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KENYA ROADS BOARD

FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR 2002/2003

REPUBLIC OF KENYA

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P.O. Box 30448
NAIROBI

KENYA NATIONAL AUDIT OFFICE

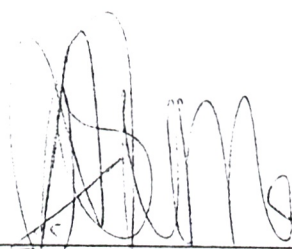
REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF KENYA ROADS BOARD FOR THE YEAR
ENDED 30 JUNE 2003

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 Board Members 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 2002/03 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.



13.10.06

MR. ALFRED C. JUMA
CHAIRMAN
KENYA ROADS BOARD



13.10.06

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:

3rd 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. Shem Oduor Noah - Chairman – Institution of Engineers of Kenya
- 2) Eng. Isaiah K. W. Mutonyi - Executive Director, Kenya Roads Board
- 3) Eng. Peter Wakori - PS, Ministry of Roads & Public Works
- 4) Mr. Joseph Kinyua - PS, Ministry of Finance
- 5) Mr. Sammy Kyungu - PS, Ministry of Transport
- 6) Mr. Mark Bor - PS, Ministry of Local Government
- 7) Mrs. Margaret Chemingich - PS, Ministry of Trade and Industry
- 8) Mr. Joseph Muongeri - Kenya Association of Tour Operators
- 9) Mr. David Njoroge - Automobile Association of Kenya
- 10) Prof. J. Kimura - Institute of Certified Public Accountants of Kenya
- 11) Mr. Ali Fadhili Bisbas - Kenya National Chamber of Commerce and Industry
- 12) Mrs. Joyce Rimbere Madzayo - Institution of Surveyors of Kenya
- 13) Mr. Joseph Mayabilo - Kenya National Farmers Union
- 14) Mr. Shahid Butt - Kenya Transport Association

Senior Management Staff

- 1) Dr. Francis N. Nyangaga - General Manager, Planning, Policy and Operations
- 2) Mr. Nicodemus M. Muteti - General Manager, Finance & Administration
- 3) Eng. Stephen W. Ndinika - General Manager, Technical Compliance
- 4) Ms Ruth M. Bitu - Manager Human Resource
- 5) 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 2003

I have audited the financial statements of Kenya Roads Board for the year ended 30 June 2003 in accordance with the provisions of Section 29 of the Exchequer and Audit Act (Cap 412). 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 Board's state of affairs and 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. Financial Statements Preparation and Audit

The Kenya Roads Board (KRB) is only presenting accounts for its structure, pertaining to the 3% remitted to KRB for operational costs and not for disbursements of the 97% to the Ministry of Roads and Public Works, Local Authorities, Constituencies and District Committees. The accounts are not consolidated, and the KRB Act is unclear as to whether KRB should present consolidated accounts for the Funds. Although the Act also stipulates that agencies of KRB: that is Ministry of Roads and Public Works, Constituencies etc,

should provide audited accounts to KRB it does not specify who the auditor should be and as a result, consolidated accounts which should have incorporated expenditures by the roads agencies have not been prepared, signed and submitted for audit review by the Controller and Auditor General.

2. Annual Public Roads Programme

During the year ended 30 June 2003 the Board prepared the Annual Public Roads Programme (APRP) which formed the basis of allocation of funds to road agencies. The programme was however, not submitted to the Minister of the Parent Ministry and the Minister for Finance for approval. This is contrary to section 19 (5) of the Kenya Roads Board Act, 1999. The Board was in breach of the law and I was therefore unable to confirm the propriety of an amount of Kshs.7,424,094,358 disbursed to Local Authorities, Road Agencies as well as to constituencies during the year under review in the absence of approved APRP. Further several District Roads Committees which included Kericho, Trans Nzoia, Migori, Tana River, Makueni, Maragua, Kirinyaga and Nairobi which spent a total of Kshs.20,256,223 varied the APRP at implementation stage without seeking authority from Kenya Roads Board.

3. Expenditure Returns

As disclosed in Note 2 to the financial statements, a total of Kshs.1,213,211,440 was disbursed to constituencies through District Roads Committees (DRC) during the year under review. However, expenditure returns for Trans Nzoia and Nairobi District Roads Committees in respect of which a total of Kshs.44 million was disbursed were not produced for audit verification. Under the circumstances it was not possible to confirm the propriety of an expenditure Kshs.44,000,000.

4. Ministry of Local Government - Unvouched Expenditure

Audit of the Road Maintenance Levy Fund Accounts for the Ministry of Local Government revealed that a total of Kshs.446,053,022 was spent on paying outstanding bills to various contractors for road rehabilitation works undertaken in previous financial years. Out of the total expenditure of Kshs.446,053,022 documentary evidence of payments totalling Kshs.80,486,564 were not produced for audit review. It was not therefore possible to confirm the propriety of the expenditure. In addition, the Annual Public Roads Programme did not provide for expenditure of Kshs.446,053,022 incurred on outstanding bills.

