

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**THE FINANCIAL STATEMENTS OF NATIONAL**  
**TRANSPORT AND SAFETY AUTHORITY**

**FOR THE YEAR ENDED**  
**30 JUNE 2014**



# National Transport and Safety Authority

---

NATIONAL TRANSPORT & SAFETY AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2014

---

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

I.	KEY ENTITY INFORMATION AND MANAGEMENT .....	1
II.	THE BOARD OF DIRECTORS .....	4
III.	MANAGEMENT TEAM .....	5
IV.	CHAIRMAN'S STATEMENT .....	6
V.	REPORT OF THE CHIEF EXECUTIVE OFFICER .....	7
VI.	CORPORATE GOVERNANCE STATEMENT.....	9
VII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....	10
VIII.	REPORT OF THE DIRECTORS.....	10
IX.	STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	<b>Error! Bookmark not defined.</b>
X.	REPORT OF THE INDEPENDENT AUDITORS ON THE <i>ENTITY (specify entity name)</i> ....	<b>Error! Bookmark not defined.</b>
XI.	STATEMENT OF FINANCIAL PERFORMANCE .....	13
XII.	STATEMENT OF FINANCIAL POSITION.....	14
XIII.	STATEMENT OF CHANGES IN NET ASSETS .....	15
XIV.	STATEMENT OF CASH FLOWS.....	16
XV.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	17
XVI.	NOTES TO THE FINANCIAL STATEMENTS .....	18

## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) BACKGROUND INFORMATION**

The Authority was established after the government enacted the National Transport & Safety Authority Act, 2012 on 12<sup>th</sup> October, 2012. At cabinet level, the Authority is represented by the Cabinet secretary responsible for Transport and Infrastructure who is responsible for the general policy and strategic direction of the Authority.

### **(b) PRINCIPAL ACTIVITIES**

The Act established the National Transport and Safety Authority (NTSA) whose functions as outlined under Section 4 of the Act are:

- a) advise and make recommendations on matters relating to road transport and safety,
- b) implement policies relating to road transport and safety
- c) plan, manage and regulate the road transport sector in accordance with the provisions of the Act, and,
- d) ensure the provision of safe, reliable and efficient road transport service, and
- e) administer the Act of Parliament set out in the First Schedule and any other written Law

### **(c) KEY MANAGEMENT**

The Authority's day-to-day management is under the following key organs:

The Director General;

The Director, Corporate Support Services;

The Director, Road Safety;

The Director, Registration & Licensing; and

The Director, Motor Vehicle Inspection

**(d) FIDUCIARY MANAGEMENT**

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

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1	Director General	Francis Meja
2.	Deputy Director, Registration & Licensing	John Muya

**REGISTERED OFFICE**

Transcom House

3<sup>rd</sup> Floor

Telephone No.254 (020)2729200

Ngong Road

P.O. Box 52692-0200

**NAIROBI**

**CORPORATE BANKER**

Kenya Commercial Bank Ltd

Capital Hill Branch

P.O. Box 46360- 00100

**NAIROBI**

**INDEPENDENT AUDITORS**

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

## PRINCIPAL LEGAL ADVISORS

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

## II. THE BOARD OF DIRECTORS

1. Hon. Lee Kinyanjui	
2. Mr. Charles Kanjama	
3. Ms. Bright Oywaya	
4. Mr. Edwins Mukabana	
5. Mr. Alistair Muriimi Mutugi	
6. Ms. Nasra Sheikh Ahmed	
7. Ms. Rita Kavashe	
8. Mr. Alex Mbuvi	
9. Mr. Gatwanjeru Karaba	
10. Mr. George Omino	
11. Mr. Francis Meja	

