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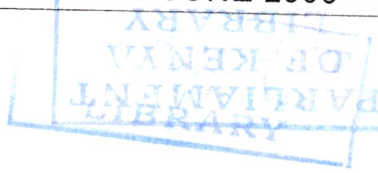
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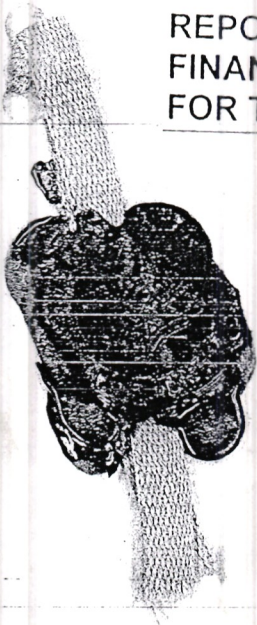
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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF ELECTRICITY REGULATORY BOARD
FOR THE YEAR ENDED 30 JUNE 2005



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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF ELECTRICITY REGULATORY BOARD FOR THE YEAR ENDED 30 JUNE 2005

I have audited the financial statements of Electricity Regulatory 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 Directors and the Controller and Auditor General

As set out in the statement of directors responsibilities, the directors are 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 directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.



Opinion

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 Board as at 30 June 2005 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Electric Power Act, 1997



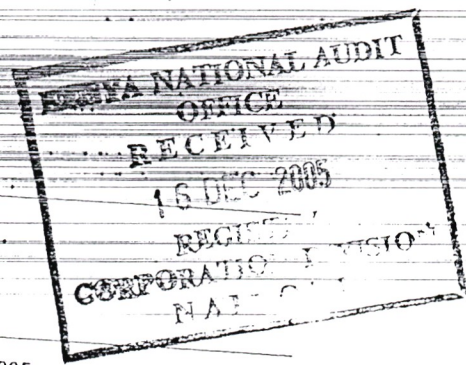
E.N. MWAI
CONTROLLER & AUDITOR GENERAL

Nairobi

03 March 2006



ELECTRICITY REGULATORY BOARD
 INCOME & EXPENDITURE
 FOR THE YEAR ENDED 30TH JUNE 2005



	Note	2005	2004
		KShs	KShs
INCOME			
ERB LEVY			
INTEREST		123,356,613	115,042,406
MISCELLANEOUS INCOME		2,252,319	1,343,317
TOTAL INCOME		<u>1,104,840</u>	<u>147,540</u>
		<u>126,713,772</u>	<u>116,533,263</u>
EXPENDITURE			
BOARD MEMBER'S EXPENSES	2	19,806,346	14,751,774
STAFF SALARIES, BENEFITS & TRAINING	3	55,841,893	50,624,157
OFFICE SUPPLIES & EXPENSES	4	2,696,470	2,443,660
TRANSPORT & TRAVEL EXPENSES	5	4,228,584	3,837,951
PUBLIC RELATIONS/CONSUMER SERVICES	6	6,693,170	2,261,244
UTILITIES	7	1,949,830	1,977,832
OFFICE RENT & OFFICE SERVICES	8	6,330,860	6,445,126
CONSULTANCY & OTHER SERVICES	9	10,025,527	3,255,308
DEPRECIATION CHARGES	10	13,687,861	6,858,067
TOTAL EXPENDITURE		<u>121,260,541</u>	<u>92,455,119</u>
SURPLUS/(DEFICIT) FOR THE YEAR		<u>5,453,231</u>	<u>24,078,144</u>



ELECTRICITY REGULATORY BOARD
BALANCE SHEET

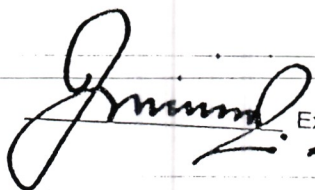
AS AT 30TH JUNE 2005

	Notes	2005 KSHS	2004 KSHS
PROPERTY AND EQUIPMENT	10	<u>34,057,350</u>	<u>36,739,030</u>
CURRENT ASSETS			
Receivables and Prepayments	11	4,529,978	2,103,625
Short Term Deposits	12	69,113,380	72,296,465
Bank Balances	13	21,961,675	14,396,921
Cash at hand	14	50,000	50,000
		95,655,033	88,847,011
CURRENT LIABILITIES			
Payables and Accruals	15	9,550,834	10,307,409
		9,550,834	10,307,409
NET CURRENT ASSETS		<u>86,104,198</u>	<u>78,539,602</u>
NET ASSETS		<u>120,161,548</u>	<u>115,278,632</u>

