounting Officer charge of the State Department of East African Affairs further confirms the completeness of the accounting records maintained for the Department's, which have been relied upon in the preparation of the Department's financial statements as well as the adequacy of the systems of internal financial control.

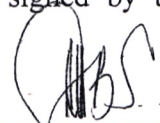
The Accounting Officer in charge of the State Department of East African Integration confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Department'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 Department's financial statements were approved and signed by the Accounting Officer on \_\_\_\_\_ 2017.

  
\_\_\_\_\_

Principal Secretary  
Name:

  
\_\_\_\_\_

Principal Accounts Controller  
Name: *Samson M. Ongalo*  
ICPAK Member Number

3128

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT OF EAST AFRICAN COMMUNITY INTEGRATION FOR THE YEAR ENDED 30 JUNE 2017

#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of State Department of East African Community Integration set out on pages 10 to 29, which comprise the statement of assets as at 30th June 2017, and the statement of receipts and payments, statement of cash flows and statement of appropriation : recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis of Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of State Department of East African Community Integration as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1. Arrears of Subscriptions to Inter University Council for East Africa

Information available indicate that initially the contributions to Inter University Council for East Africa was effected through the Ministry of Education. However, the Ministry failed to remit contributions dating back from financial years 1980/1981 up to 2003/2004, resulting to accumulated arrears totalling USD 6,186,908 or Kshs.643,438,432 at an exchange rate of Kshs.104 to the dollar.

As at 30 June 2017 the State Department of East African Community Integration had paid arrears totalling Kshs.562,997,968 or USD 5,413,442 leaving a balance of

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Kshs.80,440,464 or USD 773,466 outstanding. However, evidence of receipt by the Inter University Council for East Africa was not made available for audit review. Consequently, the accuracy, completeness and acknowledgement of the contribution arrears of Kshs.643,438,432 could not be ascertained as at 30 June 2017.

## **2. Pending Bills**

Audit of pending bills records indicate that the State Department had unpaid suppliers bills totalling Kshs.6,246,965 for the financial year 2015/2016 which were carried forward to 2016/2017. A review of the position at the time of audit in January 2018 disclosed that out of the total pending bills amounting to Kshs.6,246,965, so far Kshs.5,323,465 had been paid leaving a balance of Kshs.923,500. However, had the bills been paid in the year under review, the statement of receipts and payments would have reflected a surplus of Kshs.2,636,214 instead of the surplus of Kshs.3,610,750 as at 30 June 2017.

No reason has been given for carrying over pending bills from year to year.

## **3. Somali IGAD Peace Talks Pending Claim**

In October 2002, M/s Asis Hotel Ltd was requested by Government to offer accommodation to delegates attending the Somali IGAD Peace talks in Eldoret Town. Upon conclusion of the talks, the government delayed in settling the principal amount for the services rendered and the matter was lodged in court to recover the agreed amount of Kshs.65,000,000.

In the ruling of Civil Case. No.194 of 2009, the then Ministry of East African Community was ordered to pay the hotel a sum of Kshs.65,000,000 within sixty (60) days failing to which it would attract interest at 12% from the date of default until payment in full.

However, there was a delay of 28 months by Ministry in paying the hotel following the lapse of judgement decree within 60 days and the costs of the suit awarded by the Court. The decretal amount of Kshs.65,000,000 was finally settled on 19 April 2013 upon which it had attracted interest totalling Kshs.20,991,905. Various correspondences from the Attorney General urged the State Department to settle the interest accrued of Kshs.20,991,905 after the settlement of the Kshs.65 Million principal amount.

A review of the position of the claim as at the time of audit in January 2018 indicates that the interest accrued claim totalling Kshs.20,991,905 had not been settled.

In the circumstances, the unpaid claim is likely to attract further legal actions on interest claims leading to voidable loss of public funds.

## **4. Outstanding Imprests**

The statement of assets reflects an amount of Kshs.1,752,766 relating to outstanding temporary imprests which was due for surrender by 30 June 2017. A review of the position as at the time of audit in January 2018 indicated that imprests totalling Kshs.698,542 were still outstanding beyond the due dates.

No satisfactory explanation was provided for the failure to recover the outstanding imprests in full from defaulting officers' salaries as required.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of State Department of East African Community Integration management in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there were no Key Audit Matters to report in the year under review.

