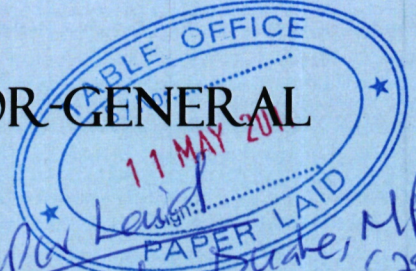


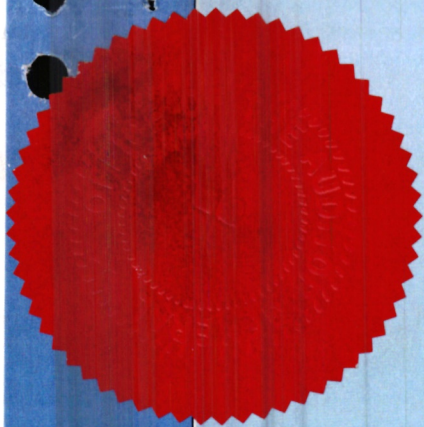
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



Paper Laid
By Hon. Aden Duale, MP
(hon) on Tues. 11.05.2017
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REPORT

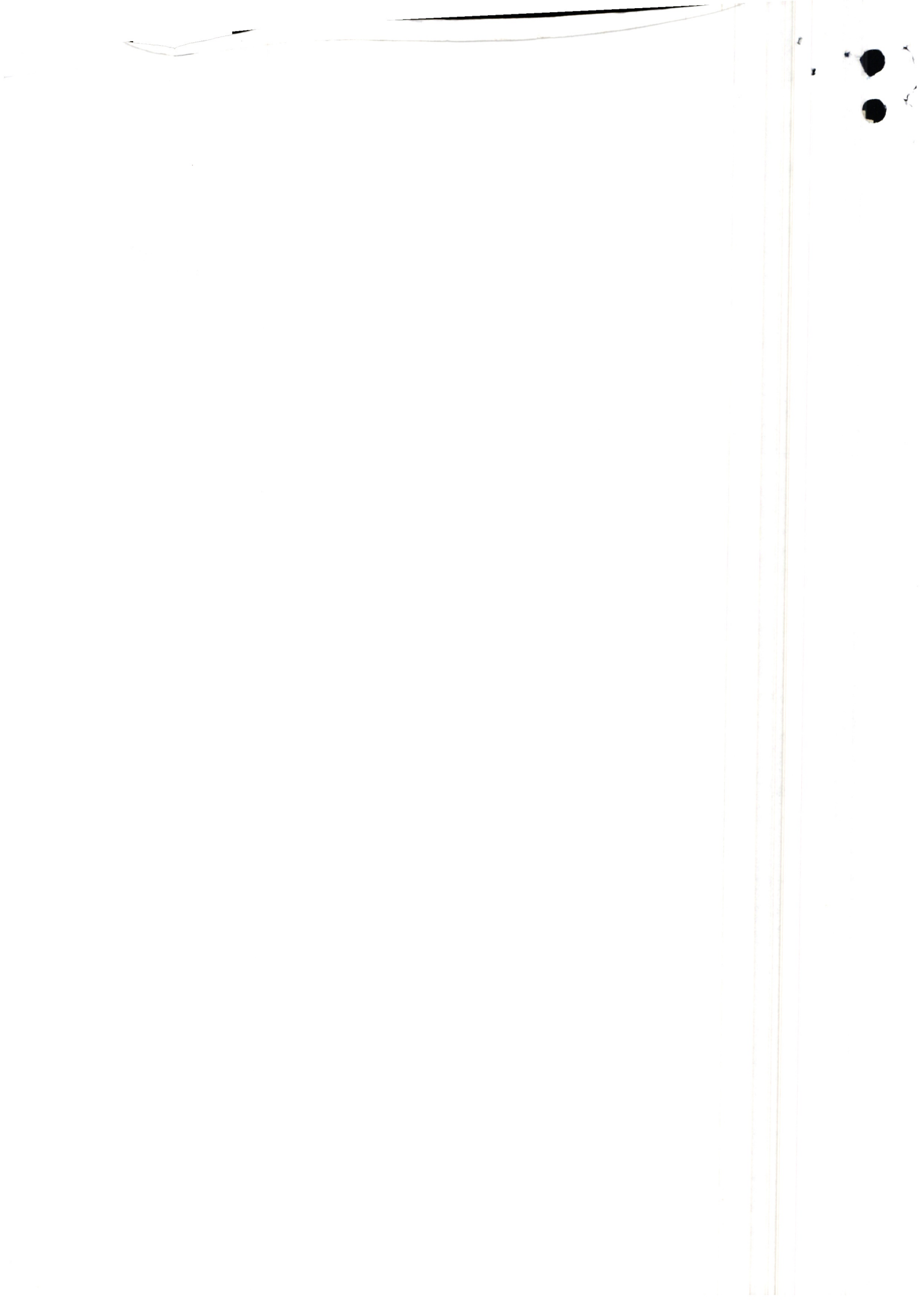
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL TRANSPORT AND SAFETY
AUTHORITY

FOR THE YEAR
ENDED 30 JUNE 2016



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**NATIONAL TRANSPORT AND SAFETY AUTHORITY
KEY INFORMATION AND MANAGEMENT
FOR THE YEAR ENDED 30 JUNE 30, 2016**

A. BACKGROUND INFORMATION

The Authority was established after the Government enacted the National Transport & Safety Authority Act, 2012 on 12th October, 2012. At Cabinet level, the Authority is represented by the Cabinet Secretary responsible for Transport, Infrastructure Housing & Urban Development 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:

- (i) Advise and make recommendations on matters relating to road transport and safety;
- (ii) Implement policies relating to road transport and safety;
- (iii) Plan, manage and regulate the road transport sector in accordance with the provisions of the Act;
- (iv) Ensure the provision of safe, reliable and efficient road transport service; and
- (v) 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 Directorates and Departments:

- a. The Director General
- b. The Director, Corporate Support Services (Finance, Human Resources, Information Communication & Technology and Procurement)
- c. The Director, Road Safety
- d. The Director, Registration & Licensing
- e. The Director, Motor Vehicle Inspection

D. FIDUCIARY MANAGEMENT

The key management personnel who held office during the year ended 30 June 2015 and who had direct fiduciary responsibility were:

| Designation | Name |
|--|--|
| 1) Director General | Francis Meja |
| 2) Director, Registration and Licensing | Jacqueline Githinji (Ms.) |
| 3) Ag. Director Motor Vehicle Inspection | Eng. Gerald Wangai |
| 4) Director, Road Safety | Matthew Munyao (Up to 22 nd January 2016) |
| 5) Director, Corporate Support Services | Judith Kerich (Ms.) |

REGISTERED OFFICE

Hill Park Building
Upper Hill Road
P.O. BOX 3602 - 00506
Nairobi, Kenya

CORPORATE BANKER

Kenya Commercial Bank Ltd
Capital Hill Branch
P.O. BOX 4360 - 00100
Nairobi, Kenya



INDEPENDENT AUDITORS

Office of the Auditor General
Anniversary Towers, University Way
P.O. BOX 30084
GPO 00100
Nairobi, Kenya




PRINCIPAL LEGAL ADVISERS

The Attorney General
Office
Harambee Avenue
P.O. BOX 40112
City Square 00200
Nairobi, Kenya

