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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF PEST CONTROL PRODUCTS BOARD FOR THE YEAR ENDED 30 JUNE 2005

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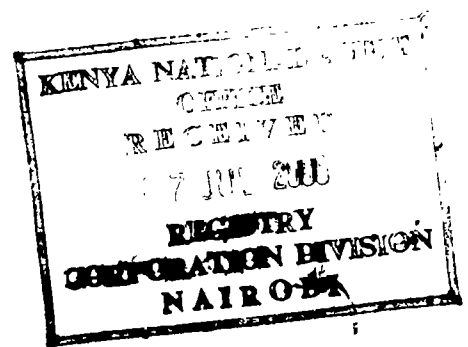
KENYA NATIONAL ASSEMBLY

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**PEST CONTROL
PRODUCTS BOARD**



**Financial Statements for
the Year 2004/2005**

Pest Control Products Board

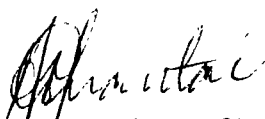
Statement of Director's Responsibility for the Financial Statements of the Year Ended 30th June 2005

The Exchequer and Audit Act Cap 412 requires the directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of its profit and loss for the year. It requires the directors to ensure that the board keeps proper accounting records that disclose, with reasonable accuracy, at any time the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

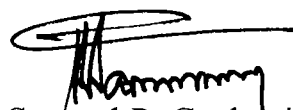
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Exchequer and Audit Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the board and of its operating results. The directors further accept 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 control.

Nothing has come to the attention of the directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.



A.N. Guantai (Prof.)
Chairman



Samuel P. Gachanja
Secretary/ Chief Executive



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF PEST CONTROL PRODUCTS BOARD FOR THE YEAR ENDED 30 JUNE 2005

I have audited the financial statements of Pest Control Products 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

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 evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

1. Intangible Assets

As pointed out in the audit report of 2001/2002, the Chairman and the Secretary to the board appointed consultants in 1996 to design the proposed board Headquarters without first identifying source of funding for the project and without the approval of the Board of Directors, the Parent Ministry and the Treasury. The project was ill conceived and inevitably the board had to abandon it after making an irregular payment of Kshs.16 million in respect of professional fee to the consultants in August, 1996 for designs. Subsequently in June 2001, the board decided to amortize the expenditure for a period of 10 years starting from

2001/2002 financial year. The intangible assets balance of Kshs.9,600,000 disclosed in Note 6 to the financial statements is the residual balance being amortized yearly. The Board wrote in 1997 and again in 2000, to the Parent Ministry seeking assistance in recovery of Kshs.16 million from the former Chairman and Secretary but there is no evidence that the Ministry took any action. Indeed there is no evidence that any action has been taken for the last 6 years by either the Board or the Parent Ministry. The recovery of the irregular expenditure of Kshs.16,000,000 is therefore doubtful.

2. Trade Receivables

Trade Receivables balance of Kshs.529,142 as disclosed in Note 7 to the financial statements includes dishonored cheques relating to license fees totalling Kshs.261,428 out of which dishonoured cheques amounting to Kshs.145,928 date back to years prior to 2000/2001 financial year. No evidence has been provided by the board of efforts being made to collect these debts. Any provision that should have been necessary in relation to these uncertainties has not been incorporated in these financial statements.

Opinion

Except for any adjustments that might have been necessary in relation to the above reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of financial affairs of the board as at 30 June 2005 and of its surplus and cash flows for the year then ended and comply with Pest Control Products Board Act, (Cap 346).



E. N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

27 June 2006

West Control Products Board

Income and Expenditure Statement

for the year ended 30th June 2005

	Note	2004/2005 (Shs.)	2003/2004 (Shs.)
Revenue			
Income from Core Activities	2	33,967,611.00	26,990,811.00
Government Grant		2,450,936.00	2,450,936.00
Other Receipts	3	1,088,666.00	1,650,501.00
Total Revenue		37,507,213.00	31,092,248.00
Expenditure			
Staff costs	4	14,628,020.00	12,268,985.00
Administration Costs	4	18,750,557.00	18,183,922.00
Total Expenditure		33,378,577.00	30,452,907.00
Net Surplus/(Deficit) for the year		4,128,636.00	639,341.00
		37,507,213.00	31,092,248.00

