REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF INVESTMENT PROMOTION CENTRE FOR THE YEAR ENDED 30 JUNE 2002

30th/11/2004

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF INVESTMENT PROMOTION CENTRE FOR THE YEAR ENDED 30 JUNE 2002

I have examined the financial statements of the Investment Promotion Centre for the year ended 30 June, 2002 in accordance with the provisions of Section 29 of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations required for the purpose of the audit. Proper books of account have been kept by the Centre and the financial statements, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Investment Promotion Centre Act, (Cap 485).

Except for the matters referred below, in my opinion, the financial statements when read together with the notes thereon, give a true and fair view of the financial state of affairs of the Investment Promotion Centre as at 30 June, 2002 and its deficit and cash flow for the year ended that date.

1. DEFICIT FOR THE YEAR

During the year ended 30 June 2002 the Investment Promotion Centre incurred a deficit of Kshs.15,846,279.00 compared to a surplus balance of Kshs.2,542,690 in the previous year. The deficit was attributable to increases of Kshs.13,620,963.00 in salaries, Kshs.6,268,952 in office supplies and Kshs.4,689,269.00 in transport and travelling during the year ended 30 June, 2002 without corresponding increase in income. Further, the Balance Sheet reflected a negative working capital of Kshs.7,634,157 as at 30 June, 2002.

The Centre was therefore technically insolvent and the financial statements have been prepared on a going concern basis which assumes continued support from the Government and creditors.

2. FIXED ASSETS

As pointed out in previous year's, report, the Centre has not maintained an up to date Fixed Assets Register. Assets costing Kshs.2,621,700.00 purchased during the year under review were not recorded in the Assets Register and a Toshiba laptop valued at Kshs.114,000 lost during an exhibition was included in the assets. Further, some furniture and fittings which had nil book value were revalued at Kshs.1,497,200.00, while other furniture and office equipment at the airport office and the Centre's boardroom were not revalued. Under the circumstances, it was not possible to confirm the correctness of the fixed assets figure of Kshs.8,519,892.00 as at 30 June 2002.

3. PRINTING OF INVESTORS GUIDE

In August 2001, Investment Promotion Centre contracted a trading firm through tender No.15/2001-2002 to print twenty thousand (20,000) copies of Investors Guide at a unit cost of Kshs.299.50 per copy for a total cost of Kshs.5,990,000.00. The Centre subsequently paid a total of Kshs.5,670,000 but received only 8,300 copies valued at Kshs.2,485,850 (i.e. 8,300 @

Kshs.299.50) each. The Centre therefore over paid the supplier by Kshs.3,194,150. Further the firm's invoices did not disclose its VAT registration number and consequently, it was not possible to confirm whether VAT was factored in the transaction and paid. At the same time of awarding the contract the Centre did not have a Board of Directors and the expenditure on the printing of Investors Guides of Kshs.5,670,000.00 did not therefore have the Boards' or Ministerial approval. Although IPC has indicated that the matter was reported to the Commission for investigation, the outcome of the investigations has not been seen. In the circumstances the propriety of the expenditure incurred on printing the guides and the chances of recovery of the amount overpaid to the printers could not be ascertained.

4. TERMS AND CONDITIONS OF SERVICE

It was pointed out in the previous year's report that the Centre operated without approved terms and conditions of service for the Managing Director and staff contrary to the provisions of Section 7(2) of the Investments Promotion Centre (Cap 485) which requires that terms and conditions of Service for the Managing Director, staff, agents or other persons appointed shall be determined by the Minister. The situation did not change during the year. The current salaries and allowances totalling Kshs.46,893,115.00 for the year were paid without the approval of the relevant Minister as required. In the circumstances, it was not possible to confirm the propriety of the expenditure incurred on the salaries and allowances.