### Other Matter

#### 1. Budget and Budgetary Performance

##### 1.1 Revenue

The actual receipts amounted to Kshs.1, 507,383,312 against the budgeted amount of Kshs.1,606,515,038 resulting in a shortfall of Kshs.99,131,726 or 6% as tabulated below:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess (shortfall) Kshs.	Excess (shortfall) %
Recurrent Exchequer	1,566,515,038	1,487,060,000	(79,455,038)	(5)
Proceeds from Domestic and Foreign Grants	40,000,000	20,323,312	(19,676,688)	(49)
<b>Total</b>	<b>1,606,515,038</b>	<b>1,507,383,312</b>	<b>(99,131,726)</b>	<b>(6)</b>

No explanation has been provided for the failure to absorb Kshs.19,676,68 in the form of Aid for Trade from Trade Mark East Africa (TIMEA).

##### 1.2 Expenditure

Overall, the State Department under spent its budgeted amount by Kshs.48,042,449 or 3.1%. The under expenditure mainly occurred under use of goods and services, transfers to other government entities and acquisition of assets at Kshs.39,916,010 or 11%, Kshs.4,627,187 or 18% and Kshs.2,932,436 or 31% respectively as shown below;

Expenditure	Budget Kshs.	Actual Kshs.	Over/(under) Kshs.	Over/(Under) %
Compensation of Employees	182,300,000	181,733,184	(566,816)	(0.3)

*Report of the Auditor-General on the Financial Statements of State Department of East African Community Integration for the year ended 30 June 2017*

forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of expressing an opinion on the effectiveness of the State Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue to sustain its service. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the State Department's activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**FCPA Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**12 April 2018**

**STATE DEPARTMENT OF EAC INTEGRATION**  
**Reports and Financial Statements**  
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**IV. REPORT OF THE INDEPENDENT AUDITORS ON THE STATE DEPARTMENT OF EAC**

We have audited the accompanying financial statements of State Department of EAC Integration for the year ended June 30, 2017, which comprise: (i) a statement of receipts and payments; (ii) a statement of financial assets and liabilities; (iii) a statement of comparative budget and actual amounts; (iv) a statement of pending bills as at June 30, 2017; and (v) a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

The *entity's* Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the *entity's* preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 2017, and its receipts and payments, as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

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Auditor General

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Date

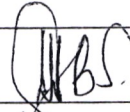
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**V. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>RECEIPTS</b>			
Proceeds from Domestic and Foreign Grants	1	20,323,312	26,238,158
Exchequer releases	2	1,487,060,000	1,614,400,000
Other Receipts		-	-
<b>TOTAL RECEIPTS</b>		<b>1,507,383,312</b>	<b>1,640,638,158</b>
<b>PAYMENTS</b>			
Compensation of Employees	3	181,733,184	179,956,099
Use of goods and services	4	317,968,177	388,165,139
Transfers to Other Government Units	5	20,972,813	23,825,839
Other grants and transfers	6	976,650,000	1,029,995,095
Acquisition of Assets	7	6,448,387	5,882,219
<b>TOTAL PAYMENTS</b>		<b>1,503,772,561</b>	<b>1,627,824,391</b>
<b>SURPLUS/DEFICIT</b>		<b>3,610,750</b>	<b>12,813,767</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2017 and signed by:

  
 \_\_\_\_\_  
 Principal Secretary  
 Name:

  
 \_\_\_\_\_  
 Principal Accounts Controller  
 Name: *Samson M. Ongalo*  
 ICPAK Member Number: *3128*

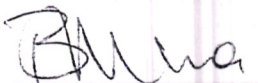


STATE DEPARTMENT OF EAC INTEGRATION  
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VI. STATEMENT OF ASSETS

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8A	21,614,471	16,235,989
Cash Balances	8B	123,386	443,554
<b>Total Cash and cash equivalent</b>		<b><u>21,737,857</u></b>	<b><u>16,679,543</u></b>
Accounts receivables – Outstanding Imprests	9	1,752,766	6,193,174
<b>TOTAL FINANCIAL ASSETS</b>		<b><u>23,490,623</u></b>	<b><u>22,872,717</u></b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	10	10,665,521	7,024,723
<b>NET FINANCIAL ASSETS</b>		<b>12,825,102</b>	<b>15,847,994</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	11	15,847,994	3,034,227
Surplus/Deficit for the year		3,610,750	12,813,767
Prior Year Adjustments		(6,633,642)	
<b>NET FINANCIAL POSITION</b>		<b><u>12,825,102</u></b>	<b><u>15,847,994</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2017 and signed by:



Principal Secretary  
 Name:



Principal Accounts Controller  
 Name: *Samson M. Angelo*  
 ICPAK Member Number:

3128

**STATE DEPARTMENT OF EAC INTEGRATION**  
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**VII. STATEMENT OF CASH FLOWS**

		2016-2017 Kshs	2015-2016 Kshs
<b>Receipts for operating income</b>			
Proceeds from Domestic and Foreign Grants	1	20,323,312	26,238,158
Exchequer Releases			
	2	1,487,060,000	1,614,400,000
<b>Payments for operating expenses</b>			
Compensation of Employees	3	181,733,184	179,956,099
Use of goods and services	4	317,968,177	338,165,139
Transfers to Other Government Units	5	20,972,813	23,825,839
Other grants and transfers	6	976,650,000	1,029,995,095
		<b>1,507,383,312</b>	<b>1,640,638,158</b>
Changes in Working Capital		8,472,286	3,811,064
<b>Net cash flow from operating activities</b>		<b>18,531,424</b>	<b>22,507,051</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets		-	-
Acquisition of Assets	7	6,448,387	5,882,219
<b>Net cash flows from Investing Activities</b>		<b>6,448,387</b>	<b>5,882,219</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>12,083,037</b>	<b>16,624,832</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>9,654,819</b>	<b>54,711</b>
<b>Cash and cash equivalent at END of the year</b>		<b>21,737,857</b>	<b>16,679,543</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2017 and signed by:

B. M. M. M.  
Principal Secretary  
Name:

S. M. S.  
Principal Accounts Controller  
Name: Samson M. Ongalo  
ICPAK Member Number:

3128

**VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	1,539,165,024	27,350,014	1,566,515,038	1,487,060,000	79,455,038	95%
Transfers from Other Government Entities-(AIA)	65,000,000	(25,000,000)	40,000,000	20,323,312	19,676,688	51%
Other receipts	2,000,000	(2,000,000)				
<b>TOTAL RECEIPTS</b>	<b>1,606,165,024</b>	<b>350,014</b>	<b>1,606,515,038</b>	<b>1,507,383,312</b>	<b>99,131,726</b>	<b>97%</b>
<b>PAYMENTS</b>						
Compensation of Employees	186,000,000	(3,700,000)	182,300,000	181,733,184	566,815	99.7%
Use of goods and services	396,450,229	(38,566,042)	357,884,187	336,362,863	21,521,324	94%
Transfers to Other Government Units	25,600,000	-	25,600,000	20,972,813	4,627,187	82%
Other grants and transfers	976,650,000	-	976,650,000	976,650,000	-	100%
Social Security Benefits						
Acquisition of Assets	21,464,795	13,916,028	35,380,823	6,448,387	28,932,436	18%
Other Payments						
<b>Total Payments</b>	<b>1,606,165,024</b>	<b>(54,350,014)</b>	<b>1,551,815,010</b>	<b>1,522,167,247</b>	<b>55,647,762</b>	<b>91.6%</b>
Surplus/ Deficit						

The entity financial statements were approved on \_\_\_\_\_ 2017 and signed by:

*B. W. L.*

Principal Secretary  
 Name:

*MBS*

Principal Accounts Controller  
 Name: *Sambah. M. Angsah*  
 ICPAK Member Number: *3028*

STATE DEPARTMENT OF EAC INTEGRATION  
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IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	1,539,165,024	27,350,014	1,511,815,010	1,487,060,000	24,755,010	98%
Other Receipts	2,000,000	(2,000,000)	-	-	-	0%
<b>Total Receipts</b>	<b>1,541,165,024</b>	<b>25,350,014</b>	<b>1,511,815,010</b>	<b>1,487,060,000</b>	<b>24,755,010</b>	<b>98%</b>
<b>PAYMENTS</b>						
Compensation of Employees	186,000,000	(3,700,000)	182,300,000	181,733,184	566,815	99.7%
Use of goods and services	346,450,229	(26,566,042)	319,884,187	317,968,177	1,916,010	92%
Transfers to Other Government Units	25,600,000	-	25,600,000	20,972,813	6,051,513	76%
Other grants and transfers	976,650,000	-	976,650,000	976,650,000	-	100%
Acquisition of Assets	6,464,795	916,028	7,380,823	4,448,387	2,932,436	60%
<b>Totals</b>	<b>1,541,165,024</b>	<b>(29,350,014)</b>	<b>1,511,815,010</b>	<b>1,503,772,561</b>	<b>8,042,449</b>	<b>95%</b>
Surplus/Deficit						