### III. MANAGEMENT TEAM

1. Insert each key manager's passport-size photo and name, and key profession/academic qualifications

Name	Position	Key profession/qualifications
Francis M. Meja	Director General	MBA & BA holder. 13 years' experience in the banking industry. Appointed as the Registrar of Motor Vehicles for 4 years
2. Mr. Mathew Munyao	Director Road Safety	Bsc (hons) Food Science & Technology, M.A( project planning & management)
3. Ms. Judith Kerich	Director Corporate Support Services	Masters in Public Policy Management, Diploma in Airport Operations, SAP Human Capital Management Certification, MBA Strategic Management, Bachelors of Commerce Human Resource,
4. Ms. Jacqueline Githinji	Director Registration and Licensing	2004 Master of Arts in Labour Management, 1983 Bachelors of Art( Economics and Geog)
5. Eng. Gerald Wangai	Ag. Director Motor Vehicles Inspection Unit	Chief Superintendent Engineering. BSC (Mechanical Engineering). 26 years' experience in the public service
6. Mr. Robert Ngugi	Senior Deputy Director Legal Services	L.L.B. Bachelor of Law degree; Diploma in Law;
7. Mr. Fernando Wangila	Deputy Director Information Communication Technology	2009 MSc. ICT Policy and Regulation, 2002 BSc. Technology ( Electronics)
8. Mr. John Muya	Ag. Deputy Director, Registration and Licensing	BA(NBI); MPH(USA)

#### IV. CHAIRMAN'S STATEMENT

I feel honoured to present to you the first financial statements and annual reports of the financial year ended 30 June 2014 together with a review for the performance of the National Transport and Safety Authority.

The Board of Directors was appointed through Kenya Gazette Notice No. 806 of 22<sup>nd</sup> January, 2013. Its main objective was making our roads safe and address other challenges being experienced in the mass transportation sector. The benefits this sector brings to the economy are critical especially both direct and indirect source of employment where thousands especially youth. The mandatory certificate of good conduct has transformed to crime reduction while elimination of unqualified drivers operating public vehicles on our roads and uprooting cartels has promoted sanity in the sector.

We emphasise control of speed to drivers and motor cyclists to not only reduce road crashes that negatively impact the most productive human resource capital, but also reduce fuel consumption, manage wear and tear that have a positive impact on the national economy. This will in a long term decrease traffic congestion especially in urban centres that erodes valuable man hours.

The mass transport sector is encouraged to self-regulate through pooling in Savings and Credit Cooperative Organisations (SACCOs), disciplining errant operators who flout the law with impunity and take advantage of economies of scale.

It is intended that the Public Sector Vehicle sector become an attractive segment in our economy to investors and trustworthy to Kenyans in transforming diffusing the myth that one cannot play "clean" in this sector. The economy benefits as direct and indirect tax collection is simplified.

We commend the print and electronic media for supporting efforts in publicising efforts the Authority makes to enforce drunk driving campaigns and sensitising the public on observing traffic rules and regulations to make our roads safe. Records indicate drivers have significantly improved driving habits leading to fewer fatalities on the road as compared to the previous year. However fatalities emanating from motor cyclists have comparatively increased thereby negating the gains achieved and this is the area the board will need to tame.



Hon. Lee M. Kinyanjui  
Board Chairman

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Authority has prepared its initial annual report and financial statement since its creation in October, 2012 .A financial statement was not prepared in 2012/2013 financial year as operations did not commence as organizational structures and human resources were not yet in place.

The Sessional Paper Number 2 of 2012 on Integrated National Transport Policy identified disjointed and weak institutional framework as one of the challenges experienced in management of the road transport subsector in Kenya. The management of the subsector was previously shared among various government institutions. This spread of responsibilities made it difficult for the Government to effectively manage operations within the road transport subsector. The result has been loss of lives through road traffic crashes with an average loss of three thousand (3,000) loses annually.

The government enacted the National Transport and Safety Authority Act, 2012 so that the key institutions that deal with the road transport subsector harmonize their operations to improve service delivery and enhance safety. The Act established the National Transport and Safety Authority (NTSA) whose functions as outlined under Section 4 of the Act are:

- a) advise and make recommendations on matters relating to road transport and safety,
- b) implement policies relating to road transport and safety,
- c) plan, manage and regulate the road transport sector in accordance with the provisions of the Act, and,
- d) ensure the provision of safe, reliable and efficient road transport service, and
- e) administer the Act of Parliament set out in the First Schedule and any other written Law