E. N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

26 July 2004

INVESTMENT PROMOTION CENTRE

BALANCE SHEET

AS AT 30TH JUNE 2002

	Notes	2002 KSHS	2001 KSHS
NET FIXED ASSETS	1(c) & 11	**8,519,892**	**6,785,175**
CURRENT ASSETS			
Debtors /Suspense	12	2,834,009	2,834,010
Sundry Debtors and Deposits	13	8,639,744	8,880,477
Short Term Deposits	14	-	-
Bank Balances	15	(200,785)	5,130,313
Cash at hand		40,000	40,000
		11,312,967	**16,884,800**
CURRENT LIABILITIES			
Creditors	16	-	
Accruals	17	18,947,125	6,937,961
		18,947,125	**6,937,961**
NET CURRENT ASSETS		(7,634,157)	9,946,839
NET ASSETS		**885,735**	**16,732,014**
FINANCED BY:-			
GENERAL FUND.			
SURPLUS / (DEFICIT) FOR THE YEAR		(15,846,279)	2,542,690
BALANCE B/F		16,732,014	14,189,324
		885,735	**16,732,014**

Managing Director _____ Chairman

INVESTMENT PROMOTION CENTRE

INCOME & EXPENDITURE

FOR THE YEAR ENDED 30TH JUNE 2002

	Note	2001/2002	2000/2001
INCOME		KSHS	KSHS
GOK GRANTS		74,296,009	65,285,020
INTEREST	2	-	75,111
COMMISSIONS		-	13,874
MISCELLANEOUS RECEIPTS		27,516	1,066,840
TOTAL INCOME		**74,323,525**	**66,440,845**
EXPENDITURE			
DIRECTORS ALLOWANCES & EXPENSES	3	2,027,536	1,964,671
STAFF SALARIES, BENEFITS & TRAINING	4	44,865,579	31,244,616
OFFICE SUPPLIES & EXPENSES	5	11,353,452	5,084,500
TRANSPORT & TRAVEL EXPENSES	6	14,878,284	10,189,015
ADVERTISING & PUBLICITY	7	3,224,969	2,353,308
UTILITIES	8	5,573,666	3,594,126
OFFICE RENT& OFFICE SERVICES	9	7,102,532	8,592,970
PROFESSIONAL & OTHER SERVICES	10	270,287	157,349
DEPRECIATION CHARGES	11	873,499	717,604
TOTAL EXPENDITURE		**90,169,803**	**63,898,157**
SURPLUS/(DEFICIT) FOR THE YEAR		**(15,846,279)**	**2,542,690**

INVESTMENT PROMOTION CENTRE

CASHFLOW STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2002

	Note	2002	2001
		KSHS	KSHS
Cashflow From Operating Activities:			
Net Surplus / (Deficit) from Operations		(15,846,279)	2,542,690
Adjustments:			
Depreciation		873,499	717,604
Operating Surplus / (Deficit) Before working capital changes		(14,972,779)	3,260,293
(Increase)/Decrease in Debtors		240,734	(8,672,677)
(Decrease)/ Increase in Creditors		12,009,164	669,232
Cash generated from Operations		**(2,722,882)**	**(4,743,151.1)**
Investing Activities:			
Purchase of Fixed Assets	11	2,608,216	2,029,765
Net Cash Outflow from Investing Activities		**2,608,216**	**2,029,765**
Net Increase in Cash & Cash equivalents		(5,331,097)	(6,772,916.1)
Cash & Cash Equivalents at the beginning of the Period		5,170,312	11,943,228
Cash & Cash Equivalents at the end of the Period	18	**(160,785)**	**5,170,312**

The notes on page 4 to 8 form an intergral part of this financial statements.

Notes to the 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) Fixed Assets and Depreciation

Fixed Assets 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%
Office Machines	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 detremined 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.

