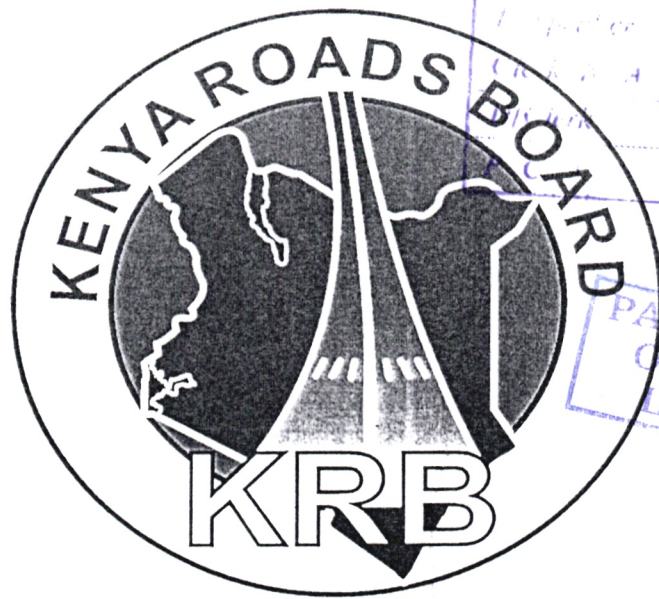


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# KENYA ROADS BOARD

## FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2004/05

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT  
OF  
THE CONTROLLER  
AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA  
ROADS BOARD FOR THE YEAR ENDED 30  
JUNE 2005



KENYA NATIONAL AUDIT OFFICE

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# KENYA ROADS BOARD

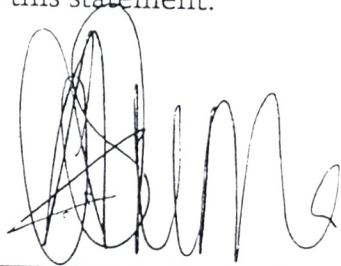
FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEAR 2004/2005

## STATEMENT OF BOARD MEMBERS RESPONSIBILITIES

The Kenya Roads Board Act No. 7 1999 requires the Board Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of the Board's Income and Expenditure Statement for that period. It also requires the directors to ensure the Board keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board and to ensure that the Financial Statements comply with the establishing Act. They are also responsible for safeguarding the assets of the Board and taking reasonable steps for the prevention and detection of fraud and other irregularities.

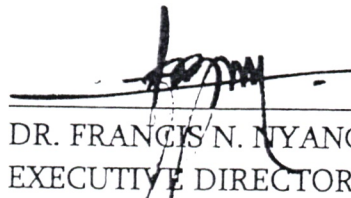
The Board Members accept responsibility for the FY 2004/05 annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenya Roads Board Act. The Board Members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board and of the Board's Income and Expenditure Statement. The Board Members further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Board Members to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.



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MR. ALFRED C. JUMA  
CHAIRMAN  
KENYA ROADS BOARD



---

DR. FRANCIS N. NYANGAGA  
EXECUTIVE DIRECTOR  
KENYA ROADS BOARD



## INSTITUTIONAL DETAILS

Kenya Roads Board was formed by an Act of parliament No. 7 of 1999

Registered office and principal place of business:

3<sup>rd</sup> Floor  
Kenya Re Towers , Off Ragati Road  
Upper Hill Area

Postal Address

P. O. Box 73718 – 00200  
NAIROBI

Bankers

Citibank N.A.  
Upperhill  
P.O. Box 30711  
NAIROBI

Standard Chartered Bank  
Kenyatta Avenue  
P.O. Box 30034  
NAIROBI

Central Bank of Kenya  
P.O. Box 60000  
NAIROBI

Auditor  
Controller and Auditor General  
P. O. Box 30084 – 00100  
NAIROBI

Lawyers  
Lumumba Mumma and Kaluma Advocates  
P. O. Box 10676 – 00400  
NAIROBI

## Board Members

- 1) Eng. Samuel Otonglo - Chairman
- 2) Dr. Francis Nyangaga - Executive Director, KRB
- 3) Amb. Mohamed Mahamud - PS, MoRPW
- 4) Mr. Joseph Kinyua - PS, Finance
- 5) Dr. Gerrishon Ikiara - PS, Transport
- 6) Mr. Solomon Boit - PS, Local Government
- 7) Amb. Peter Ole Nkuraiya - PS, Foreign Affairs
- 8) Mr. Joseph Muongeri - Kenya Association of Tour Operators
- 9) Mr. Alfred C. Juma - Automobile Association
- 10) Mrs. Kellen Kariuki - ICPAK
- 11) Amb. John P. Mbogua - Kenya Association of Manufacturers
- 12) Mr. Silas Muriithi Kinoti - Institution of Surveyors of Kenya
- 13) Mrs. Susan Millie Owino - League of Kenya Women Voters
- 14) Mr. Nelson Ruto Korir - Kenya Transporters Association

## Senior Management Staff

- 1) Mr. Nicodemus M. Muteti - General Manager, Finance & Administration
- 2) Eng. Stephen W. Ndinika - General Manager, Technical Compliance
- 3) Ms Ruth M. Bitu - Manager Human Resource
- 4) Ms Lucy K. Gathika - Legal Secretary





## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA ROADS BOARD FOR THE YEAR ENDED 30 JUNE 2005

I have audited the financial statements of Kenya Roads Board for the year ended 30 June 2005 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

#### Respective Responsibilities of the Board and the Controller and Auditor General

The Board is responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Board and of its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

#### Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Board as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### 1. Annual Public Roads Programme


According to Kenya Roads Board Act, 1999, the Board shall submit to the Minister for Finance the Annual Roads Programme for approval and the approved programme shall form the basis of funds allocation and auditing of works by the Board and shall not be varied by the Road Agency without the prior approval of the Board.

During the year ended 30 June 2005, a total of Kshs.400,000,000 was disbursed to all the District Roads Committees as disclosed in Note 2 to the financial

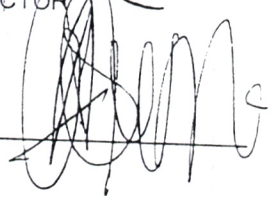
# KENYA ROADS BOARD

BALANCE SHEET AS AT 30th JUNE 2005

	Note	2004/05	2003/04
<b>FIXED ASSETS</b>			
Property Plant & Equipment	4	41,648,693.02	44,450,677.92
<b>CURRENT ASSETS</b>			
Cash and Bank	8	1,708,404,804.95	1,917,140,000.95
Debtors	5	4,380,575.00	3,744,949.95
Prepayments	9	2,456,709.15	0.00
<b>TOTAL</b>		<b>1,715,242,089.10</b>	<b>1,920,884,950.90</b>
<b>TOTAL ASSETS</b>		<b>1,756,890,782.12</b>	<b>1,965,335,628.82</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Accumulated Fund - Operational	1	100,013,900.00	100,013,900.00
Road Maintenance Levy Fund - CBK	1	932,462,936.15	944,081,365.50
Surplus from operations	10	104,099,444.54	196,119,325.27
<b>TOTAL</b>		<b>1,136,576,280.69</b>	<b>1,240,214,590.77</b>
<b>CURRENT LIABILITIES</b>			
Creditors	6	80,808,609.33	73,690,689.65
Agencies Payable	7	539,505,892.10	651,430,348.40
<b>TOTAL</b>		<b>620,314,501.43</b>	<b>725,121,038.05</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>1,756,890,782.12</b>	<b>1,965,335,628.82</b>

  
 DR. FRANCIS NYANGAGA  
 EXECUTIVE DIRECTOR

  
 DATE

  
 ALFRED C. JUMA  
 CHAIRMAN

  
 DATE



statements without the appropriate authority. The Board has indicated that it is processing a retrospective request for approval.