In performance of its functions, the Authority is mandated to:-

- i. register and license motor vehicles,
- ii. conduct motor vehicle inspection and certification,
- iii. regulate public service vehicles,
- iv. advise the Government on national policy with regard to road transport sector,
- v. develop and implement road safety strategies,
- vi. facilitate the education of members of the public on road safety,
- vii. conduct research and audits on road safety,
- viii. compile inspection reports relating to traffic accidents,
- ix. establish systems and procedures for, and oversee the training, testing and licensing of drivers,
- x. formulate and review the curriculum of driving schools, and
- xi. coordinate the activities of persons and organizations dealing in matters relating to road safety. Perform such other functions as may be conferred on it by the Cabinet Secretary or by any other written Law

The following departments were to be merged to create NTSA:

1. The Road Transport department under Kenya Revenue Authority.
2. The Motor Vehicle Inspection Unit. This department was previously under the National Police Service.
3. The Driving Test Unit under the National Police Service.
4. The National road Safety Council under the Ministry of Transport.

For purpose of budget execution, stock taking of assets, staff rationalisation and preparation of accurate financial statements, the merger of the former four departments save for the Motor Vehicle Inspection Unit was delayed until 1<sup>st</sup> July, 2014.

During the financial year, the Authority's sources of revenue included grants appropriated by Parliament through the parent Ministry; fees from the inspection of motor vehicles and grant from the Kenya Roads Board to implement road safety campaign. The authority maintains its official bank account at Kenya Commercial Bank, Capital Hill Branch to receive monies and make payment.

The Authority's expenditure is mostly on road safety activities, staff costs, office accommodation, advertisement, motor vehicles, office furniture, computer equipment and stationary among other items. Expenditure was not enhanced as budgeted since most operations commenced in the second half of the financial year.

### 1.1 Authority's Short Term Objectives

The Authority's short term objectives included:

- Reduction in road accidents/incidents by 20%
- Recruitment of the required staff and posting to respective stations
- Establishment of County Transport & Safety Committees
- Modernization of work process through Automation to improve service delivery
- Support Law enforcers to be more efficient and effective by using appropriate tools and equipment

### 1.2 Performance Review

- **Safety First Campaign**

The safety first campaign was an effort to curb road accidents. The campaign was a joint effort between the NTSA, Judiciary, Traffic Police Department, Prisons Department and vehicle owners. Mobile courts were set up in major highways to expedite implementation of justice

- **Breathalyzer**

In an effort to curb drunk driving on our roads, the Authority introduced the use of the breathalyzer. This led to nonselective arrests and charging of numerous offenders.

- **Delinking with KRA**

The Authority set out to implement the *Report of the Task Force on Delinking and Operationalization of the NTSA*. The Road Transport Department finalized its operations under KRA by 30<sup>th</sup> June, 2014. Motor Vehicle Inspection Unit was earlier absorbed by NTSA in the third quarter of the financial year 2013/2014.

## VI. CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the long term strategic direction of the Authority. The composition of Board Directors are made up of individuals with a wide range of skills and experience and each brings an independent judgement.

The Board deals with the way the authority is lead and managed, the role of the Board of Directors and a framework of governance. The day to day running is delegated to the Director General and his management team but the Board is responsible for establishing and maintaining the Authority's internal controls. Board meetings are held on bi-monthly basis or as required.

The Board has created the following committees which meet regularly under well-defined terms of reference set by the board:

- (i) Finance Committee
- (ii) Technical Committee
- (iii) Human Resources Committee
- (iv) Road Safety Committee
- (v) Audit Committee

## **VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The board is set to develop its Corporate Social responsibility statement in the financial year 2014/2015 as operations of the authority commended in financial year 2013/2014 before this could be instituted.

## **VIII. REPORT OF THE DIRECTORS**

The Directors report together with the audited financial statements for the year ended June 30, 2013 is not applicable as the Authority did not prepare its accounts for financial year 2012/2013.

## **IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Board has the responsibility of preparing financial statements that give a true and fair view of the state of affairs of the Fund at the end of the financial year and also the Statement of Comprehensive Income for the same period. The National Transport and Safety Authority Board requires that the Directors do ensure that proper books of accounts and records are maintained which disclose with reasonable accuracy at any time the financial position of the Fund and ensure that the financial statements comply with the establishing Act. They are also responsible for safeguarding the assets of the Fund and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Public Financial Management Act, 2012 Section 68(1) (k) states that it is the responsibility of accounting officers to prepare and submit accounts for each financial year in accordance with the provisions of the Public Audit Act and submit them to the Controller of Budget and the Auditor – General.