Notes

(a) NO Assets were boarded due to change in public financial management (PFM) Personnel during the financial year hence no collection of AIA FROM Sale of boarded assets

(a) Assets were not acquired during the financial year due to the of PFM STAFF hence procurement plans could not be implemented on time

The entity financial statements were approved on \_\_\_\_\_ 2017 and signed by: 

Principal Secretary  
 Name: Suzana M. Ornela  
 ICPAK Member Number: 3128

Principal Accounts Controller  
 Name: Suzana M. Ornela  
 ICPAK Member Number: 3128

VIII. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	65,000,000	(25,000,000)	40,000,000	20,323,312	19,676,688	51%
<b>TOTAL RECEIPTS</b>	<b>65,000,000</b>	<b>(25,000,000)</b>	<b>40,000,000</b>	<b>20,323,312</b>	<b>19,676,688</b>	<b>51%</b>
<b>PAYMENTS</b>						
Compensation of Employees	-	-	-	-	-	-
Use of goods and services	50,000,000	(12,000,000)	38,000,000	18,394,686	19,605,314	51%
Acquisition of Assets	15,000,000	(13,000,000)	2,000,000	1,928,626	71,374	51%
<b>Totals</b>	<b>65,000,000</b>	<b>25,000,000</b>	<b>40,000,000</b>	<b>20,323,312</b>	<b>19,676,688</b>	<b>51%</b>
<b>Surplus/Deficit</b>						

- (a) The low absorption of TMEA funds was due to failure to implement activities under output 5-highlighted in the work plan. This was occasioned by:
- (1) 5.1-5.4 was not implemented due to non-responsiveness in the procurement of consultancy to evaluate the impact of the Technical Assistance on Communication an Awareness creation (5.1) which would have led to implementation of 5.2-5.4
  - (2) 5.5-5.6 Erection of the digital screens in Lunga lunga and Taveta border points was not implemented due to the large margin variation in pricing.

The entity financial statements were approved on \_\_\_\_\_ 2017 and signed by:



Principal Secretary  
 Name:



Principal Accounts Controller  
 Name: Danson M. Onyalo  
 ICPAK Member Number: 3128

STATE DEPARTMENT OF EAC INTEGRATION

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X. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on		Budget utilization difference
	2017		20xx	comparable basis		
	Kshs	Kshs	Kshs	Date, 20xx	Kshs	Kshs
Programme 1:EAA and Regional Integration						
EAC Customs Union	607,116,746		607,116,746	603,779,595		3,357,151
EAC Common Market	867,181,742		867,181,742	845,867,378		21,314,364
EAC Monetary Union	77,516,522		77,516,522	53,563,532		23,962,989
<b>TOTAL</b>	<b>1,511,815,010</b>		<b>1,511,815,010</b>	<b>1,482,877,193</b>		<b>28,937,817</b>

## IX. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### 1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Department and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

### 2. Recognition of revenue and expenses

The Department recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Department. In addition, the Department recognises all expenses when the event occurs and the related cash has actually been paid out by the Department

### 3. In-kind contributions

In-kind contributions are donations that are made to the Department in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Department includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

### 4. 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.

**STATE DEPARTMENT OF EAC INTEGRATION**  
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**5. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**6. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties has been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

**7. Noncurrent assets**

Noncurrent assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

**8. Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Department at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**9. Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Department budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Department's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

**10. Comparative figures**

There were no comparative figures for the previous financial year since the Department had no vote.

**11. Subsequent events**

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.



STATE DEPARTMENT OF EAC INTEGRATION  
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**X. NOTES TO THE FINANCIAL STATEMENTS**

**1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

Name of Donor	Date received	Amount in foreign currency	2016-2017	2015-2016
			Kshs	Kshs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>				
Trade Mark East Africa	-	-	20,323,312	26,238,158
<b>Grants Received from Multilateral Donors (International Organisations)</b>				
(Insert name of donor)	-	-	-	-
(Insert name of donor)	-	-	-	-
			<b>20,323,312</b>	<b>26,238,158</b>