## 2. Budgetary Control

The Board overspent its budget provisions by Kshs.6,644,077 in six items of expenditure contrary to Section 12 of the State Corporations Act (Cap 446) which requires prior approval in writing of the Minister of Roads and Public Works and the Treasury. In the absence of such approvals, the Board was in breach of the law. It has, however, been observed that the Board on 27 March 2007 applied to the Parent Ministry and the Treasury for approval of the over expenditure but so far no approval has been given.

## 3. Cash and Bank Balances

As disclosed in Note 8 to the financial statements, cash and bank balance of Kshs.1,708,404,805 includes a balance of Kshs.634,969,621 held in a local bank. Audit of the bank reconciliation statement as at 30 June 2005 produced in support of the bank balance revealed a reconciling difference of Kshs.90,854,896 under items in cashbook not in Bank described as difference in opening balance. Although the Board has explained that the difference was due to misallocations between agencies payable and the bank accounts, details of such misallocation have not been provided by the Board to facilitate audit verification. Under the circumstances, it was not possible to confirm the correct bank balance or the correctness of the cash and bank balance of Kshs.1,708,404,805 as at 30 June 2005.

## Opinion

Except for any adjustments that may be necessary arising from the foregoing reservations, in my opinion, the financial statements give a true and fair view of the state of affairs of the Board as at 30 June, 2005 and of its surplus and cash flows for the year then ended and comply with the Kenya Roads Board Act, 1999.

  
P.N. KOMORA  
CONTROLLER AND AUDITOR GENERAL

Nairobi

22 May 2007

# KENYA ROADS BOARD

INCOME & EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 30th JUNE 2005.

	NOTE	ACTUAL(KSHS) 2004/05	ACTUAL(KSHS) 2003/04
Road Maintenance Levy Fund Receipts	2	9,466,514,957.00	9,045,110,152.65
<b>INCOME</b>			
Road Maintenance Levy Fund	3	283,314,150.00	252,000,000.00
Interest Earned		6,114,687.30	2,516,077.90
Sale of Tender		155,000.00	105,000.00
Gain on Disposal of Assets		0.00	94,972.50
<b>TOTAL INCOME</b>		<b>289,583,837.30</b>	<b>254,716,050.40</b>
<b>EXPENDITURE</b>			
Directors Emoluments		22,318,912.00	8,274,569.00
Directors Insurances		198,165.00	145,872.00
Directors Field Trips		2,690,427.50	2,555,503.00
Directors Overseas Travel		1,558,160.15	1,687,652.85
Directors Training		2,185,639.80	4,040,863.10
Salaries & Wages		46,987,212.78	43,299,640.90
Staff Pension		7,500,442.15	5,141,466.00
Staff Training & Development		7,604,905.65	9,939,522.40
Staff Insurance		1,795,045.00	0.00
Advertising & Publicity		6,270,950.30	9,537,989.15
Bank Charges		379,304.25	277,616.35
Books & Publications		32,635.15	79,539.00
Conferences & Seminars		3,481,661.60	1,528,151.60
Consultancies		62,619,319.40	66,276,486.40
General Insurances		579,000.00	2,651,472.00
Legal & Professional fees		346,577.00	192,422.00
Newspapers & Magazines		420,589.20	319,130.00
Office Expenses		4,205,629.50	3,465,858.50
Rent of Premises		9,134,655.80	8,936,818.40
Research & Development		0.00	150,000.00
Security		780,000.00	1,052,253.20
Stationery		3,161,496.00	3,277,914.20
Telephone & Postages		4,748,728.15	4,017,927.55
Vehicle Expenses & Repairs		6,884,707.10	4,802,581.25
Audit Fees Provision		150,000.00	150,000.00
<b>Field Activities:</b>			
ED & Chairman		7,322,529.65	1,803,491.70
PP		2,252,865.60	3,067,867.60
TC		2,577,759.00	2,223,175.00
F & A		1,755,672.55	846,298.85
Legal Secretary & Internal Auditor		0.00	78,900.00
ICT		671,487.00	0.00
Depreciation	4	21,818,066.35	21,910,042.83
<b>TOTAL EXPENSES</b>		<b>232,432,543.63</b>	<b>211,731,024.83</b>
Surplus of Income over Expenditure		57,151,293.67	42,985,025.57