The Directors accept responsibility for the financial statements for the year 2013/2014, which have been prepared using appropriate accounting policies consistently applied, supported by reasonable and prudent judgment and estimates, in conformity with the International Public Sector Reporting Standards (**IPSAS**) and the requirements of the National Transport and Safety Authority Act, 2012.

The Directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the fund as at 30<sup>th</sup> June 2014, and of its surplus for the year then ended. The Board further accepts 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 Controls.

The Directors regularly meet to monitor the Fund's financial performance. Specific review of management performance and operational issues are undertaken through Committees, which make suitable recommendations to the Board of Directors.

Nothing has come to the attention of the Directors to indicate that the National Safety and Safety Authority will not remain as a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Authority's financial statements were approved by the Board on 25<sup>th</sup> September, 2014 and signed on its behalf by:



**Hon. Lee Kinyanjui**

Chairman

Date 12 - 03 - 2015



**Mr. Francis Meja**

Director General

Date 12 - 03 - 2015

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### **REPORT OF THE AUDITOR-GENERAL ON NATIONAL TRANSPORT AND SAFETY AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014**

---

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Transport and Safety Authority set out on pages 13 to 25, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts 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 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.

#### **Management's Responsibility for the Financial Statements**

The Directors of National Transport Safety Authority are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed obtain reasonable assurance about whether the financial statement 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 auditor's 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 controls 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 Authority's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

I believe the audit obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Transport and Safety Authority as at 30 June, 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with National Transport and Safety Authority Act, 2012.



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

**Nairobi**

**23 March 2015**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2014**


	Note	2013-2014 Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from government and other agencies	3	314,384,000
		<b>314,384,000</b>
<b>Revenue from exchange transactions</b>		
Rendering of services	4	92,386,814
		<b>92,386,814</b>
<b>Total revenue</b>		<b>406,770,814</b>
<b>Expenses</b>		
Employee costs	5	71,685,829
Depreciation and amortization expense	6	5,252,320
Repairs and maintenance	7	851,558
General Expenses	8	136,406,704
Board Expenses	15	11,379,900
<b>Total expenses</b>		<b>225,576,311</b>
<b>Surplus for the period</b>		<b>181,194,503</b>

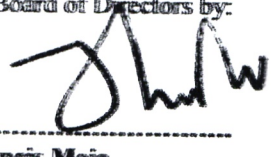
The notes set out on pages 18 to 25 form an integral part of the Financial Statements

**XI STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2014**

	Note	2013-2014 Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	9	108,587,127
Receivables from exchange transactions	10	43,866,393
		<b>152,453,520</b>
<b>Non-current assets</b>		
Property, plant and equipment	11	48,185,483
		<b>48,185,483</b>
<b>Total assets</b>		<b>200,639,003</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables from exchange transactions	12(b)	17,926,550
Employee benefit obligation	12(a)	1,517,950
<b>Total liabilities</b>		<b>19,444,500</b>
<b>Net assets</b>		
Accumulated surplus		181,194,503
<b>Total net assets and liabilities</b>		<b>200,639,003</b>

The Financial Statements set out on pages 13 to 17 were signed on behalf of the Board of Directors by:

  
 -----  
**Hon. Lee Kimanjui**  
**Chairman of the Board**  
 Date 12-03-2015

  
 -----  
**Francis Meja**  
**Director General**  
 Date 12-03-2015

**XII. STATEMENT OF CHANGES IN NET ASSETS**  
**For the year ended 30 June 2014**

	Attributable to the owners of the controlling entity					Total Kshs
	Self insurance reserve Kshs	Reserves		Accumulated surplus Kshs	Minority interest Kshs	
		Capital replacement development reserve Kshs	Housing reserve Kshs			
Balance as at 30 JUNE 2012	-	-	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-	-	-
Transfers to/from accumulated surplus	-	-	-	-	-	-
Balance as at 30 JUNE 2013	-	-	-	-	-	-
Surplus for the period	-	-	-	181,194,503	-	181,194,503
Transfers to/from accumulated surplus	(-)	-	(-)	-	-	-
Balance as at 30 JUNE 2014	-	-	-	181,194,503	-	181,194,503