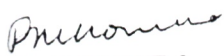
5. Financial Statements Presentation and Disclosures

Contrary to the requirements of International Accounting Standards, the property plant and equipment schedule is not presented in accordance with IAS 16 (73) in that the gross carrying amount and accumulated depreciation, the reconciliation and carrying amount at beginning and end of the year, additions and disposals

made during the year have not been incorporated in the property plant and equipment. In addition, revenue recognition is not properly disclosed as to whether cash or accrual basis was adopted and retirement benefits obligation is not disclosed. No satisfactory explanation has been given for failure to comply with the standards.

Opinion

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of financial affairs of the Board and of its surplus and cash flows for the year then ended and comply with Kenya Roads Board Act, 1999.


P.N. KOMORA
CONTROLLER AND AUDITOR GENERAL

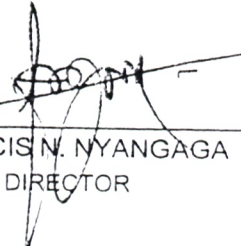
Nairobi


21 November 2006

KENYA ROADS BOARD

BALANCE SHEET AS AT 30th JUNE 2003

	NOTE	2002/03 KSHS	2001/02 KSHS
FIXED ASSETS			
Property Plant & Equipment	4	60,245,840.45	59,976,527.55
TOTAL FIXED ASSETS		60,245,840.45	59,976,527.55
CURRENT ASSETS			
Cash and Bank	9	2,019,859,877.10	330,360,260.35
Debtors	5	471,888.10	168,978.90
TOTAL CURRENT ASSETS		2,020,331,765.20	330,529,239.25
TOTAL ASSETS		2,080,577,605.65	390,505,766.80
EQUITY			
Accumulated Fund --Operational	1	100,013,900.00	100,013,900.00
Surplus from operations	10	152,878,008.05	59,190,990.15
Road Maintenance Levy Fund	2	298,961,212.85	211,432,534.70
TOTAL EQUITY		551,853,120.90	370,637,424.85
LIABILITIES			
CURRENT LIABILITIES			
Creditors	6	13,382,186.95	19,868,344.95
Agencies Payable	7	1,515,342,297.80	0.00
TOTAL CURRENT LIABILITIES		1,528,724,484.75	19,868,344.95
TOTAL EQUITY AND LIABILITIES		2,080,577,605.65	390,505,769.80


 DR. FRANCIS N. NYANGAGA
 EXECUTIVE DIRECTOR


 ALFRED C. JUMA
 CHAIRMAN

INCOME & EXPENDITURE STATEMENT FOR THE PERIOD
ENDED 30th JUNE 2003

	NOTE	ACTUAL (KSHS) 12 MONTHS 2002/03	ACTUAL (KSHS) 12 MONTHS 2001/02
Road Maintenance Levy Fund Receipts	2	7,739,100,178.00	8,162,793,664.40
INCOME			
Road Maintenance Levy Fund	3	228,984,144.00	133,770,836.05
Interest Earned		4,316,860.20	3,497,159.40
Sale of Tender		231,000.00	168,000.00
TOTAL INCOME		233,532,004.20	137,435,995.45
EXPENDITURE			
Directors Emoluments		23,271,371.00	14,904,008.00
Directors Insurances		145,872.00	153,480.00
General Insurances		2,387,627.00	836,228.00
Field Trips		2,713,360.50	2,054,231.00
Directors Overseas Travel		1,014,210.00	474,606.70
Directors Training		2,156,947.50	0.00
Salaries & Wages		40,923,376.35	10,891,427.10
Honoraria for Interim Secretariat		0.00	2,902,720.00
Staff Pension		4,457,488.50	1,484,990.00
Staff Training & Development		4,972,557.35	807,317.40
Advertising & Publicity		6,057,419.30	5,974,019.40
Bank Charges		173,023.35	334,565.20
Rent of Office Building		6,544,692.00	6,536,182.30
Telephone & Postages		4,248,948.95	1,298,438.35
Office Stationery		2,361,095.30	6,547,455.00
General Office Expenses		3,005,701.55	881,776.25
Conferences & Seminars		5,144,658.60	3,061,832.00
Legal & Professional fees		46,840.00	1,423,400.00
Vehicle Expenses & Repairs		3,070,829.30	540,193.00
Newspapers & Magazines		285,060.00	283,825.00
Books & Publications		33,695.00	0.00
Security		1,447,900.40	619,593.20
Withholding Tax	8	601,334.45	489,965.55
Audit Fees Provision		150,000.00	150,000.00
Sections Recurrent Costs:			
ED & Chairman		505,835.00	0.00
PPO		901,038.20	0.00
TC		1,533,196.70	0.00
F & A		494,342.00	0.00
Legal Secretary & Internal Auditor		50,900.00	0.00
Depreciation	4	21,145,666.00	15,594,754.85
TOTAL EXPENSES		139,844,986.30	78,245,008.30
Surplus of Income over Expenditure		93,687,017.90	59,190,987.15