**NATIONAL TRANSPORT AND SAFETY AUTHORITY
THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016**

| | |
|--|---|
| <p>Hon Lee Kinyanjui Chairman of the Board</p>  | <p>Hon. Lee Kinyanjui is the Chairman of the Board. Prior to his appointment, he was an Assistant Minister for Roads in the coalition Government and a Member of Parliament for Nakuru Town Constituency. He holds a Bachelor of Education Degree from Kenyatta University and a Master's Degree in Business Administration from the University of Nairobi.</p> |
| <p>Ms. Bright Oywaya Member, Private Sector Representative</p>  | <p>Ms. Oywaya is the Executive Director of the Association for Safe International Road Travel (ASIRT-Kenya). She is a counsellor by profession, her passion and involvement with road safety began in 1997 after a personal tragedy. She was involved in a road crash that left her paralyzed and wheelchair confined. She is currently a Trustee of the association for the Physically Disabled of Kenya (APDK). She holds a Bachelor of Arts degree in Counselling and Psychology and is currently pursuing a Master's degree in leadership at the Pan Africa Christian University.</p> |

| | |
|---|---|
| <p>Mr. Job Chirchir</p> <p>Member, Private Sector Representative</p>  | <p>Mr. Chirchir is on the Board of NTSA from 1st October, 2015.</p> <p>He holds a Bachelor of Science (Hons.) degree from the University of Nairobi. Mr. Chirchir is a contractor in the energy sector and operates a transport firm in the construction industry. He has vast experience in Human Resource in previous positions in a leading state corporation.</p> |
| <p>Mr. Moses Nderitu</p> <p>Member, Private Sector Representative</p>  | <p>Mr. Nderitu is on the Board of NTSA from 1st October, 2015.</p> <p>He is a graduate of the Owner Manager Programmes at Strathmore Business School. Mr. Nderitu is a successful entrepreneur in diverse industries with vast experience in marketing and media production where he established Level One Productions Ltd. He is currently the CEO & founder of KOTO Housing Kenya Ltd and CEO of Excloosive Ltd.</p> |
| <p>Mr. M'Limbiine Joseph Gitonga</p> <p>Member, Private Sector Representative</p>  | <p>Mr. Gitonga is on the Board of NTSA from 1st October, 2015.</p> <p>He holds a Master's Degree in Business Administration (Strategic Management) from the University of Nairobi; a Bachelor of Laws (LLB) from the University of Nairobi; a Diploma from the Kenya School of Law and a member of ICPS(K). He has vast experience in the legal field and has been an Assisting Counsel in the Judges & Magistrates Vetting Board; and the Tribunal Investigating the conduct of Puisne Judges & Grand Regency Hotel Commission of</p> |


| | |
|--|--|
| | <p>Inquiry .Mr. Gitonga is a Senior Partner in M'limbiine & Mungai Advocate.</p> |
| <p>Mr. Pius Atok Ewoton Member, Private Sector Representative</p>  | <p>Mr. Ewoton is on the Board of NTSA from 1st October, 2015.</p> <p>He holds a Bachelor of Education Degree from Moi University .and is a seasoned socio-economic professional with vast experience in community work & development. Mr. Ewoton has headed several Non-Government organisations where he provided strategic leadership and linkages to development partners in Turkana County.</p> |
| <p>Mr. Zachary Waruiru Mukui Member, Private Sector Representative</p>  | <p>Mr. Mukui is on the Board of NTSA from 1st October, 2015.</p> <p>He holds a Master's Degree in Business Administration and Bachelor's Degree in Public Administration. Mr. Mukui has vast experience in both the public and the private sectors. He is an established businessman in horticultural and agricultural products. Mr. Mukui currently holds various leadership positions in the society.</p> |
| <p>Mr. Irungu Nyakera Principal Secretary, State Department of Transport</p>  | <p>Mr. Irungu Nyakera, holds a Master's Degree in Finance and Decision Engineering. He first worked at Citi Group in London after graduating from Stanford University in 2007. He later joined NIC in 2008 where he rose to the position of Managing Director. He later moved to Equity Bank as Managing Director, Equity Bank Investment Bank.</p> <p>Mr. Nyakera is on the Board of NTSA from 18th December 2015.</p> <p>The alternate to the Principal Secretary on the Board of NTSA is Mr. Martin Eshiwani.</p> |



Mr. Francis Meja
Director General








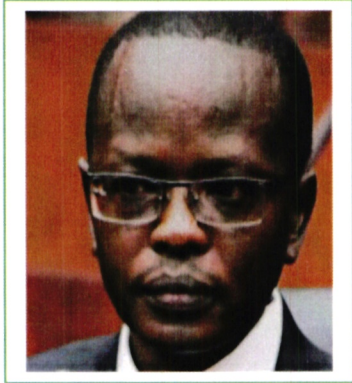
Mr. Meja is the Director General and is responsible for implementing the policies, programmes and objectives of the Authority. Prior to his appointment, he was the Registrar of Motor Vehicles. Mr. Meja commands a wealth of knowledge and expertise on road transport and transport logistics. He is a holder of a Master's Degree in Business Administration (Strategic Management) from the University of Nairobi and has a BA in Economics and Public Administration from the University of Marathwada in India




**NATIONAL TRANSPORT AND SAFETY AUTHORITY
KEY MANAGEMENT TEAM
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016**

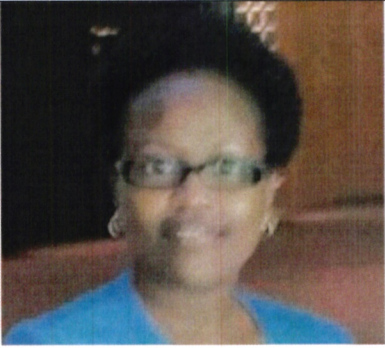

| | NAME | POSITION |
|---|---|--|
| 1 | Mr. Francis Meja  | Director General Mr. Meja is the Director General and is responsible for implementing the policies, programmes and objectives of the Authority. Prior to his appointment, he was the Registrar of Motor Vehicles. Mr. Meja commands a wealth of knowledge and expertise on road transport and transport logistics. He is a holder of a Master's Degree in Business Administration (Strategic Management) from the University of Nairobi and has a BA in Economics and Public Administration from the University of Marathwada in India |

| | |
|---|--|
| <p>Ms. Nasra Sheikh Ahmed Member, Private Sector Representative</p>  | <p>Ms. Ahmed is a Partner at Sheikh and Company Advocates .She specializes in Corporate Commercial Litigation, Conveyancing, Intellectual Property and Investment law. Ms. Ahmed holds a Bachelor of Laws (LLB) from the University of Nairobi and a Diploma from the Kenya School of Law. She is a registered member of the Law Society of Kenya and the East African Law Society.</p> <p>Ms. Ahmed was on the Board of NTSA to 1st October, 2015</p> |
| <p>Mr. Charles Kanjama Member, Private Sector Representative</p>  | <p>Mr. Kanjama is a Lead Counsel, the Managing Partner of Muma & Kanjama Advocates and the Trust Administrator of Strathmore Educational Trust. He holds a Bachelor of Laws Degree from the University of Nairobi (Hons), with a Postgraduate Diploma in Law from the Kenya School of Law. He is qualified as a member of the Chartered Institute of Arbitrators (M.CI Arb), a practicing Certified Public Secretary (ICPS(K)), and a qualified certified Public Accountant(CPA((K)).</p> <p>Mr. Kanjama was on the Board of NTSA up to 1st October, 2015.</p> |

| | |
|--|---|
| <p>Ms. Rita Kavashe Member, Private Sector Representative</p>  | <p>Ms. Kavashe represents the Automobile Association of Kenya.</p> <p>She holds a Bachelor's Degree in Education from Moi University and a Master's Degree in Business Administration from the University of Nairobi. She is the Managing Director and Export Director Sub-Saharan Africa of General Motors East Africa Limited. She has over sixteen years' experience in the Motor Industry.</p> <p>Ms. Kavashe was on the Board of NTSA up to 1st October, 2015</p> |
| <p>Mr. Edwins Mukabana Member, Private Sector Representative</p>  | <p>Mr. Mukabana is the Managing Director of Kenya Bus Services (KBS) and the Vice President (East Africa) at the African arm of International Association of Public Transport (UITP) and a Governor chairing the Transport Sector Board at the Kenya Private Sector Alliance (KEPSA). He has over 30 years' experience in Public Bus Transport Operation and Management gained both locally and abroad. He holds a Bachelor of Political Science from the University of Nairobi and Bachelor of Transport Planning & Management from the University of Westminster in the UK.</p> <p>Mr. Mukabana was on the Board of NTSA to 1st October, 2015</p> |
| <p>Mr. Alister Murimi Mutugi Member, Private Sector Representative</p>  | <p>Mr. Murimi is the Managing Director of Ark Consultants Ltd. He has over seventeen years' experience in Real Estate & Construction sectors. He holds a Master's Degree in Business Administration (Construction and Real Estate) from the University of Reading, UK and a Bachelor's Degree in Land Economics of the University of Nairobi. He is a registered member of the Institution of Surveyors of Kenya, a Registered Valuer and a Registered Estate Agent.</p> <p>Mr. Murimi was on the Board of NTSA to 1st October, 2015</p> |

