

Telephone: Nairobi +254-2-335777

Fax: +254-2-336829

E-Mail: [eng@kenya.gov.ke](mailto:eng@kenya.gov.ke)



P.O. Box 30084-00100

NAIROBI

*Library*

# KENYA NATIONAL AUDIT OFFICE

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF THE INVESTMENT PROMOTION CENTRE  
FOR THE YEAR ENDED 30 JUNE 2004**

PARLIAMENT  
OF KENYA  
LIBRARY

PAPERS LAID No <i>87</i>	
Speaker N. A.	<i>Library</i>
DiSpeaker	<i>C. H. ...</i>
Clerk N. A.	<i>Registrar</i>
DiClerk	<i>Library</i>
P. C. A.	<i>Press</i>

KENYA NATIONAL ASSEMBLY LIBRARY

Accession: 10012282

Call No: 657.45 KNAD



1875  
1876

1877  
1878  
1879  
1880  
1881  
1882  
1883  
1884  
1885  
1886  
1887  
1888  
1889  
1890  
1891  
1892  
1893  
1894  
1895  
1896  
1897  
1898  
1899  
1900



Phone: Nairobi -254-20-335777  
Fax: +254-20-330829  
Mail: cag@kenya-eb.com



P.O. Box 30084-00100  
NAIROBI

# KENYA NATIONAL AUDIT OFFICE

## REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE INVESTMENT PROMOTION CENTRE FOR THE YEAR ENDED 30 JUNE 2004

---

I have audited the financial statements of Investment Promotion Centre for the year ended 30 June 2004 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 DIRECTORS AND THE CONTROLLER AND AUDITOR GENERAL

---

The directors are responsible for the preparation of financial statements which give a true and fair view of the Centre's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on the 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 directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides reasonable basis for the opinion.

### COMMENTS

#### 1. FINANCIAL POSITION

As at 30 June 2004, the Centre had negative working capital of Kshs.9,223,168 (2003 - Kshs.17,854,664). The Centre had been unable to pay its creditors of Kshs.18,217,759 as at the balance sheet date of which Kshs.11,515,469 relates to staff pension and gratuity. As pointed out in the

previous year's report, the unfavourable result was mainly attributed to high staff costs of Kshs.52,457,605 and international travel of Kshs.8,283,382 (2003 - Kshs.8,637,136). The financial statements have been prepared on a going concern basis which assumes the continued financial support from the Government. In the absence of such support, the basis would not be appropriate.

### **EMPHASIS OF MATTERS**

#### **Irregular Payment of Board Expenses**

Without qualifying my opinion further, I draw attention to the following:- During the year, directors expenses increased by Kshs.789,018.60 from Kshs.814,520 in 2002/03 to Kshs.1,613,538.60 in 2003/04 or 96%. The increase was attributed to increase in sitting allowance from Kshs.5,000 to Kshs.11,000 (100%) per sitting without the approval from the Parent Ministry and State Corporations Advisory Committee. In addition, these payments were not subjected to tax deduction in contravention of the Income Tax Act. The Centre has not provided explanation for these irregularities.

### **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 the financial affairs of the centre as at 30 June 2004 and of its surplus and cash flows for the year then ended and comply with the Investment Promotion Centre Act (Cap 485).



**E.N. MWAI**  
**CONTROLLER & AUDITOR GENERAL**

4<sup>th</sup> September, 2005

## INVESTMENT PROMOTION CENTRE

### BALANCE SHEET

AS AT 30TH JUNE 2004

	Notes	2004 KSHS	2,003 KSHS
<b>NON CURRENT ASSETS</b>	1(b) & 11	<b>12,405,274.65</b>	<b>13,916,242</b>
<b>CURRENT ASSETS</b>			
Sundry Debtors and Prepayment	12	5,785,440.45	4,321,252
Deposits	13	25,000.00	25,000
Bank Balances	15	2,307,535.15	1,027,658
Cash at hand	18	210,000.00	210,000
		<b>8,327,975.60</b>	<b>5,583,909</b>
<b>TOTAL ASSETS</b>		<b>20,733,250.25</b>	<b>19,500,151</b>
<b>GENERAL FUND:</b>			
SURPLUS / (DEFICIT) FOR THE YEAR		5,727,086.30	(3,052,688)
BALANCE B/F	19	(3,244,979.90)	(885,735)
		<b>2,482,106.40</b>	<b>(3,938,423)</b>
<b>CURRENT LIABILITIES</b>			
Bank overdraft	16	33,384.80	985
Accruals	17	18,217,759.05	23,437,588
		<b>18,251,143.85</b>	<b>23,438,573</b>
<b>TOTAL FUNDS &amp; LIABILITIES</b>		<b>20,733,250.25</b>	<b>19,500,151</b>