	2002 Kshs	2001 Kshs
2 Interest Income		
Interest on Short Term Deposits	-	75,110 00
Current Account	-	-
	-	75,110 00
3 Directors Expenses		
Fees,Commissions & Honaria	2,027,536	1,964,671
	2,027,536	1,964,671
4. Staff Salaries & Benefits		
Salaries	20,889,688	17,098,028
Pension Contribution	4,858,394	4,127,874
House Allowance	11,790,671	3,078,365
Training & Capacity Building	873,613	2,918,140
Other Personal Emoluments	939,347	738,828
Leave Allowance	1,092,374	1,590,169
Medical	4,228,621	1,693,212
Staff Uniforms	192,871	-
	44,865,579	31,244,616

Number of Employees

5 Office Supplies & Expenses

Postage	255,459	83,866 80
Publishing & Printing	8,439,035	1,644,456
Stationery	596,960	591,140
Computer Expenses	159,320	701,623
Official Entertaiment	480,216	647,186
Miscellaneous Expenses	1,231,400	1,198,315
Library Expenses	191,062	217,893
	11,353,452	5,084,500

6.Transport & Travel Expenses

Transport Operating Expenses	2,718,001	1,440,801
Travel-Local	2,789,630	2,277,763
Travel-International	9,370,653	6,470,451
	14,878,284	10,189,015

7 Advertising,Publicity & Investor Relations

Advertising	1,320,271	1,732,420
Conferences & Seminars	1,904,699	620,888
	3,224,969	2,353,308

8. Utilities

Telephone,Fax & Others	5,573,666	3,594,125.50

9.Office Rent & Office Service

Rent & Rates-Residential	2,436,332	3,262,175
Rent & Rates-Non Residential	3,458,381	3,521,192
Repair & Service-Office Equipment	1,207,819	1,628,704
Insurance of Property	-	180,899.00
	7,102,532	8,592,970

10.Professional & Other Services

Bank Charges	125,287	12,349
Audit Fees	145,000	145,000
	270,287	157,349

11 Fixed Assets & Depreciation

	Motor Vehicles	Furniture & Fittings	Computers& Office Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost or Valuation.				
As at 1st July,2001	7,253,670	8,191,567	6,147,865	21,593,102
Additions During the year	-	398,716	2,209,500	2,608,216
Revaluations				
As at 30th June 2002	7,253,670	8,590,283	8,357,365	24,201,318
Depreciation				
As at 1st July,2001	6,017,977	4,781,255	4,008,695	14,807,927
Charge for the Year	308,923	350,192	214,384	873,499
As at 30th June,2002	6,326,900	5,131,447	4,223,079	15,681,426
Net Book Value:				
As at 30th, June 2002	926,770	3,458,836	4,134,286	8,519,892
As at 30th June 2001	1,235,693	3,410,312	2,139,170	6,785,175

	2002 kshs	2001 kshs
12.Debtors		
suspense	2,834,008	2,834,008
	-	-
	-	-
	2,834,008	2,834,008

13. Sundry Debtors & Deposits

Fuel Deposit	5,000	5,000.00
Staff Imprests/ Advances	8,634,744	3,036,808.60
	8,639,744	3,041,809

14 Short Term Deposits

Short term deposits & Investments are held with the following banks:

National Bank of Kenya	-	-
	-	-

15.Bank Balances

The amounts below were being held in current account

National Bank of Kenya	(200,785)	5,130,313
	(200,785)	5,130,313

16.Creditors	0	0

	2002 Kshs	2001 Kshs
17 Accruals		
Audit Fees		
Telephone Bills		
Suppliers Invoices	18,380,876	6,937,961
Stale Cheques		
Payroll Deductions	566,248	0
Other		
	18,947,125	6,937,961

	2002 Kshs	2001 Kshs
18 Cash & Cash equivalents		
Petty cash	40,000	40,000
Bank Balances	(200,785)	5,130,313
Short Term Deposits		
	(160,785)	5,170,313

19.Currency

This Accounts are presented in Kenya Shillings (Kshs)

20 The following accounts are still being prepared

+ A suspense account (Debtors) has been opened of the amount 2,834,008 pending reconciliation
+ The supporting schedules of the Imprests & Advances A/C.