| | |
|---|--|
| <p>Henry Rotich C. S, The National Treasury</p>  | <p>Mr. Henry Rotich, is currently the Cabinet Secretary of The National Treasury. He worked as Head of Macroeconomics in the Ministry of Finance and at Central Bank of Kenya. He has vast experience in managing National Government finances under the devolved system of governance. He holds a Master's in Public Administration (MPA) degree from Harvard University); Masters of Art (Economics) and Bachelor of Arts (Economics) Degrees from University of Nairobi.</p> <p>The alternate to the Cabinet Secretary on the Board of NTSA is Mr. George Omino.</p> |
| <p>Prof Githu Muigai, Attorney General</p>  | <p>Prof. Githu Muigai the Attorney General of the Republic of Kenya.</p> <p>Prior to his appointment he was the United Nations special rapporteur on contemporary forms of racism, racial discrimination, xenophobia and related intolerance. He holds a PhD and LLB in Law from the University of Nairobi and an LLB from Columbia University School of Law in New York.</p> <p>Mr. Alex Mbuvi is the alternate to the Attorney General on the Board of NTSA.</p> |
| <p>Mr. Joseph Boinett Inspector General</p>  | <p>Mr. Boinett is the Inspector General of the National Police Service He has over thirty years' experience in the Public Service. He holds two Master's Degree; in Security Policy from the Australian National Security University and in Diplomatic Studies from the University of Westminster.</p> <p>Mr. Karaba Gatwanjeru was the alternate to the Inspector General on the Board of NTSA until 1st October, 2015. Subsequently, Mr. Henry K. Barmao is the alternate Board Member with effect from 2nd October, 2015</p> |

| | | |
|---|--|---|
| 2 | <p>Ms. Jacqueline Githinji</p>  | <p>Director, Registration and Licensing</p> <p>Ms. Githinji is the Director, Registration and Licensing and is responsible for registration and licensing of motor vehicles, regulation of public service vehicles, and oversight of training, testing and licensing of drivers.</p> <p>She holds a Bachelor of Arts (Economics & Geography) and Master of Arts (Labour Management).</p> |
| 3 | <p>Eng. Gerald Wangai</p>  | <p>Ag. Director, Motor Vehicle Inspection Unit</p> <p>He is the Chief Superintendent Engineer and holds a Bachelor of Science Degree (Mechanical Engineering) from the University of Nairobi .He has vast experience spanning 28 years in the Public Service.</p> |
| 4 | <p>Mr. John Muya</p>  | <p>Ag. Director, Road Safety (As from 25th January 2016)</p> <p>He holds Bachelor of Arts Degree from the University of Nairobi and a Master's degree in Political Science from USA. Mr. Muya has vast experience in the Public Service.</p> |
| 5 | <p>Ms. Judith Kerich</p> | <p>Director, Corporate Support Services</p> <p>Ms. Kerich was the Director, Corporate Support Services and was responsible for overseeing the Finance, Procurement, Human Resources & Administration and Corporate Affairs Departments.</p> |

| | | |
|---|---|---|
| |  | <p>Ms. Kerich holds a Bachelor of Commerce Degree (Human Resources) and Master's Degree in Business Administration (Strategic Management) and a Master's in Public Policy.</p> |
| 6 | <p>Mr. Matthew Munyao</p>  | <p>Director, Road Safety (Until 22nd January, 2016)</p> <p>Mr. Munyao was the Director, Road Safety and was responsible for developing & implementing road safety strategies as well as education and creation of awareness to members of the public on road safety matters.</p> <p>He holds a Bachelor of Science Degree (Food Science & Technology) and a Master's Degree in Project Planning and Management.</p> |

OTHER KEY MANAGEMENT STAFF

| | | |
|---|----------------------|---|
| 1 | Mr. Wycliffe Wasike | Deputy Director, Finance |
| 2 | Mr. Robert Ngugi | Deputy Director, Legal Services |
| 3 | Mr. Fernando Wangila | Deputy Director, Information Communication Technology |
| 4 | Mr. Cosmas Ngeso | Deputy Director, Registration |
| 5 | Ms. Margaret Kabochi | Deputy Director, Administration & Human Resource Management |

| | | |
|----|---------------------|---|
| 6 | Mr. Patrick Wanjuki | Deputy Director, Procurement |
| 7 | Mr. Duncan Kibogong | Deputy Director, Road Safety Strategies |
| 9 | Mr. Hared Hassan | Deputy Director, Enforcements and Accident Investigations |
| 10 | Mr. Dominic Kabiru | Deputy Director, Corporate Affairs & Communications |
| 11 | Ms Miriam Njoroge | Deputy Director, Internal Audit |

I. CHAIRMAN'S STATEMENT

It is with pleasure that I present to you the third financial statements and annual reports of National Transport & Safety Authority (NTSA) for the year ended 30th June 2016. The Authority was established under the NTSA Act No.33 of 2012. The main function of the Authority is to plan, advice, implement and make recommendations on matters relating to road transport & safety.

Since the establishment of the Authority, we have demonstrated that road transport and safety caters for a critical requirement of the country, its citizens and its guests. (These statements demonstrate resource endowment in the execution of road transport and safety functions in the country. I believe that the set objectives and strategies position the Authority to provide greater value to all stakeholders).

Within three years of its operations, the Authority has made significant steps in achieving its mandate despite the numerous challenges. Some of the key achievements include the following:

- 1) Online application and payment for driving licence, Passenger Service Vehicle (PSV) licence, badges for drivers and conductors and log books through the E-Citizen platform and NTSA website.
- 2) Online booking of motor vehicle inspection.
- 3) Transition to the 2nd generation number plates and the smart card driving licences which are at an advance stage of procurement.
- 4) Institutional capacity building including identification of adequate office space and staff development programs. The board was also involved in benchmarking visits to various countries to familiarize with the latest developments and technology in road safety management.
- 5) Stakeholder mapping and development of a conducive working relationship with key development partners and stakeholders in attaining effective road transport & safety systems. These include;
 - (i) The Ministry of Transport & Infrastructure,
 - (ii) The National Treasury,
 - (iii) The National Police Service,
 - (iv) Kenya Revenue Authority (KRA),
 - (v) County Governments & Road Transport Government Agencies,
 - (vi) County Transport & Safety Committees (CTSCs),
 - (vii) The World Bank,
 - (viii) The National Assembly,
 - (ix) PSV Saccos and Matatu Owners & Welfare Associations, and
 - (x) Commercial Transporters.

Further, I wish to affirm the Authority's commitment to continuous improvement, policy formulation and management of road transport safety. We will focus our efforts towards implementation of the strategic plan. Our new vision is to provide "efficient, reliable and safe roads in Kenya." This statement clearly states that we exist to serve the Republic of Kenya and all those who are within its borders. We do that by understanding the transport needs of the general public and offering innovative competitive products and services that meet those needs. By ensuring efficiency, safety and reliability of our road transport, we are connecting families, communities and economies to each other and those collective connections are what make this a great nation.

We are committed to working with various stakeholders in amending and formulating policies that enhance road transport & safety. Automation of the Authority's processes and operations to improve service delivery continue to be a key focal point. In addition, we will strive to conclude the implementation of pending projects, including the 2nd generation number plates and smart driving licenses.

As I conclude, I wish to remind all road users that road transport safety is not solely an NTSA affair but rather an every individual's responsibility. Therefore all road users, including pedestrians, should play a part in ensuring safe use of road infrastructure in order to reduce road carnage and save loss of innocent lives.



Ms. Bright Oywaya

Vice Chairperson

II. REPORT OF THE DIRECTOR GENERAL

The Authority has prepared its third annual report and financial statement for the period ended 30th June, 2016. The statements adopts the accrual concept based on the International Public Sector Accounting Standards (IPSAS) recommended presentations. The statements provide more disclosures on utilization of allocated resources; detailed recording of significant financial transactions and summary of major expenditure items within the requirements of the Public Sector Accounting Standards and the Public Financial Management Act of 2015.

In order to create a lead agency, the government enacted the National Transport and Safety Authority Act, 2012 which created National Transport & Safety Authority (NTSA) whose main functions, as outlined under Section 4 of the Act, are to:

- 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;
- 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; and
- x. formulate and review the curriculum of driving schools.

We believe that a robust road transport and safety system is critical to improving our nation's future competitiveness. The Authority has a responsibility of enabling safe mobility and connectivity for Kenya to drive its economic growth; maintain its social and cultural fabric; and allow its families to remain connected while pursuing opportunities and interests.