**2 EXCHQUER RELEASES**

Description	2016-2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	306,300,000	133,100,000
Total Exchequer Releases for quarter 2	378,560,000	680,000,000
Total Exchequer Releases for quarter 3	655,000,000	551,800,000
Total Exchequer Releases for quarter 4	147,200,000	249,500,000
<b>Total</b>	<b>1,487,060,000</b>	<b>1,614,400,000</b>

**STATE DEPARTMENT OF EAC INTEGRATION**  
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**3 COMPENSATION OF EMPLOYEES**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic salaries of permanent employees	112,053,209	113,175,378
Basic wages of temporary employees	-	
Personal allowances paid as part of salary	67,380,850	66,780,700
Personal allowances paid as reimbursements	-	
Personal allowances provided in kind	2,299,125	
Pension and other social security contributions	-	
Employer Contributions Compulsory national social security schemes	-	
Employer Contributions Compulsory national health insurance schemes	-	
<b>Total</b>	<b>181,733,184</b>	<b>179,956,078</b>

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**4 USE OF GOODS AND SERVICES**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	-	-
Communication, supplies and services	11,554,591	12,757,760
Domestic travel and subsistence	28,755,368	51,127,902
Foreign travel and subsistence	118,318,419	118,461,430
Printing, advertising and information supplies & services	22,113,487	33,707,476
Rentals of produced assets	43,859,362	42,343,528
Training expenses	20,422,250	21,943,564
Hospitality supplies and services	43,982,901	57,291,152
Insurance costs	-	-
Specialized materials and services	2,355,018	3,009,488
Office and general supplies and services	5,813,352	12,102,916
Other operating expenses	8,106,220	18,117,622
Fuel, Oil and Lubricants	6,442,783	7,269,746
Routine maintenance – vehicles and other transport equipment	4,217,053	6,750,093
Routine maintenance – other assets	1,997,373	3,282,460
Exchange Rate Losses	-	-
<b>Total</b>	<b>317,968,177</b>	<b>388,165,139</b>

**STATE DEPARTMENT OF EAC INTEGRATION**  
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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**5 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		
See attached list	20,972,813	23,825,839
<b>TOTAL</b>	<b>20,972,813</b>	<b>23,825,839</b>

**6 OTHER GRANTS AND TRANSFERS**

<b>Explanation</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Membership dues and subscriptions to international organizations	976,650,000	1,029,995,095
Scholarships and other educational benefits	-	-
Emergency relief and refugee assistance	-	-
Grants to small businesses, cooperatives, and self employed	-	-
Grants to foreign government	-	-
	-	-
<b>Total</b>	<b>976,650,000</b>	<b>1,029,995,095</b>

**7 ACQUISITION OF ASSETS**

<b>Non-Financial Assets</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Overhaul of Vehicles and Other Transport Equipment	1,994,446	620,711
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	2,386,320	3,017,130
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Purchase of Specialized Plant, Equipment and Machinery	39,050	275,000
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	-
Research, Studies, Project Preparation, Design & Supervision	2,000,000	1,969,378
Rehabilitation of Civil Works	28,571	-
<b>Financial Assets</b>	-	-
<b>Total</b>	<b>6,448,387</b>	<b>5,882,219</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	Exch rate (if in foreign currency)	2016-2017 Kshs	2015-2016 Kshs
<i>Recurrent A/c-1000303123 Kshs.</i>	-	Recurrent	-	10,948,950	9,211,266
<i>Development A/c-1000303131Kshs.</i>	-	Development	-	-	-
<i>Deposit A/C -1000303147 kshs.</i>	-	Deposit	-	10,665,521	7,024,723
<b>Total</b>				<b>21,614,471</b>	<b>16,235,989</b>

8B: CASH IN HAND

	2016-2017 Kshs	2015-2016 Kshs
Cash in Hand – Held in domestic currency	123,386	443,554
Cash in Hand – Held in foreign currency	-	-
<b>Total</b>	<b>123,386</b>	<b>443,554</b>

Cash in hand should also be analyzed as follows:

	2016-2017 Kshs	2015-2016 Kshs
Head office co-op building main cash office	123,386	443,554
Location 2	-	-
Location 3	-	-
Other Locations ( <i>specify</i> )	-	-
<b>Total</b>	<b>123,386</b>	<b>443,554</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9: ACCOUNTS RECEIVABLE – OUTSTANDING IMPRESTS

<i>Description</i>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Government Imprests	1,744,764	6,172,494
Salary advances	-	20,680
District suspense	-	-
Clearance accounts	-	-
<b>Total</b>	<b>1,744,764</b>	<b>6,193,174</b>