## KENYA ROADS BOARD

### CASH FLOW STATEMENT FOR THE PERIOD ENDED 30th JUNE 2005

<b>CASH FLOWS FROM OPERATION</b>		
Surplus of Income over Expenditure	57,151,293.67	
<b>Adjust for:</b>		
Depreciation	21,818,066.35	
Investing Income	(6,114,687.30)	
Operating Profit before working capital changes	<u>72,854,672.72</u>	
Increase in Debtors	(3,092,334.20)	
Decrease in Creditors	<u>(104,806,536.62)</u>	
Net cash flow from operating activities		(35,044,198.10)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Interest Earned	6,114,687.30	
Purchase of Fixed Assets	<u>(19,051,332.00)</u>	
Net cash used in investing activities		(12,936,644.70)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Decrease in Surplus Retained	(149,135,923.85)	
Decrease in Road Maintenance Levy Fund	<u>(11,618,429.35)</u>	
Cash flow from financing activities		<u>(160,754,353.20)</u>
Net increase in cash and cash equivalent		(208,735,196.00)
Add: Cash and cash equivalent at beginning of period		<u>1,917,140,000.95</u>
Cash and cash equivalent at end of period		1,708,404,804.95

# KENYA ROADS BOARD

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2005.

## NOTE 1:

### ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared under the historical cost basis.

#### **Currency**

The accounts are in Kenya Shillings.

#### **Depreciation**

The depreciation policy is a full charge in the year of acquisition and no charge during the year of disposal. This is calculated on a straight line basis to write off the cost of fixed assets over their useful lives at the following rates:

▪ Computer Equipment	33 $\frac{1}{3}$ %
▪ Office Equipment	12.5%
▪ Motor Vehicles	25.0%
▪ Furniture & Fittings	12.5%

#### **Revenue Recognition**

The Board is allocated 3% of the Road Maintenance Levy Fund to run its operations. These funds are disbursed together with other disbursements to agencies. Revenue is recognized once the Board has given approval to pay.

#### **Accumulated Fund – Operational**

This consists of funds which have been set aside for initial capital.

#### **Road Maintenance Levy Fund**

This amount represents funds available for disbursement as at 30<sup>th</sup> June 2005 of Kshs 932,462,936.15 to be carried forward for disbursement in the following year.



**NOTE 2:****Road Maintenance Levy Fund Disbursements**

RECIPIENT/AGENCY	2004/05 KSHS	2003/04 KSHS
Opening Balance	944,071,364	298,961,211
Receipts	9,466,514,957	9,045,110,153
Funds Available	10,410,586,321	9,344,071,364
<b>Disbursements:</b>		
KRB OPERATIONS	283,314,150	252,000,000
ROADS DEPT. (ABC ROADS)	5,382,968,851	4,788,000,000
ROADS DEPT. (D, E & OTHER ROADS)	978,573,323	934,000,000
MINISTRY OF LOCAL GOVERNMENT	821,277,724	672,000,000
DISTRICT ROADS COMMITTEES	400,000,000	350,000,000
KENYA WILDLIFE SERVICES	66,662,153	60,000,000
CONSTITUENCIES	1,511,008,800	1,344,000,000
<b>TOTAL DISBURSEMENTS</b>	<b>9,443,805,001</b>	<b>8,400,000,000</b>
<b>CLOSING BALANCE</b>	<b>966,781,320</b>	<b>944,071,364</b>

**NOTE 3:**

The income for Kenya Roads Board is made up as follows:

ITEM	AMOUNT
1st Tranche	28,314,150
2nd Tranche	10,571,963
3rd Tranche	21,815,255
4th Tranche	24,675,059
5th Tranche	20,089,610
6th Tranche	14,099,123
7th Tranche	19,470,925
8th Tranche	39,920,803
9th Tranche	13,663,682
10th Tranche	34,395,659
11th Tranche	30,367,528
12th Tranche	17,813,827
13th Tranche	8,116,566
<b>TOTAL</b>	<b>283,314,150.00</b>

**NOTE 4:**

**Property Plant & Equipment**

	COMPUTER EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	TOTAL
Depreciation Rate	33.33%	12.50%	25.00%	12.50%	
<b>Cost:</b>					
Balance b/f 1 July 04	22,789,037	10,738,958	34,336,947	35,209,067	103,074,009
Additions	6,120,649	101,345	6,463,850	6,365,488	19,051,332
Disposals	0	(118,690)	0	0	(118,690)
Balance as at 30 June 2005	28,909,686	10,721,613	40,800,797	41,574,555	122,006,651
<b>Depreciation:</b>					
Accumulated dep'n b/f	19,699,833	3,106,666	23,711,945	12,065,957	58,584,401
Charge for the year	5,066,010	1,355,038	10,200,199	5,196,819	21,818,066
Dep'n on disposed assets	0	(44,509)	0	0	(44,509)
Balance as at 30 June 2005	24,765,843	4,417,195	33,912,144	17,262,776	80,357,958
Net Book Value as at 1st July 2004	3,089,204	7,632,292	10,625,002	23,143,110	44,489,608
Net Book Value as at 30 June 2005	4,143,843	6,304,418	6,888,653	24,311,779	41,648,693

**NOTE 5:**

**Debtors**

ITEM	2004/05	2003/04
Staff Advances	3,048,641.00	1,274,049.95
Telephone Deposits	77,200.00	62,200.00
Directors Income Tax	1,254,734.00	2,408,700.00
<b>TOTAL</b>	<b>4,380,575.00</b>	<b>3,744,949.95</b>

**NOTE 6:****Creditors**

	2004/05	2003/04
Suppliers	850,641.10	1,238,791.85
Provisions & Accruals	79,957,968.23	72,451,897.80
<b>TOTAL</b>	<b>80,808,609.33</b>	<b>73,690,689.65</b>

**NOTE 7:****Agencies Payable**

This relates to funds approved for disbursement to agencies but not yet released. The balances owing as at 30<sup>th</sup> June 2005 are as shown below:

Agency	2004/05	2003/04
Ministry of Local Government	104,604,882.00	212,536,415.40
Ministry of Roads & Public Works	143,941,682.10	(10,680,401.80)
District Roads Committees	37,119,594.00	353,079,884.30
Kenya Wildlife Service	1,916,735.00	118,211.60
Constituencies	251,922,999.00	96,376,238.90
<b>Total</b>	<b>539,505,892.10</b>	<b>651,430,348.40</b>

**NOTE 8:****Cash & Bank**

This amount is made up as follows:

	2004/05	2003/04
Bank: Citibank	140,893,783.60	228,145,173.90
Bank: Standard Chartered	634,969,621.00	745,139,524.95
Bank: Central Bank	932,462,936.15	943,805,002.90
Petty Cash	78,464.20	50,288.20
<b>TOTAL</b>	<b>1,708,404,804.95</b>	<b>1,917,140,000.95</b>



**NOTE 9:**

**Prepayments**

This amount is made up as follows:

Motor Vehicle Insurance	684,784.50
General Insurance	122,356.65
Staff Insurance	279,260.00
Directors Insurance	67,909.00
Directors Training	1,302,399.00
TOTAL	2,456,709.15

**NOTE 10:**

**Surplus from operations**

This amount is made up as follows:

Previous Year	46,948,150.87
Current year	57,151,293.67
TOTAL	104,099,444.54