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, sale of road service licences, sale of number plates, driving test application fees and sale of badges. The Authority's main expenditure is related to road safety interventions; technical operations; maintenance of assets; procurement of specialized supplies on registration; licensing and inspection of vehicles; staff costs and other administrative operation costs. The overall cost of NTSA operations for the year under review was Kshs. 1.7 billion.

During the year under review, the Authority had formulated and was in the process of implementing its five year corporate strategy. The purpose of the Strategic Plan is to guide the activities of the Authority through a five year period, commencing from January 2016 to December 2020. The strategy expounded on a clear road map for the implementation of the Integrated National Transport Policy Paper, (2009).

The Integrated National Transport Policy is a policy paper constituted in 2009 in order to identify and suggest ways to overcome the challenges within the transport sector. The objective of the policy paper is to enhance the role of transport as an enabler for Kenya's economic and social growth. The vision identified in the policy is a ***“world-class integrated transport system responsive to the needs of people and industry”***. Strategic objectives in the policy paper include establishing institutional systems for transport sector and developing sector's funding/financing mechanisms.

Vision, Mission and Core Values

On its path to successfully executing its mandate, NTSA senior management with support from Deloitte Consulting developed a new Vision, Mission and Core Values which reflected Authority's aspirations.

Vision: *To provide “Efficient, Reliable and Safe Roads in Kenya”*

Mission: *To continually improve accessibility of Kenya's road transport system for users”*

Core Value: *Commitment to Safety, Courage, Service with Honour, Dynamic Leadership, Resource Optimization*

The Mission and Core Values are more direct and succinct, and our Leadership Philosophy remains unchanged. The focus of our strategy is on four key areas, namely Stakeholder Collaboration, Financial Sustainability, Innovation and People. All four relate to each other, and success in all four will provide the foundation to sustain NTSA's mandate in the future.

We are expected to align our actions to support those four key themes but also plead for increased stakeholder collaboration to ensure that this strategy is seen to reality.

TECHNICAL PROGRAMS PERFORMANCE REVIEW

The Authority undertook various programs in an effort to curb road carnage. The highlights are as illustrated below:

Comparison of Fatalities Based on Absolute Figures – Up to June 2016

| COMPARATIVE FATALITIES FOR FINANCIAL YEARS 2014/2015 AND 2015/2016 ACCORDING TO CATEGORIES OF VICTIMS | | | | | |
|---|----------------------------------|----------------------------------|------------|------------|--|
| | 1ST JULY 2014 TO 30TH JUNE, 2015 | 1ST JULY 2015 TO 30TH JUNE, 2016 | VAR | %VAR | |
| PEDESTRIANS | 1362 | 1306 | -56 | -4.1 | |
| PASSENGERS | 665 | 687 | 22 | 3.3 | |
| MOTOR CYCLIST | 414 | 510 | 96 | 23.2 | |
| DRIVERS | 302 | 368 | 66 | 21.9 | |
| PILLION PASSENGERS | 191 | 200 | 9 | 4.7 | |
| PEDAL CYCLIST | 86 | 75 | -11 | -12.8 | |
| TOTAL | 3020 | 3146 | 126 | 4.2 | |

Keep our roads safe

COMPARATIVE FATALITIES FOR FINANCIAL YEARS 2014/2015 AND 2015/2016 ACCORDING TO MONTHS



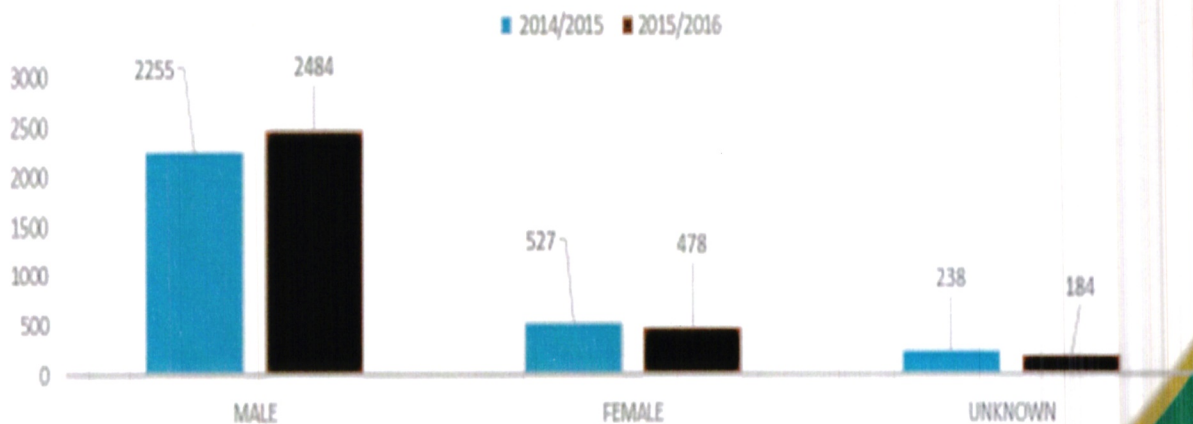
| MONTHS | 2014/2015 | 2015/2016 | VAR | %VAR |
|---------------|-------------|-------------|------------|------------|
| JULY | 238 | 220 | -18 | -7.6 |
| AUGUST | 267 | 248 | -19 | -7.1 |
| SEPTEMBER | 256 | 249 | -7 | -2.7 |
| OCTOBER | 230 | 264 | 34 | 14.8 |
| NOVEMBER | 270 | 283 | 13 | 4.8 |
| DECEMBER | 270 | 304 | 34 | 12.6 |
| JANUARY | 260 | 272 | 12 | 4.6 |
| FEBRUARY | 220 | 305 | 85 | 38.6 |
| MARCH | 245 | 250 | 5 | 2.0 |
| APRIL | 250 | 255 | 5 | 2.0 |
| MAY | 274 | 247 | -27 | -9.9 |
| JUNE | 240 | 249 | 9 | 3.8 |
| TOTALS | 3020 | 3146 | 126 | 4.2 |

Keep our roads safe

COMPARATIVE FATALITIES FOR FINANCIAL YEARS 2014/2015 AND 2015/2016 ACCORDING TO GENDER



| GENDER | 2014/2015 | 2015/2016 | VAR | %VAR |
|--------------|-------------|-------------|------------|------------|
| MALE | 2255 | 2484 | 229 | 10.2 |
| FEMALE | 527 | 478 | -49 | -9.3 |
| UNKNOWN | 238 | 184 | -54 | -22.7 |
| TOTAL | 3020 | 3146 | 126 | 4.2 |



Keep our roads safe

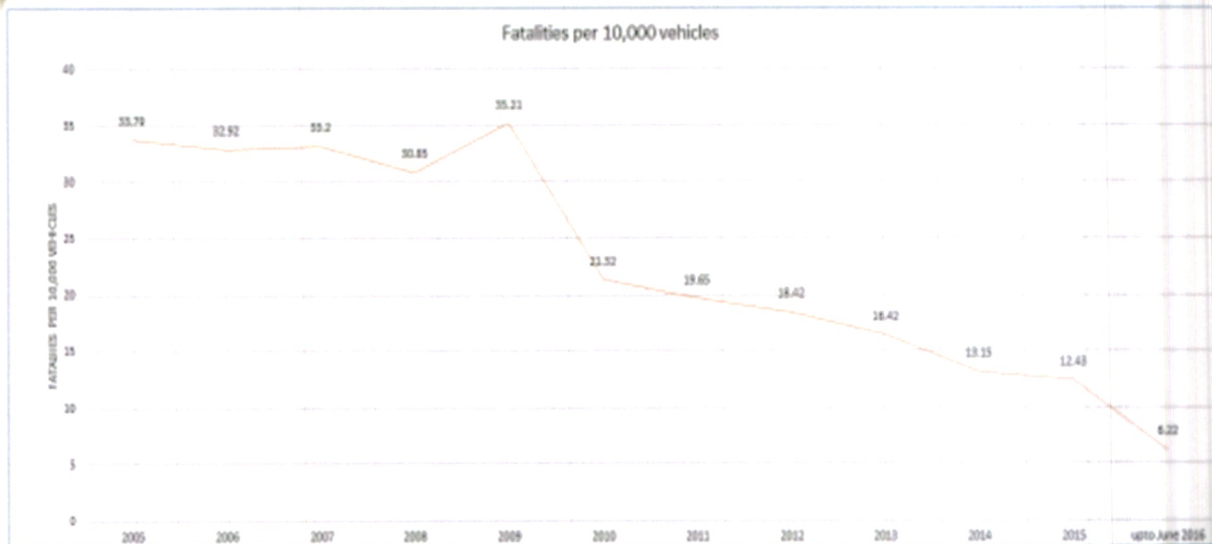
The distribution of Fatalities across the Day...