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>2015/2016 b/f balances</b>				
Rehema Chemas		154,836	-	154,836
Peter Kiplagat		174,836	-	174,836
Joseph K. Kariuki		174,836	-	174,836
Joseph K. Kariuki		20,000	-	12,466
Dickson Nyambane		21,624		21,624
<b>Sub total</b>				<b>538,628</b>
<b>2016/2017 balances</b>				
Esther Chemirmir	09/01/2016	152,410	-	152,410
Wiinie Cheserem	04/04/2017	12,000	-	12,000
Sheila Koiyet	06/05/2017	157,113	-	157,113
John Njoroge Kihuha	06/05/2017	157,113	-	157,113
Lindsey Agesa	02/06/2017	16,300	-	16,300
Agnes Mkalla	06/05/2017	157,113	-	157,113
Winfred Kivindu	23/11/2016	35,000	-	35,000
Edward Owango	23/11/2016	152,915	-	152,915
Ann Nyaga	06/07/2017	100,000	-	100,000
Regina Njue	10/03/2017	68,000	-	68,000
Charles Ngunjiri	06/05/2017	206,172	-	206,172
<b>Total</b>		<b>1,214,136</b>		<b>1,214,136</b>
<b>GRAND TOTAL</b>				<b>1,752,764</b>

10. ACCOUNTS PAYABLE

<i>Description</i>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposits	10,665,521	7,024,723
<b>Totals</b>	<b>10,665,521</b>	<b>7,024,723</b>

**STATE DEPARTMENT OF EAC INTEGRATION**  
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**For the year ended June 30, 2017**

**11. FUND BALANCE BROUGHT FORWARD**

Description of the error	2016 – 2017	2015 – 2016
	Kshs	Kshs
Bank Accounts	16,235,989	11,306
Cash in Hand	443,554	43,405
Accounts Receivables	6,193,175	5,457,472
Accounts Payables	(7,024,723)	(2,477,957)
<b>Totals</b>	<b>15,847,995</b>	<b>3,034,224</b>

**12. PRIOR YEAR ADJUSTMENTS**

Description of the error	2016 – 2017	2015 – 2016
	Kshs	Kshs
Adjustments on bank account balances	(8,454,876)	16,235,989
Adjustments on cash in hand	443,554	443,554
Adjustments on payables	7,024,723	7,024,723
Adjustments on receivables	(5,647,043)	6,193,175
	<b>(6,633,642)</b>	<b>15,847,995</b>

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**13 OTHER IMPORTANT DISCLOSURES**

**13.1: PENDING ACCOUNTS PAYABLE (Annex 1)**

<b>Description</b>	<b>2016 – 2017</b>	<b>2015 – 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Timona Enterprises Good supply	82,900	
Havenpark Business Hub solutions	180,000	
Citocpo General supplies	167,140	
Dipaka agencies	350,000	
Whitelane contractors	180,000	
Aimat Company ltd	236,060	
Kenexax Enterprises	520,000	
Jadey office solutions	62,250	
Squantam Enterprises	180,000	
Nyeri ASK show	72,500	
The Agricultural Society of Kenya	494,000	
Jadey Office solutions	80,000	
Gapollo Ltd	330,000	
Club Heritage Limited	192,000	
Waysor General supplies	94,500	
Syntax Enteerprises Limited	75,600	
Kipet Trading company	165,000	
Sceptre Tours Safaris	190,515	
Camaja Self Help Help Womenn Group	19,500	
TRAPCA-ESAMI	2,575,000	
<b>TOTAL</b>	<b>6,246,965</b>	<b>1,958,150</b>



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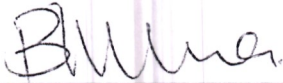
**14. PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS**


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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

  
 \_\_\_\_\_  
 Principal Secretary

  
 \_\_\_\_\_  
 Principal Accounts Controller

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**ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Land				
Buildings and structures				
Transport equipment	13,236,159			13,236,159
Office equipment, furniture and fittings	2,144,080	603,085		2,747,165
ICT Equipment, Software and Other ICT Assets	11,361,349	1,226,335		12,587,684
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets	9,843,875	4,618,967		14,462,842
<b>Total</b>	<b>36,585,463</b>	<b>6,448,387</b>		<b>43,033,850</b>

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**ANNEX 11- REPORTS GENERATED FROM IFMIS**

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programme

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