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30th JUNE 2003

	KSHS	KSHS
CASH FLOWS FROM OPERATION		
Surplus of Income over Expenditure	93,687,017.90	
Adjust for:		
Depreciation	21,145,666.00	
Investing Income	-4,316,860.20	
Withholding Tax	601,334.45	
Operating surplus before working capital changes	<u>111,117,158.15</u>	
Increase in Debtors	-302,909.20	
Increase in Creditors	<u>1,508,856,139.80</u>	
Net cash flow from operating activities		1,619,670,388.75
CASH FLOW FROM INVESTING ACTIVITIES		
Net Interest Earned	3,715,525.75	
Purchase of Fixed Assets	<u>-21,414,978.90</u>	
Net cash used in investing activities		-17,699,453.15
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Road Maintenance Levy Fund	<u>87,528,678.15</u>	
Cash flow from financing activities		<u>87,528,678.15</u>
Net increase in cash and cash equivalent		1,689,499,613.75
Add: Cash and cash equivalent at beginning of period		<u>330,360,263.35</u>
Cash and cash equivalent at end of period		2,019,859,877.10

KENYA ROADS BOARD

NOTES TO THE ACCOUNTS JUNE 2003

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 30th June 2003 of Kshs 298,961,212.85 to be carried forward for disbursement in the following year.

NOTE 2:

Road Maintenance Levy Fund Disbursements

RECIPIENT/AGENCY		2002/03	2001/02
		ACTUAL KSHS	ACTUAL KSHS
Opening Balance		211,432,535	
Receipts		7,739,100,178	8,162,793,664
Min. of Energy Refund			(214,600,046)
Funds Available		7,950,532,713	7,948,193,618
Disbursements			
KRB OPERATIONS		227,477,144	114,009,639
ROADS DEPARTMENT	A, B & C ROADS	4,271,065,757	4,234,070,454
KENYA WILDLIFE SERVICE		51,000,000	
MORPW	D, E & OTHER ROADS	606,605,720	1,339,458,631
MOLG - URBAN ROADS		606,605,721	894,222,358
DRC		606,605,720	
CONSTITUENCIES		1,213,211,440	1,155,000,000
MUNICIPAL COUNCILS		69,000,000	
TOTAL		7,651,571,502	7,736,761,082
CLOSING BALANCE		298,961,211	211,432,536

NOTE 3:

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

Disbursement from RMLF (as shown in note 2)	227,477,144
Refund from Min. of Roads & Public Works	1,507,000
Total	228,984,144

NOTE 4:**Property, Plant and Equipment**

	COMPUTER EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	TOTAL
Depreciation Rate	33.33%	12.50%	25.00%	12.50%	-
NBV as at 1st July 2002	9,141,104.80	4,537,356.25	19,750,496.25	26,547,570.25	59,976,527.55
Additions in this year	8,808,256.75	3,743,270.00	8,163,062.00	700,390.15	21,414,978.90
Deprn. Charge for the period	(7,532,984.70)	(1,116,102.50)	(8,624,264.35)	(3,872,314.45)	(21,145,666.00)
N B V as at 30th June 2003	10,416,376.85	7,164,523.75	19,289,293.90	23,375,645.95	60,245,840.45

NOTE 5:**Debtors**

The composition for debtors is as follows:

Refundable deposit Safaricom	25,000.00
Refundable deposit Telkom	32,200.00
Staff Debtors	409,054.20
Other Debtors	5,633.90
Total	<u>471,888.10</u>

NOTE 6:**Creditors**

These are grouped as follows:

Suppliers	261,545.00
Provisions and Accruals	13,120,641.95
Total	<u>13,382,186.95</u>

NOTE 7:**Agency Payable**

This relates to funds approved for disbursement to agencies but not yet released. The balances owing as at 30th June 2003 are as shown below:

AGENCY	AMOUNT (Kshs)
Ministry of Local Government	94,742,880.60
Ministry of Roads, Public Works & Housing	349,113,527.20
District Roads Committees	607,185,863.00
Constituencies	373,797,215.00
Municipal Roads	69,458,572.00
Kenya Wildlife Services	21,044,240.00
TOTAL	1,515,342,297.80

NOTE 8:**Withholding Tax**

This is 15% withholding tax paid on interest earned in our bank accounts.

NOTE 9:**Cash & Bank**

The amount of cash and bank is made up as follows:

Bank: Citibank	113,159,349.05
Bank: Standard Chartered	1,607,965,377.80
Bank: Central Bank	298,684,850.25
Petty Cash	50,300.00
TOTAL	2,019,859,877.10

NOTE 10:**Surplus from operations**

The amount of surplus from operations is made up as follows:

Surplus Previous Year	59,190,990.15
Surplus Current Year	93,687,017.90
TOTAL	152,878,008.05