Most of fatal road traffic Crashes occur between 1730 hours to 2200 hours. The peak being 2000 Hours. We established the main reasons for the crashes as:

- High speed traffic
- Motorcycles operate in the midst of darkness with no right gear –reflective jackets hence not seen by fast flowing traffic
- Pedestrians crossing at the non-designated areas and easily get knocked by speeding vehicles
- Drunken Driving, Drunken Riding and Drunken Walking

- *Poor driving/riding habits & skills at night*
- *Reduced visibility*

Distribution of Road Fatalities by Motorization level



Keep our roads safe

KEY MILESTONES DURING THE YEAR

The Authority made a number of achievements during the year. The key areas were:

a) Road Safety Interventions

- Enhanced awareness on risks of drunk driving through anti-drunk driving operations
- Enhanced speed management through use of speed cameras in various highways in the country
- Enhanced road safety public and mass media campaigns
- Introduction of speed limiters in PSVs and commercial vehicles for speed management
- Improved road crash data collection, analysis and utilization for road safety interventions

- b) New Curriculum for Training, Testing and Licensing of Drivers, Instructors and Examiners developed.
- c) PSV SACCOs and Companies formed and operational (This has enhanced self-regulation of Public Transport).
- d) Enhanced Engagement and Collaboration:
 - With the road Authorities
 - With the County governments through the County Transport and Safety Committee
 - With the National Police Service to enhance traffic law enforcement
 - With other Road safety Stakeholders-CSOs, Private Sector, Transport Operators
 - With the Development Partners
- e) **Pedestrian Safety**
 - There's noted improvement in the pedestrian safety by a reduction of 6.4% compared to the previous year.
 - This is attributed to targeted pedestrian interventions on Nairobi's high risk roads which includes:
 - Pedestrian fence installation in high risk sections
 - Deployment of marshals to assist with pedestrian crossing
 - Implementation of 50kph within the Nairobi metropolitan
 - The role of corporates is invaluable in this initiative
- f) **Automation -Transport Integrated Management System (TIMS)**

The TIM system offers an integrated technology solution for improve efficiency and reliability of Motor vehicle data through:

- Centralized road transport data and provision of secure access to this data to citizens and stakeholder organizations
- Automation of the road transport processes
- Real time tracking and monitoring of PSV vehicles; support of intelligent traffic management;
- Provision of online access to citizen services;

- Automation of traffic laws enforcement.

g) Digital Payments-E-Citizen

Currently 99% of NTSA services have been on-boarded on the e-citizen platform. The number of citizen registered with NTSA on the Government portal is over 2,232,541 with an average of 9,500 transaction per day.

Way Forward

While we acknowledge that the fatality rates are high, a further reduction is possible with appropriate interventions which we commit to pursue with the support of all stakeholders. Further, the Authority is currently undertaking various projects to enhance efficiency. These include smart driving licence, instant fine systems, 3rd identifier & the new generation number plates.

As part of our main intervention efforts, the Authority has escalated anti-drunk driving campaigns and speed management control to the County levels. As a safeguard measure, the use of breathalyzers and speed guns was enhanced, resulting in non-selective arrests and charging of offenders. Further, the Authority expanded its capacity by forming various enforcement teams within Nairobi and other major towns with successful deterrent activities being witnessed in Mombasa, Kisumu, Nakuru and Eldoret. This initiative was boosted by the support of The National Treasury who leased forty (40) vehicles and gave them to the Authority to support the program.

We therefore appeal to all stakeholders and road users to play their respective roles and make the Kenyan Roads safer for the benefit and wellbeing of the general public and the country as a whole.



Francis Meja
Director General

III. CORPORATE GOVERNANCE STATEMENT

The Board of Directors considers corporate governance as a key function in the management of the Authority and for its accountability to all members. It has inculcated a value system in the corporate culture, and use of established best practice guidelines to achieve highest standards of compliance with the law, while ensuring the Authority is managed in a manner to satisfy the interests of stakeholders. One of our core principles, integrity, dictates the ethical code and decision making processes of the Directors to provide effective leadership.

NTSA has a functional organisation structure that allows for greater operational efficiency which arises from employee functional specialization. The Authority has developed a risk and governance framework which will provide guidance on risk management initiatives and ensure a consistent approach is taken during identification, categorizing and dealing with the various risks encountered. A charter of the board and its committees has also been developed to define the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function.

Board Responsibilities

Due care is taken by the Directors in managing affairs of the Authority. In recognition of their ultimate responsibility, the Directors focal point to guide their decisions and actions is based on a foundation of good governance and on our core values which are integrity, accountability, courteous service, professionalism, stewardship and efficiency.

The Board Charter and the Mwongozo Code sets out the Directors' roles and responsibilities as summarized below:

- Formulation and approval of the Authority's vision, mission and core values and formulation & approval of the Corporate Strategy, business plan and principles of technical operations.
- Approval of annual budget and the financial statements.
- Performance and approval of risk management strategy.
- Approval of major restructuring
- Settlement of major litigation/claims
- Approval of banking/authority levels, policies, procedures and manuals
- Periodic formulation and review of ICT policies, procedures, strategies and work plans.

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

- (i) Finance, Human Resource & Strategy Committee
- (ii) Transport & Technical Committee
- (iii) Road Safety & Communication Committee
- (iv) Audit, Risk & Governance Committee

IV. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social Responsibility refers to the voluntary activities undertaken by the Authority to operate in an economic, social and environmentally sustainable manner. The strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities and others. In this regard, the Authority undertook the following activities that fall under Corporate Social Responsibility in the financial year 2015/2016:

- In commemoration of the World Day of Road Crashes in Nairobi, the Authority donated T-Shirts for awareness campaign amounting to Kshs 940,000; and donated wheel chairs worth Kshs 75,000 to institutions managing Road Crash Victims. A similar commemoration was celebrated in Baringo County whereby branded reflective jackets and helmets worth Kshs 619,310 were donated to licensed motor cyclists.
- In creating awareness and encouraging use by motor cyclists and pillion passengers, the Authority donated branded reflective jackets worth Kshs 1,575,000 and Yellow Helmets worth Kshs 4,050,000 to licensed motor cyclists. This was to ensure improved visibility to other road users, reduce cases of head injuries and encourage motor cyclists to obtain riding licenses before venturing into boda boda business.
- Construction of 280 meters pedestrian fence at a cost of Kshs 3,840,518 on part of the North Airport Eastern by pass that was classified as a high risk road. This is to discourage pedestrians from crossing the highway on non-designated points and risking their lives.
- The Authority in conjunction with the medical providers set up a 2 days wellness clinic/medical camp at the NTSA headquarters. The staff had a choice of the test/examination they wish to undergo with the aim of providing early detection of chronic condition following by treatment/proper management to lower risks of complications.

V. REPORT OF THE BOARD OF DIRECTORS

The Board of Directors are pleased to submit the Authority's annual report together with the financial statements for the year ended 30th June, 2016 in accordance with Section 68 (2) (k) of the Public Financial Management Act, 2015 which states that the accounting officer prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the controller of Budget and the Auditor General for audit..

Principal Activities

The principal activities of the Authority include:

- i. register and licence 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; and
- x. formulate and review the curriculum of driving schools

Results

The financial results of the Authority for the year ended June 30, 2016 are set out on pages 1-14.

Directors

The Directors of the Authority who held the office during the year are listed on pages (iii) to (viii).

Auditors

The Auditor General is responsibility for the statutory audit of the Authority in accordance with the Section 68 (1) (k) of the Public Finance Management (PFM) Act, 2015.

VI. 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 Authority at the end of the financial year and also the Statement of Financial Performance for the same period. The National Transport and Safety Authority's 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 Authority and ensure that the financial statements comply with the establishing Act. They are also responsible for safeguarding the assets of the Authority 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, the Auditor – General and Chairman, Commission of Revenue Allocation.