### XIII. STATEMENT OF CASH FLOWS

	Note	2013-2014 Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Government grants and subsidies	3	314,384,000
Rendering of services	4	92,324,814
Sale of goods	4	62,000
		<u>406,770,814</u>
<b>Payments</b>		
Compensation of employees	5	25,789,551
Goods and services	13	125,602,668
Other payments	14	81,973,765
Board Expenses	15	11,379,900
		<u>244,745,884</u>
<b>Net cash flows from operating activities</b>		<u>162,024,930</u>
 <b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	11	(53,437,803)
Proceeds from sale of property, plant and		
<b>Net cash flows used in investing activities</b>		<u>(53,437,803)</u>
 <b>Net increase/(decrease) in cash and cash equivalents</b>		<u>108,587,127</u>
Cash and cash equivalents at 1 JULY, 2013		-
<b>Cash and cash equivalents at 30 JUNE, 2014</b>		<u>108,587,127</u>

#### IV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Government grants and subsidies	571,540,000	-	571,540,000	314,384,000	(257,156,000)
Rendering of services	1,800,408,000	-	1,800,408,000	92,386,814	(1,708,021,186)
<b>Total income</b>	<b>2,371,948,000</b>	<b>-</b>	<b>2,371,948,000</b>	<b>406,770,814</b>	<b>(1,965,177,186)</b>
<b>Expenses</b>					
Compensation of employees	759,135,000	-	759,135,000	34,430,014	724,704,986
Goods and services	1,150,000,000	-	1,150,000,000	136,039,515	1,013,960,485
Other payments	462,812,708	-	462,812,708	81,558,994	381,253,714
<b>Total expenditure</b>	<b>2,371,947,708</b>	<b>-</b>	<b>2,371,947,708</b>	<b>252,028,524</b>	<b>2,119,919,184</b>
Surplus for the period	292	-	292	154,742,290	

The difference between the final budget and the actual revenues and expenditure was due to the delay in the delinking process from Kenya Revenue Authority that continued to performed most functions which NTSA was anticipated to perform during the financial year.

## XV. NOTES TO THE FINANCIAL STATEMENTS

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

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### 2. Summary of significant accounting policies

#### a) Revenue recognition

##### (i) Revenue from non-exchange transactions – IPSAS 23

#### Transfers from other government entities

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

##### i) Revenue from exchange transactions – IPSAS 9

#### *Rendering of services*

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

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

#### *Sale of goods*

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

#### b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for

budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Property, plant and equipment – IPSAS 17**

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

**d) Nature and purpose of reserves**

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

**e) Changes in accounting policies and estimates – IPSAS 3**

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

**f) Employee benefits – IPSAS 25**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

### **g) Cash and cash equivalents**

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

### **h) Comparative figures**

The Authority commenced its operations during the financial year 2013/2014 hence absence of comparative figures for the previous financial year

### **i) Significant judgments and sources of estimation uncertainty – IPSAS 1**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### ***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

#### ***Useful lives and residual values***

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

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

#### ***Provisions***

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**j) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

**k) Operating lease rentals disclosure – IPSAS 13**

The lease will be for a term of 8 years with a clause for rent escalation. The lease will not include any provision for renewal

**l) Related Party disclosure – IPSAS 20**

The analysis and remuneration paid to members of senior management is shown below:

Name	Position	No. of Months	Total (Kshs)
Isaac Kamau	Ag. Director General	12	4,676,490
Francis Meja	Ag. Registrar of M/V	5	1,550,000
Francis Meja	Director General	5	2,700,000

**m) Financial Instruments disclosures – IPSAS 30**

**Credit risk** – There is no risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation

**Liquidity Risk** – There is no risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets

**Market Risk** – There is no risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices

**n) Contingent Assets and Liability disclosures**

There were no contingent liabilities in the year

**o) Pronouncements from the public Sector Accounting Standards Board (PSASB)**

The Public Finance Management (PFM) Act 2012 section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the board through Gazette Notice No. 1199 of 28<sup>th</sup> February, 2014. Following the Board's approval on

the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as commercial entities and the Commercial Business Entities and the International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the pronouncements made by the IPSAS Board in preparation of its current year financial statements.