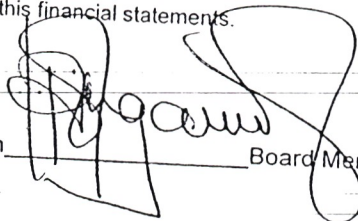
FINANCED BY:-

		KSHS	KSHS
CAPITAL FUND	16	111,081,548	105,628,632
RESERVE FUND	17	9,080,000	9,650,000
		<u>120,161,548</u>	<u>115,278,632</u>

The notes on page 6 to 8 form an intergral part of this financial statements.



Executive Chairman



Board Member



ELECTRICITY REGULATORY BOARD

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2005

	Note	2005	2004
		KSHS	KSHS
Cash flow From Operating Activities:			
Net Surplus / (Deficit) from Operations		5,453,231	24,078,144
Adjustments:			
Depreciation		13,687,861	6,858,067
Operating Surplus / (Deficit) Before working capital changes		<u>19,141,092</u>	<u>30,936,211</u>
Increase in Debtors		(2,426,353)	(818,697)
(Decrease)/Increase in Creditors and Accruals		(756,575)	3,148,525
Cash generated from Operations		<u>15,958,164</u>	<u>33,266,039</u>
Investing Activities:			
Purchase of Fixed Assets	2	11,576,181	11,063,136
Net Cash Outflow from Investing Activities		<u>11,576,181</u>	<u>11,063,136</u>
Net Increase in Cash & Cash equivalents		4,381,983	22,202,903
Cash & Cash Equivalents at the beginning of the Period		86,743,389	64,540,486
Cash & Cash Equivalents at the end of the Period	14	<u>91,125,372</u>	<u>86,743,389</u>

The notes on page 6 to 8 form an integral part of this financial statements.



ELECTRICITY REGULATORY BOARD

Notes to the Accounts for the Financial year 2004/2005

1. Significant Accounting Policies

The financial statements are prepared in accordance with and comply with International Accounting Standards. The principal accounting policies adopted are set out below:

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention

(b) Income Recognition

Income is recognised when received.

(c) Fixed Assets and Depreciation

Fixed Assets are stated at cost 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 cost of these assets over the expected useful life.

The Depreciation rates used are as follows:

Motor vehicle	25%
Furniture & Fitting	12.5%
Computer Equipment	30%
Equipment	12.5%

(d) Taxation

No provision has been made for Income Tax.

(e) Retirement Benefits

The Board operates a defined contribution pension scheme for all its employees. The scheme is administered and is funded from contributions from both the Board and employees.

The Board 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 Ksh 200 per employee per month.

(f) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand and deposits held on call.

(g) Comparatives

Where necessary, comparatives figures have been adjusted where applicable to conform to changes in the current presentation.

(h) Retirement Benefit Obligation.

All permanent employees of the Board are members of a contributory pension scheme. The scheme is currently administered by an Insurance Company. The Board makes a monthly contribution of 10% of the employees basic salary and the employee contributes 5% of his monthly basic salary.

(i) Incorporation

The Board is a state corporation established under the Electric Power Act, 1997.

(j) Currency

These Accounts are presented in Kenya Shillings (Ksh)

	2005 KShs	2004 KShs
2. Board Expenses		
Salary & Allowances- Executive Chairman	7,575,000	6,147,932
Honoraria	1,200,000	-
Sitting Allowances	2,972,000	1,990,000
Seminars, Travel & Accommodation	5,095,662	3,735,901
Gratuity	2,007,250	1,863,157
Medical	197,712	192,928
Meeting, Entertainment & Others	758,722	821,856
	<u>19,806,345</u>	<u>14,751,774</u>