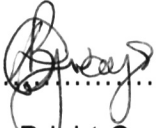
The Directors accept responsibility for the financial statements for the year 2015/2016, which have been prepared using appropriate accounting policies consistently applied, supported by reasonable and prudent judgment and estimates, in conformity with the International Public Sector Reporting Standards (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 Authority as at 30th June 2016, 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 further note that the term of the Board's chairman had lapsed as at the date of preparation of these financial statements.

The Directors regularly meet to monitor the Authority'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 Transport and Safety Authority will not remain as a going concern for at least the next twelve months from the date of this statement.

The Authority's financial statements were approved by the Board and signed on its behalf by:



.....
Ms. Bright Oywaya
Board Vice Chairperson



.....
Mr. Francis Meja
Director General

Date.. 13/03/2017.....

Date.. 13/03/2017..

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: 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 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Transport and Safety Authority set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya, and Section 35 of the Public Audit Act, 2015. 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

Management is 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtaining 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

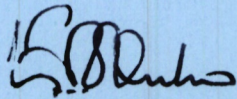
Report of the Auditor-General on the financial statements of National Transport and Safety Authority for the year ended 30 June 2016

assessments, the auditor considers internal control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence 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 2016, 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.



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

Nairobi

03 April 2017

**NATIONAL TRANSPORT AND SAFETY AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30JUNE, 2016**

| | Note | 2015-2016 KShs | 2014-2015 KShs |
|--|--------|----------------------|----------------------|
| Revenue from Non-Exchange Transactions | | | |
| Transfers from Ministry - Grants and other Authorities | 3 | 736,000,000 | 382,000,000 |
| | | 736,000,000 | 382,000,000 |
| Revenue from Exchange Transactions | | | |
| Rendering of services | 4 (i) | 1,091,966,931 | 1,001,765,784 |
| Other income | 4 (ii) | 436,687 | 293,000 |
| | | 1,092,403,618 | 1,002,058,784 |
| TOTAL REVENUE | | 1,828,403,618 | 1,384,058,784 |
| Expenses | | | |
| Employee Costs | 5(ii) | 870,063,342 | 531,781,954 |
| Depreciation | 6(i) | 155,870,214 | 38,676,673 |
| Amortization of Intangible Assets | 6(ii) | 726,020 | 604,412 |
| Repairs & Maintenance | 7 | 6,207,777 | 4,095,137 |
| General Expenses | 8(i) | 708,444,770 | 794,755,412 |
| Board Expenses | 9 | 29,045,236 | 15,556,153 |
| TOTAL EXPENSES | | 1,770,357,358 | 1,385,469,741 |
| Surplus/(deficit) for the period | | 58,046,260 | (1,410,957) |
| Transfer form Capital Fund | 11 | (15,676,103) | - |
| Balance as at 1st July 2015 | | 28,906,701 | 30,317,657 |
| Balance as at 30th June 2016 | | 71,276,858 | 28,906,700 |

**NATIONAL TRANSPORT AND SAFETY AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 30JUNE, 2016**

| ASSETS | Note | 2015-2016 KShs | 2014-2015 KShs |
|---|-------------|---------------------------|---------------------------|
| Current Assets | | | |
| Cash and Cash equivalents | 11 | 207,669,135 | 4,214,652 |
| Receivables from Exchange Transactions | 12 | 153,482,898 | 136,428,023 |
| Rental Lease Deposit | 13 | 26,174,315 | 26,174,315 |
| Retention Fee | 14 | 10,746,525 | |
| Prepayments | 15 | 6,772,313 | |
| Stock | 16 | 38,800,650 | |
| | | 443,645,836 | 166,816,990 |
| Non Current Assets | | | |
| Property, Plant and equipment | 6(i) | 444,880,543 | 190,276,447 |
| Intangible Assets | 6(ii) | 847,628 | 1,573,648 |
| ICT Work- in- Progress | 17 | - | 219,105,549 |
| | | 445,728,171 | 410,955,644 |
| TOTAL ASSETS | | 889,374,007 | 577,772,634 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Staff Gratuity | 18(i) | 12,236,258 | 7,071,473 |
| Creditors | 18(ii) | 186,548,651 | 88,025,956 |
| TOTAL LIABILITIES | | 198,784,909 | 95,097,429 |
| NET ASSETS | | | |
| Capital Reserves | 19 | 333,000,337 | 302,267,781 |
| Capital Fund | 20 | 286,311,903 | 151,500,723 |
| Accumulated surplus b/f | | 71,276,858 | 28,906,701 |
| Accumulated surplus c/f | | 690,589,098 | 482,675,205 |
| TOTAL NET ASSETS AND LIABILITIES | | 889,374,007 | 577,772,634 |

The financial statements on pages 1 to 17 were signed on behalf of the board of directors by:

Director General



Date... 13/03/2017

Vice Chairperson of the Board



Date... 13/03/2017

**NATIONAL TRANSPORT AND SAFETY AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30JUNE, 2016**

| | CAPITAL RESERVES | CAPITAL FUND | ACCUMULATED SURPLUS | TOTAL |
|-------------------------------------|-----------------------------|-------------------------|--------------------------------|--------------------|
| | KShs | KShs | KShs | KShs |
| Balance as at 1st July, 2015 | 302,267,781 | 151,500,723 | 28,906,701 | 482,675,205 |
| ADD | | | | |
| Surplus/(deficit) for the period | - | - | 58,046,260 | 58,046,260 |
| Transfer to Capital Fund | - | | (15,676,103) | (15,676,103) |
| Additions | 30,732,556 | 134,811,180 | - | 165,543,736 |
| Disposals | - | - | - | - |
| Balance as at 30th June 2016 | 333,000,337 | 286,311,903 | 71,276,858 | 690,589,098 |
| | | | | |

**NATIONAL TRANSPORT AND SAFETY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30JUNE, 2016**

| Cash flows from Operating Activities | Note | 2015-2016 KShs | 2014-2015 KShs |
|---|-------------|---------------------------|---------------------------|
| Receipts | | | |
| Government grants and subsidies | 3 | 736,000,000 | 382,000,000 |
| Other income | 4(ii) | 436,687 | 293,000 |
| Revenues through KRA | 4(iii) | 1,074,912,056 | 865,337,761 |
| | | 1,811,348,743 | 1,247,630,761 |
| Payments | | | |
| Compensation of Employees | 5(i) | 720,660,164 | 459,332,223 |
| Goods and Services (General Expenses) | 8(ii) | 668,775,073 | 712,961,763 |
| Board Expenses | 9 | 29,045,236 | 15,556,153 |
| Prepayments | 15 | 6,772,313 | |
| Other Expenses | 21 | 78,484,144 | 78,113,859 |
| | | 1,503,736,930 | 1,265,963,998 |
| Net Cash flows from Operating Activities | | 307,611,813 | (18,333,237) |
| Cash flows from investing activities | | | |
| Purchase of Property, Plant & Equipment | 22 | 104,157,331 | 86,039,238 |
| Net Cash flows used in investing activities | | 104,157,331 | 86,039,238 |
| Net increase/(decrease) in Cash and Cash Equivalents | | 203,454,482 | (104,372,475) |
| Cash and cash equivalents as at 1 July 2015 | | 4,214,652 | 108,587,127 |
| Cash and Cash Equivalents as at 30 June 2016 | | 207,669,135 | 4,214,652 |

**NATIONAL TRANSPORT AND SAFETY AUTHORITY
STATEMENT OF COMPARISON OF BUDGETS AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30JUNE, 2016**

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference |
|---------------------------------|----------------------|----------------------|----------------------|----------------------------|------------------------|
| | 2015-16 Kshs | 2015-2016 Kshs | 2015-2016 Kshs | 2015-2016 Kshs | 2015-2016 Kshs |
| Revenue | | | | | |
| Government grants and subsidies | 736,000,000 | - | 736,000,000 | 736,000,000 | - |
| Rendering of services | 1,420,000,000 | (63,950,554) | 1,356,049,446 | 1,092,403,618 | (263,645,828) |
| Development Partner Funding | 474,000,000 | (474,000,000) | - | - | - |
| Total income | 2,630,000,000 | (537,950,554) | 2,092,049,446 | 1,828,403,618 | (263,645,828) |
| Expenses | | | | | |
| Compensation of employees | 757,697,364 | 55,787,592 | 813,484,956 | 795,888,451 | 17,596,505 |
| Goods and services | 836,814,833 | (30,811,593) | 806,003,240 | 782,619,661 | 23,383,579 |
| Other payments | 1,035,487,803 | (562,926,553) | 472,561,250 | 139,410,344 | 333,150,906 |
| Total expenditure | 2,630,000,000 | (537,950,554) | 2,092,049,446 | 1,717,918,456 | 374,130,990 |
| Surplus for the period | - | - | - | 110,485,162 | 110,485,162 |

**NATIONAL TRANSPORT AND SAFETY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016**

1) Statement of Compliance and Basis of Preparation – IPSAS 1

The National Transport and Safety Authority's (NTSA) 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 Authority. 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 Authority and can be measured reliably. These type of revenue includes amount allocated in the budget as government grant and transfers from related entities

i) Revenue From Exchange Transactions – IPSAS 9

Rendering Of Services

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. In this context, NTSA revenues consist of the following government approved Appropriation in Aid (AIA)

revenue streams:

- i) Road Service License
- ii) Sale of number plates
- iii) Motor Vehicle Inspection
- iv) Test Booking and
- v) Sale of PSV Badges.