### 3. Transfers from government and other agencies

	2014 Shs
<b>Unconditional grants</b>	
Operational grant from the Ministry of Transport & Infrastructure	264,384,000
	<b>264,384,000</b>
<b>Conditional grants</b>	
Kenya Roads Board	50,000,000
	<b>50,000,000</b>
<b>Total government grants and subsidies</b>	<b>314,384,000</b>

### 4. Rendering of services

	2014 Shs
Motor Vehicle Inspection	92,324,814
Sale of Tender Documents	62,000
<b>Total revenue from the rendering of services</b>	<b>92,386,814</b>

	2014 Shs	2014 Shs
<b>5. Employee costs</b>		
Employee related costs - Salaries and wages (Cash)	25,789,551	
Accrued salaries	7,122,514	
Accrued Pensions contribution	<u>1,517,950</u>	
		34,430,015
Travel, accommodation, subsistence and other allowances		37,255,814
<b>Employee costs</b>		<b>71,685,829</b>

### 6. Depreciation and amortization

	2014 Shs
Property, plant and equipment	5,252,320
<b>Total depreciation and amortization</b>	<b>5,252,320</b>

	2014
	Shs
Vehicles	362,068
Equipment	489,491
<b>Total repairs and maintenance</b>	<b>851,558</b>

#### 8. General Expenses

	2014
	Shs
Advertising	65,497,437
Conferences	13,371,347
Consumables	2,546,588
Fuel and oil	6,017,264
Insurance	745,017
Printing and stationery	21,663,631
Hire charges	17,349,571
Telecommunication	602,000
Training	403,000
Air Travel Expenses	3,126,730
Operating Lease Rentals	957,968
Hire charges(Tent)	3,133,400
Subscription	355,986
Other	636,765
<b>Total general expenses</b>	<b>136,406,704</b>

#### 9. Cash and cash equivalents

	2014
	Shs
Bank	105,495,101
Cash-on-hand	203,199
Outstanding imprests	2,888,827
<b>Total cash and cash equivalents</b>	<b>108,587,127</b>
<b>Total current receivables</b>	<b>43,866,393</b>

11. Property, Plant & Equipment

	<b>MOTOR VEHICLES (25%)</b>	<b>COMPUTOR EQUIPMENT (30.3%)</b>	<b>FURNITURE, FITTINGS &amp; GENERAL EQUIPMENT (12.5%)</b>	<b>TOTAL</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Additions	41,849,643	10,818,960	769,200	53,437,803
(Disposals)	-	-	-	-
Total	41,849,643	10,818,960	769,200	53,437,803
Charge for the year	3,395,019	1,828,745	28,555	5,252,320
<b>Net book Value as at 30.06.2014</b>	<b>38,454,624</b>	<b>8,990,215</b>	<b>740,645</b>	<b>48,185,483</b>

**12. Trade and other payable from exchange transactions**

**Kshs**

a. Gratuity accrued to contracted staff at 31% for Kshs 4,896,611 - **1,517,950**

**b. Other current Liabilities**

Pending salaries  
Temporary employees  
Trade Creditors  
**Total**

6,754,595  
367,919  
10,804,036  
**17,926,550**

**13. General expenses**

**Kshs**

**Kshs**

Total General Expenses

136,406,704

Less: Accrued advertisement costs

10,804,036

125,602,668

**14. Other Expenses**

Travel & Subsistence Costs  
Repairs & Maintenance of Vehicles  
Prepayment of rent  
**Total**

37,255,814

851,558


43,866,393

**81,973,765**

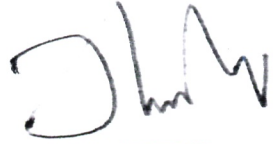
**15. Board Expenses**

Board members sitting allowance & honoraria

**11,379,900**

  
-----  
Hon. Lee Kinyanjui  
Chairman of the Board

Date 12-03-2015

  
-----  
Francis Meja  
Director General

Date 12-03-2015