ELECTRICITY REGULATORY BOARD

Notes to the Accounts for the Financial year 2004/2005

	2005 KShs	2004 KShs
3. Staff Salaries & Benefits		
Salaries		30,612,000
Car/ Transport Allowance	33,719,815	
Pension & Gratuity Contribution	2,105,000	
Medical	2,755,472	3,010,742
Insurance	3,861,295	4,275,653
Training & Capacity Building	1,181,244	956,695
Leave Allowance	9,572,076	9,874,641
Other		1,210,000
	<u>2,545,992</u>	<u>724,416</u>
Number of Employees	55,841,893	50,624,157
	30	30
4. Office Supplies & Expenses		
Stationery, Postage & Supplies	1,326,759	1,191,900
Meetings, Office Tea & Miscellaneous	810,208	832,950
Newspapers, Books & Periodicals	559,502	418,810
	<u>2,696,470</u>	<u>2,443,660</u>
5. Transport & Travel Expenses		
Travel Local	1,132,537	1,213,590
Travel International	851,097	73,492
Fuel	897,285	816,715
Vehicle Repair & Service	560,068	774,366
Vehicle Insurance & Licenses	787,598	959,788
	<u>4,228,584</u>	<u>3,837,951</u>
6. Public Relations & Consumer Services		
Corporate Subscriptions	277,408	187,500
Advertisements & Public Relations	1,518,800	1,138,759
Public Seminars/Workshops	4,896,962	823,884
Media Announcements		111,101
	<u>6,693,170</u>	<u>2,261,244</u>
7. Utilities		
Telephone, Fax & E-Mail	841,545	1,187,341
Bandwidth	815,592	757,491
Web Hosting	205,643	33,000
Software Licenses	87,051	
	<u>1,949,830</u>	<u>1,977,832.00</u>
8. Office Rent & Office Service		
Rent	5,253,840	5,253,840
Office Cleaning	363,589	429,646
Repair & Service-Office Equipment	277,574	272,642
Insurance & Other	435,857	488,998
	<u>6,330,860</u>	<u>6,445,126</u>
9. Consultancy & Other Services		
Consultancy	9,651,517	2,895,380
Bank Charges	174,010	179,928
Audit Fees	200,000	180,000
	<u>10,025,527</u>	<u>3,255,308</u>



ELECTRICITY REGULATORY BOARD

Notes to the Accounts for the Financial year 2004/2005

10 Property and Equipment

	Motor Vehicles	Computer Equipment & Software	Furniture & Fittings	Equipment (Telephone, Fax, Other)	Total
	KShs	KShs	KShs	KShs	KShs
Cost At 1st July, 2004	26,558,671	16,956,494	24,770,337	3,529,613	81,914,116
Add: Additions during the year	9,029,200	102,935	534,267	1,839,779	11,576,181
Less: Disposals during the year At 30th June 2005	(760,000)	-	-	-	(760,000)
Depreciation	34,897,871	17,058,429	35,304,604	5,469,392	92,730,297
At 1 July, 2004	15,217,576	7,552,561	21,054,640	1,350,310	45,175,086
Charge for the year	5,110,074	3,714,174	4,413,075	450,538	13,687,861
Disposal At 30 June, 2005	(190,000)	-	-	-	(190,000)
Net Book Value:	20,137,650	11,265,735	25,467,715	1,800,848	58,672,947
At 30 June 2005	14,760,221	5,791,694	9,836,890	3,668,545	34,057,350
At 30 June 2004	11,341,095	9,402,933	13,715,698	2,279,304	36,739,030

11. Sundry Debtors & Deposits

Other Debtors-MOE	2,199,616	
Hospital Deposits	777,797	575,000
Staff Advances	1,027,401	1,361,983
Staff imprests	386,147	166,642
Miscellaneous Deposits	139,017	
	4,529,978	2,103,625

12. Short Term Deposits

	2005 KShs	2004 KShs
Short term deposits & Investments are invested as follows:		
Treasury Bills	49,113,380	49,796,465
National Bank of Kenya	20,000,000	22,500,000
	69,113,380	72,296,465

13. Bank Balances

The amounts below were being held in current account

	2005 KShs	2004 KShs
These were being held in current account		
National Bank of Kenya	1,189,271	12,532,583
Kenya Commercial Bank	20,772,404	1,864,338
	21,961,675	14,396,921

14. Cash & Cash Equivalents

Petty cash	50,000	50,000
Bank Balances	21,961,675	14,396,921
Short Term Deposits	69,113,380	72,296,465
	91,125,055	86,743,386

15. Accruals

Audit Fees	400,000	540,000
Telephone Bills	34,361	57,014
Hospital Bills	60,034	183,428
Suppliers Invoices	8,215,255	8,977,250
Other	841,185	549,717
	9,550,834	10,307,409

16. General Reserve

Brought Forward	105,628,317	81,550,488
Surplus/(deficit) for the year	5,453,231	24,078,144
Carried Forward	111,081,548	105,628,632

17. Capital Fund

Brought Forward	9,650,000	
Revaluation Surplus during the year		9,650,000
Net book value of retired assets	(570,000)	
Carried Forward	9,080,000	9,650,000