These are collected by rendering the services of motor vehicle inspection, sale of Road Service Licenses, sale of number plates, test booking of prospective drivers and sale of PSV badges.

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 Authority. In this context, this consists of all revenues received from the direct cost of sale of tender documents and disposal of boarded assets among others.

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 Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Authority 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 Authority 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) Operating Lease Rentals Disclosures-IPSAS 13

The office lease for the Hill Park Building Head Quarters will be for a term of 8 years with a clause for rent escalation. The Authority further entered into an additional rental lease for a storage facility for a term of 6years. The future minimum lease payments for periods not later than one year is Kshs 51,488,575 between two to five years is Kshs 233,203,178 and over five years is Kshs 41,740,834.

e) Nature and Purpose of Reserves

The Authority created and maintains three reserves made up of Capital Reserves, Capital Fund and General Reserve in terms of specific requirements.

f) Changes in Accounting Policies and Estimates – IPSAS 3

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

g) Employee Benefits – IPSAS 25

Retirement Benefit Plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate and distinct entity (a fund); The NTSA-Staff Retirement Benefit Scheme, 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.

h) 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.

The NTSA bank accounts in existence are shown below:

| Ref | Account Name | Account No. | Opening Date | Bank |
|------------|---------------------------------------|--------------------|-----------------------------|-------------|
| 1 | National Transport & Safety Authority | 1141386534 | 12 th July, 2013 | KCB |
| 2 | National Transport & Safety Authority | 1180379527 | 7 th April, 2016 | KCB |

i) Comparative Figures

The comparative figures for the financial year 2014/2015 have been availed for comparison with the 2015/16 financial year.

j) Significant Judgments and Sources of Estimation Uncertainty – IPSAS 1

The preparation of the Authority'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 Authority 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 Authority. 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 Authority
- 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.

Contingent Liabilities

There was a contingent liability for Kshs 800,000 arising from a legal case No CMCC 69/2016 in Kericho seeking for an order of compensation for a driving license that had been confiscated by an NTSA officer.

k) 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, 2016.

l) Related Party Disclosure – IPSAS 20

The total remuneration paid for FY 2015/2016 to the four key management personnel namely the Director General, Director Corporate Support Services, Director Road Safety and Director Registration & Licensing was **Kshs 26,666.072** as shown below:

| | Position | No. | Total Pay(Kshs) |
|---|------------------|------------|------------------------|
| 1 | Director General | 1 | 9,042,644 |
| 2 | Directors | 3 | 17,623,428 |
| | Total | | 26,666,072 |

m) 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 28th 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 Authority has adopted the pronouncements made by the IPSAS Board in preparation of its current year financial statements.

i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. The receivable from Sale of PSV Badges of Kshs 32,469,685 (Note 10(i)) though an approved NTSA revenue stream was channeled to the Exchequer due to erroneous coding hence might not be retrievable.

| | | 2015/2016 | 2014/2015 |
|----------|---|----------------------|----------------------|
| | | Kshs | Kshs |
| 3 | Transfers from other Governments | | |
| | Unconditional Grants | | |
| | 2015/16 Operational grant from Ministry | 736,000,000 | 382,000,000 |
| | Total Government Grants | 736,000,000 | 382,000,000 |
| 4 | Rendering of Service | | |
| (i) | Revenue collected through KRA: | 1,091,966,931 | 969,296,099 |
| | Transfers from E- Citizen | - | 32,469,685 |
| | | 1,091,966,931 | 1,001,765,784 |
| (ii) | Other Income | | |
| | Sale of Tender Documents | - | 134,000 |
| | Hire of Canteen | - | 59,000 |
| | Donation for Road Safety Week | - | 100,000 |
| | Short Code Messages | 436,687 | - |
| | Other Income | 436,687 | 293,000 |
| | Total Income | 1,092,403,618 | 1,002,058,784 |
| (iii) | Rendering of Service-Cash Flow | | |
| | Revenue collected through KRA: | 1,091,966,931 | 969,296,099 |
| | Less: (i)Accrued Revenue Receivable | (121,013,213) | (103,958,338) |
| | Add:2014/15 Revenue Received | 103,958,338 | |
| | Cash inflow | 1,074,912,056 | 865,337,761 |
| 5 | Employee Costs | | |
| (i) | Employee related costs - Salaries and wages(Cash) | 720,660,164 | 459,332,223 |
| | Add:Accruals | | - |
| | Gratuity accrued to contracted staff | 5,164,785 | 5,553,523 |
| | | | 464,885,746 |
| | Accrued - Staff Costs | 70,063,502 | (7,122,514) |
| | | 795,888,451 | 457,763,232 |
| | Travel, Accomodation, Subsistence a | 74,174,891 | 74,018,722 |
| (ii) | Employee Costs | 870,063,342 | 531,781,954 |

| 6 i.) PROPERTY, PLANT & EQUIPMENT AS AT 30TH JUNE 2016 | | | | |
|--|-------------------|--------------------|----------------------------|--------------------|
| COST | MOTOR VEHICLES | COMPUTER EQUIPMENT | FITTINGS & OTHER EQUIPMENT | TOTAL |
| | (25%) | (33.3%) | (12.5%) | |
| | Kshs | Kshs | Kshs | Kshs |
| 01.07.2015 Balance b/f | 128,969,568 | 82,210,185 | 22,401,810 | 233,581,563 |
| Additions | 43,852,906 | 247,203,645 | 119,417,759 | 410,474,310 |
| Disposal | | | | - |
| 30.06.2015 Balance c/d | 172,822,474 | 329,413,830 | 141,819,569 | 644,055,873 |
| DEPRECIATION | | | | |
| Accumulated depreciation as at 01.07.2015 | 15,784,019 | 26,403,511 | 1,117,587 | 43,305,116 |
| PRIOR YEAR ADJUSTMENT | | | | |
| Charge for the year (Working) | 49,219,085 | 103,799,726 | 2,851,403 | 155,870,214 |
| Accumulated depreciation as at 30.06.2015 | 65,003,103 | 130,203,237 | 3,968,990 | 199,175,330 |
| Net book Value as at 01.07.2016 | 113,185,549 | 55,806,674 | 21,284,223 | 190,276,447 |
| Net book Value as at 30.06.2016 | 107,819,371 | 199,210,593 | 137,850,579 | 444,880,543 |
| Depreciation Charge for the Year | | | | |
| | MOTOR | COMPUTER | FURNITURE, | TOTAL |
| | Kshs | Kshs | Kshs | Kshs |
| Adjustment charge on the opening balances (Beginning of the Year 2014/15) | - | (1,435,749) | 538,945 | (896,804) |
| Adjustment of Provision on charge for the Year | 6,820,564 | 118,565 | 75,472 | 7,014,600 |
| Charge for the year | 42,398,521 | 100,438,578 | 2,644,900 | 145,481,999 |
| Adjustment | - | 4,678,333 | (407,914) | 4,270,419 |
| Depreciation Charge for year | 49,219,085 | 103,799,726 | 2,851,403 | 155,870,214 |
| The above charge on depreciation was occasioned by an under provision of depreciation on the various classes of assets in the previous financial year. | | | | |
| ii.) Amortization of Intangible Assets | | 2015/2016 | | 2014/2015 |
| | | Kshs | | Kshs |
| MS Office 2013 professional with License-350 | | 1,573,648 | | 2,178,060 |
| Charge @33.3% (2,178,060*1/3*1year) | | (726,020) | | (604,412) |
| Net Book Value of Asset | | 847,628 | | 1,573,648 |
| 7 Repairs and Maintenance | | | | |
| Vehicles | | 5,033,156 | | 3,622,357 |
| Office Furniture & Equipment | | 1,174,621 | | 270,720 |
| Maintainance of Computers, Softwares & Networks | | | | 202,060 |
| | | 6,207,777 | | 4,095,137 |