Acting Managing Director:  
Susan Kikwai



Chairman  
Prof. Henry Bwisa

**INVESTMENT PROMOTION CENTRE****INCOME & EXPENDITURE STATEMENT**

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2004

	Note	2003/2004	2002/2003
<b>INCOME</b>		<b>KSHS</b>	<b>KSHS</b>
GOK GRANTS		90,777,556.35	86,303,396.25
INTEREST	2	30,996.55	27,167.35
COMMISSIONS			
MISCELLANEOUS RECEIPTS		<u>1,949,536.00</u>	<u>162,003.30</u>
<b>TOTAL INCOME</b>		<b><u>92,758,088.90</u></b>	<b><u>86,492,566.90</u></b>
<b>RECURRENT EXPENDITURE</b>			
FEES, COMM & HONORARIA	3	1,613,538.60	824,520.00
STAFF SALARIES, BENEFITS & TR	4	52,457,605.45	52,396,171.10
OFFICE SUPPLIES & EXPENSES	5	7,771,057.50	9,908,967.15
TRANSPORT & TRAVEL EXPENSES	6	10,834,514.05	12,368,649.40
ADVERTISING & PUBLICITY	7	2,697,888.10	3,141,963.35
UTILITIES	8	4,827,900.20	5,052,068.75
OFFICE RENT & OFFICE SERVICES	9	3,417,083.20	4,068,853.35
PROFESSIONAL & OTHER SERVIC	10	848,027.10	521,516.40
DEPRECIATION CHARGES	11	2,563,388.32	1,262,545.00
<b>TOTAL EXPENDITURE</b>		<b><u>87,031,002.52</u></b>	<b><u>89,646,264.60</u></b>
<b>SURPLUS/( DEFICIT) FOR THE YEAR</b>		<b><u>5,727,086.38</u></b>	<b><u>(3,052,698)</u></b>

## **INVESTMENT PROMOTION CENTRE**

Notes to the 2003/2004 yr Draft Accounts



### 1. Significant Accounting Policies

#### (a) Basis of Accounting

The Accounting statements are prepared in accordance with and comply with International Accounting Standards.

The Accounts have been prepared under the historical cost convention

#### (b) Property & Equipment and Depreciation

Property & Equipment are stated at cost or valuation less accumulated Depreciation.

Depreciation is calculated on the cost of the fixed assets on a straight line basis, at annual rates estimated to write off the the cost of these assets over the expected useful life.

The Depreciation rates used are as follows:

Motor vehicle	25%
Furniture & Fitting	10%
Computers Equipment	10%

#### (c) Retirement Benefits

The Investment Promotion Centre(IPC) operates a defined benefit pension scheme for all its employees.The scheme is administered by an insurance company and is funded from contributions by the Investment Promotion Centre.

The IPC also contributes to a statutory defined contribution plan,National Social Security Fund. Contributions are determined by Local statute and are currently limited to a maximum of Kshs 200 per employee per month.

#### (d) Cash and cash equivalents

For the purposes of the cashflow statements ,cash and cash equivalents comprise cash on hand,current account bank balances and deposits held at call.

	2003/2004 Kshs	2002/2003 Kshs
2.Interest Income		
Interest	30,996.55	27,167.35
	<u>30,996.55</u>	<u>27,167.35</u>
3.Directors Expenses		
Fees,Commissions & Honaria	1,613,538.60	824,520.00

	<u>1,613,538.60</u>	<u>824,520.00</u>
<b>4. Staff Salaries &amp; Benefits</b>		
Prior year adjustment	(515,067.95)	-
Basic Salaries	23,763,158.60	23,856,100.70
Pension Contribution	9,713,074.05	5,570,358.35
House Allowance	13,974,083.30	14,176,583.00
Other Personal Emoluments	1,923,946.95	1,633,181.10
Training & Capacity Building	884,395.75	171,474.00
Leave Allowance	1,519,062.80	1,550,214.00
Medical	1,068,252.05	5,141,315.95
Staff Uniforms	126,699.90	296,944.00
	<u><b>52,457,605.45</b></u>	<u><b>52,396,171.10</b></u>
<b>5. Office Supplies &amp; Expenses</b>		
Office Expenses	1,210,254.65	-
Postage	219,685.00	349,130.40
Publishing & Printing	2,538,956.000	2,605,713.00
Stationery	1,081,065.75	841,926.30
Computer Expenses	1,316,442.50	2,731,215.25
Official Entertainment	630,380.00	755,162.00
Miscellaneous Expenses	462,343.60	2,203,333.20
Library Expenses	311,930.00	422,487.00
	<u><b>7,771,057.50</b></u>	<u><b>9,908,967.15</b></u>
<b>6. Transport &amp; Travel Expenses</b>		
Transfer Allowances	319,125.00	-
Transport Operating Expenses	1,584,853.60	1,727,827.40
Repair Motor Vehicles	552,002.20	-
Travel-Local	95,151.20	2,003,686.00
Travel-International	8,283,382.05	8,637,136.00
	<u><b>10,834,514.05</b></u>	<u><b>12,368,649.40</b></u>
<b>7. Advertising, Publicity &amp; Investor Relations</b>		
Advertising	244,566.00	1,832,209.65
Conferences & Seminars	2,453,322.10	1,309,753.70
	<u><b>2,697,888.10</b></u>	<u><b>3,141,963.35</b></u>
<b>8. Utilities</b>		
Telephone, Fax & Others	4,827,900.20	5,052,068.75
	<u><b>4,827,900.20</b></u>	<u><b>5,052,068.75</b></u>
<b>9. Office Rent &amp; Office Service</b>		
Rent & Rates-Residential	5,068.00	105,000.00
Rent & Rates-Non Residential	3,236,563.20	3,311,985.75
Maintenance of Office Equipment	54,110.00	480,445.60
Insurance of Property	121,342.00	171,422.00
	<u><b>3,417,083.20</b></u>	<u><b>4,068,853.35</b></u>
<b>10. Professional &amp; Other Services</b>		
Professional fees	-	150,000.00