| 8(i) | General Expenses | 2015/2016 | 2014/2015 |
|-------|--|--------------------|--------------------|
| | | Kshs | Kshs |
| | Utilities,Supplies & Services | 4,956,997 | 3,957,094 |
| | Internet,Telephone & Postal Services | 21,378,747 | 18,690,730 |
| | Printing, Advertising & Information Supply Services | 18,277,671 | 107,261,418 |
| | Printing of Number Plates | 264,685,935 | 310,941,600 |
| | Printing of Inspection stickers | 39,615,318 | 11,866,800 |
| | Hire of Transport | 2,982,598 | 5,626,824 |
| | Rentals without Lease | 23,289,076 | 106,528,786 |
| | Rentals with Lease | 76,670,730 | 86,322,690 |
| | Training | 19,310,420 | 7,056,989 |
| | Catering Services (receptions) | | |
| | Accommodation Gifts, Foods and Drinks | 10,891,690 | 8,979,904 |
| | Boards, Committees, Conferences and Seminars | - | 7,644,573 |
| | Group Accident Insurance | - | 4,082,014 |
| | Motor Vehicle Insurance | 7,416,533 | 3,440,457 |
| | Medical Insurance | 76,398,318 | 15,445,201 |
| | Specialised Materials & Supplies | 56,115,318 | 14,208,193 |
| | General Office Supplies (Papers, Pencils, Forms small Office Equipments etc) | 2,321,529 | 17,298,395 |
| | Sanitary and Cleaning Materials, Supplies and Services | 9,900 | 178,553 |
| | Refined Fuels and Lubricants | 10,276,888 | 8,407,219 |
| | Bank Service and Commission Charges | 4,224,239 | 2,067,862 |
| | Contracted Guards and Cleaning Services | 8,113,350 | 10,785,722 |
| | Contracted Professional Services | 52,995,513 | 30,691,033 |
| | Legal Fees | 8,014,000 | 13,273,354 |
| | Audit Fee | 500,000 | - |
| | Total General Expenses | 708,444,770 | 794,755,412 |
| 8(ii) | Total Cash Flow Movement | | |
| | Total General Expenses | 708,444,770 | 794,755,412 |
| | Less: Creditors | (116,485,149) | |
| | Add:2014/15 FY Creditors settled | 76,815,452 | |
| | Cash Payments | 668,775,073 | 712,961,764 |

| 9 Board Expenses | 2015/2016 Kshs | 2014/2015 Kshs |
|---|---------------------------|---------------------------|
| Sitting Allowances | 16,430,508 | 7,638,000 |
| Chairman's Honoraria & related expenses | 1,071,117 | 1,364,000 |
| Training expenses | 2,759,652 | 1,507,760 |
| Conferences & seminars | - | 1,334,000 |
| Travel & Subsistence | 8,783,959 | 3,712,393 |
| Total | 29,045,236 | 15,556,153 |
| 10 Transfer to Accumulated Surplus | | |
| Purchase of Nissan Urvan from Crown Motors | (13,120,350) | - |
| Capitalization of Consultancy Work by Scope De | (16,100,379) | - |
| Advance Payment to Alfatech Contractors | 13,544,626 | |
| TOTAL | (15,676,103) | - |
| 11 Cash and Cash equivalents | | |
| Bank | 201,815,223 | 2,258,736 |
| Cash-on-hand | 4,513 | 20,916 |
| Outstanding imprests | 5,849,399 | 1,935,000 |
| Total Cash and cash equivalents | 207,669,135 | 4,214,652 |
| 12 Receivable from Exchange Transactions | | |
| June, 2016 revenue collections due from KRA | 121,013,213 | 103,958,338 |
| Revenue collection through <i>e citizen</i> (PSV Badg | 32,469,685 | 32,469,685 |
| | 153,482,898 | 136,428,023 |
| 13 Rental Lease Deposit | | |
| Deposit for operational lease | 26,174,315 | 26,174,315 |
| Relates to deposit on Leasehold property of Hill Park Building, Hifadhi and Kenstreet in Mombasa | | |
| 14 Retention Fee | | |
| Alfatech Contractors Ltd | 10,746,525 | - |
| Total | 10,746,525 | - |

| 15 | Prepayments | 2015-2016 Kshs | 2014-2015 Kshs |
|-----------|---|---------------------------|---------------------------|
| | Alfatech Contractors Ltd | 6,772,313 | - |
| | Total | 6,772,313 | - |
| 16 | Stock | | |
| | Number Plates | 33,140,040 | - |
| | Specialised Materials | 5,660,610 | - |
| | Total | 38,800,650 | - |
| 17 | ICT WORK IN PROGRESS | | |
| | The Work In Progress brought forward from the previous year were recognised at their cost as Non Current assets and classified under ICT Equipment. | | 219,105,549 |
| | Total | - | 219,105,549 |
| 18 | TRADE & OTHER PAYABLES FROM EXCHANGE TRANSACTIONS | | |
| | i.) Gratuity Accrued to Staff on Contract | | |
| | Balance b/d from previous years | 7,071,473 | 5,553,523 |
| | Accrued for the year | 5,164,785 | 1,517,950 |
| | Total | 12,236,258 | 7,071,473 |
| | ii.) Other current Liabilities | | |
| | Accrued salaries | 70,063,502 | - |
| | Creditors | 116,485,149 | 88,025,956 |
| | Total | 186,548,651 | 88,025,956 |
| 19 | CAPITAL RESERVES | | |
| | The Authority received Motor Vehicles in kind worth Kshs 30,732,556 | | |
| | DONATIONS IN KIND | | |
| | Balance b/d | 302,267,781 | - |
| | Motor Vehicles | 30,732,556 | 15,381,672 |
| | Computers | - | 65,602,500 |
| | ICT Infrastructure | - | 219,105,549 |
| | Windows Licence | - | 2,178,060 |
| | Total | 333,000,337 | 302,267,781 |
| | The assets were realised at the respective fair values at the date of acquisition net of related costs. | | |

| 20 CAPITAL FUND | | 2015/2016 Kshs | 2014/2015 Kshs |
|---|--|---------------------------|---------------------------|
| Balance b/f | | 151,500,723 | - |
| Purchase of Non Current Assets in 2013/14 | | | 53,437,803 |
| Purchase of Non Current Assets in 2014/15 | | | 98,062,920 |
| Purchase of Non Current Assets in 2015/16 | | 134,811,180 | |
| TOTAL | | 286,311,903 | 151,500,723 |
| COMPUTATION OF CASH GENERATED FROM OPERATIONS | | | |
| 21 Other Expenses | | | |
| Travel & Subsistence Costs (Note 5) | | 74,174,891 | 74,018,371 |
| Repairs & Maintenance of Vehicles & Equipment (Note 7) | | 4,309,253 | 4,095,137 |
| Prepayment of rent | | - | - |
| Total | | 78,484,144 | 78,113,508 |
| CASH FLOW ADJUSTMENTS ON ACQUIRED NON-CURRENT ASSETS | | | |
| 22 | | 2015/2016 Kshs | 2014/2015 Kshs |
| Total Additions During the Year | | | |
| ICT Infrastructure | | | 219,105,549 |
| Ms Office | | | 2,178,060 |
| Fittings & Fixtures | | 82,089,841.00 | - |
| Office Furniture | | 8,947,140.00 | - |
| | | 91,036,981.00 | 221,283,609 |
| Motor Vehicles (2014-15) | | 13,120,350.00 | |
| | | | (302,267,781) |
| Total | | 104,157,331.00 | |
| Capital Purchases by NTSA | | | (80,984,172) |
| Creditors (i)Vans | | | (13,120,350) |
| Cash purchases(Cash flow) | | 104,157,331.00 | (94,104,522) |