Bank Charges	124,130.30	226,516.40
Audit Fees	145,000.00	145,000.00
Membership to Professional Organisations	578,896.80	
	<b>848,027.10</b>	<b>521,516.40</b>

11 Property & Equipment & Depreciation

	Motor Vehicles	Furniture & Fittings	Computers & Office Equipment	<u>Total</u>
	Kshs	Kshs	Kshs	Kshs
<u>Cost or Valuation:</u>				
As at 1st July, 2003	7,253,670	10,867,717	12,738,826	30,860,213
Additions During the year	0	605,728	446,693	1,052,421
Disposals During the year	-			
<b>As at 30th June 2004</b>	<b>7,253,670</b>	<b>11,473,445</b>	<b>13,185,519</b>	<b>31,912,634</b>
<u>Depreciation:</u>				
As at 1st July, 2003	6,558,593.00	5,705,074.00	4,680,304.00	16,943,971.00
Charge for the Year	173,769.20	1,104,630.00	1,284,989.15	2,563,388.35
<b>As at 30th June, 2004</b>	<b>6,732,362.20</b>	<b>6,809,704.00</b>	<b>5,965,293.15</b>	<b>19,507,359.35</b>
<u>Net Book Value:</u>				
As at 30th, June 2004	521,307.80	4,663,741.30	7,220,225.55	12,405,274.65
As at 30th, June 2003	695,077.00	5,162,643.00	8,058,522.00	13,916,242.00

	2004 kshs	2003 kshs
12. Sundry Debtors/Prepayment		
Debtors	1,250,137.05	
Prepayment	2,884,650.00	2,884,650.00
Staff advances	469,270.00	308,480.00
Staff car loan	362,890.95	362,890.95
Staff imprests	731,882.60	765,230.65
Other staff	86,609.85	
	<b>5,785,440.45</b>	<b>4,321,251.60</b>

13. Deposits

Fuel Deposit	25,000.00	25,000.00
--------------	-----------	-----------

14. Short Term Deposits

Short term deposits & Investments are not held with any banks.

15. Bank Balances

The amounts below were being held in current account

	2004	2003
Co-operative Bank	1,714,911.30	1,022,067.80
National Bank of Kenya head office	471,922.00	
National Bank of Kenya Eldoret off	120,701.85	5,590.00
	<b><u>2,307,535.15</u></b>	<b><u>1,027,657.80</u></b>

16. Bank Overdrafts

National Bank of Kenya head office	<u>(33,384.80)</u>	<u>(984.85)</u>
------------------------------------	--------------------	-----------------

	2004 Kshs	2003 Kshs
17. Accruals		
Suppliers Invoices	3,058,056.65	7,929,900.60
Payroll Deductions/Personal Emoluments	0.00	515,067.00
Medical	762,155.70	2,292,741.30
Auditors	315,000.00	435,000.00
Gratuity & Pension	12,615,469.90	9,172,111.20
Other staff	1,467,076.80	3,092,768.20
	<u>0</u>	
	<b><u>18,217,759.05</u></b>	<b><u>23,437,588.30</u></b>

	2004 Kshs	2003 Kshs
18. Cash & Cash equivalents		
<u>Cash Balances</u>		
Petty cash head office	100,000.00	100,000.50
Petty cash JKIA	40,000.00	40,000.00
Petty cash Eldoret	50,000.00	50,000.00
Petty cash stationary	20,000.00	20,000.00
	<u>210,000.00</u>	<u>210,000.50</u>
<u>Bank Balances</u>	<u>2,274,150.35</u>	<u>1,026,672.95</u>
	<b><u>2,484,150.35</u></b>	<b><u>1,236,673.45</u></b>

19. Accumulated Surplus

	2004	2003
Balance B/F	<b>(3,938,422.60)</b>	<b>(3,052,687.60)</b>
Less: Adjustments	<b>693,442.70</b>	<b>(885,735.00)</b>
Balance C/F	<b><u>(3,244,979.90)</u></b>	<b><u>(3,938,422.60)</u></b>

Adjustment relates to prior year adjustments which relate to the salary advances. The same had not been captured.

20. Currency

This Accounts are presented in Kenya Shillings (Kshs)