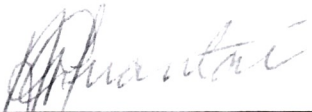
Pest Control Products Board

Balance Sheet


as at 30th June 2005

	NOTE	2005		2004	
		(Shs.)	(Shs.)	(Shs.)	(Shs.)
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	5	43,161,313.00		44,359,846.00	
Intangible Assets	6	9,600,000.00	52,761,313.00	11,200,000.00	55,559,846.00
Current Assets					
Trade Receivables	7	529,142.00		253,978.00	
Investments	8	25,000,000.00		15,000,000.00	
Prepayments	9	572,835.00		538,781.00	
Bank/Cash Balances	10	8,831,990.00	34,933,967.00	12,370,236.00	28,162,995.00
Total Assets			87,695,280.00		83,722,841.00
EQUITY AND LIABILITIES					
Capital and Reserves					
Capital Reserves	14	34,942,682.00		34,942,682.00	
Accumulated Surplus	15	52,050,172.00	86,992,854.00	47,921,536.00	82,864,218.00
Current Liabilities					
Trade Payables	11	86,135.00		113,003.00	
Provision for Audit Fees	12	500,000.00		700,000.00	
Interest in Advance	16	116,291.00	702,426.00	45,620.00	858,623.00
Total Equity and Liabilities			87,695,280.00		83,722,841.00

The Financial Statements have been signed on behalf of the Board by:


 Mrs. A.N. Guantai (Prof.)
 Chairperson

29.06.06


 Samuel P. Gachanja
 Secretary/Chief Executive

29.06.06

Pest Control Products Board

Statement of Changes in Equity

For the year ended 30th June 2005

	Capital Reserves (Shs.)	Accumulated Surplus (Shs.)	Total (Shs.)
At 1 July 2003			
As previously Reported	34,942,682.00	48,656,790.00	
Prior Year Adjustments (Note 13)		(1,374,595.00)	
As restated	34,942,682.00	47,282,195.00	82,224,877.00
Net surplus/(deficit) for the year		639,341.00	
As 30 June 2004	34,942,682.00	47,921,536.00	82,864,218.00
At 1 July 2004	34,942,682.00	47,921,536.00	82,864,218.00
Net surplus/(deficit) for the year		4,128,636.00	
At 30 June 2005	34,942,682.00	52,050,172.00	86,992,854.00

est Control Products Board

Cash Flow Statement

for the year ended 30th June 2005

	Note	2004/2005 (Shs.)	2003/2004 (Shs.)
Operating Activities			
Cash generated from operations	17	5,114,017.00	(1,002,986.00)
Net cash generated from operating activities		5,114,017.00	(1,002,986.00)
Investing Activities			
Investment in Government Securities		(10,000,000.00)	5,000,000.00
Proceeds from disposal of Motor Vehicles		-	1,376,572.00
Purchase of fixed assets		(2,011,515.00)	(7,420,748.00)
Interest received		908,316.00	193,929.00
Net cash used in investing activities		(11,103,199.00)	(850,247.00)
Financing Activities			
Government grant		2,450,936.00	2,450,936.00
Net cash generated from financing activities		2,450,936.00	2,450,936.00
Increase/(Decrease) in cash and cash equivalents		(3,538,246.00)	597,703.00
Cash and cash equivalents at the start of the year		12,370,236.00	11,772,533.00
Cash and cash equivalents at the end of the year		8,831,990.00	12,370,236.00

Pest Control Products Board

Notes to the Financial Statements

For the year ended 30th June 2005

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below

(a) **Basis of Preparation**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and are prepared under the historical cost convention. The financial statements are presented in Kenya shillings (Shs) and Figures are rounded off to the nearest Shilling

(b) **Revenue Recognition**

Government grant, license fee income and miscellaneous income are recognized on a cash basis. Interest income is accrued on a time basis by reference to the amount invested and the interest rate applicable

(c) **Trade Receivables**

Trade receivables are stated at their nominal value

(d) **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment loss apart from freehold land which is not depreciated as it is deemed to have infinite life

Depreciation is charged so as to write off the cost of property, plant and equipment to their residual values over their expected useful lives, using the straight line method at the following rates:

Equipment	12.5% (8 Years)
Furniture	12.5% (8 Years)
Motor Vehicles	25% (4 Years)
Computer Equipment	33.3% (3 Years)

(e) **Provision**

Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

(f) **Retirement Benefits**

The human resource consists of 22 officers employed directly by PCPB and 13 officers deployed from central government. The former are on 3 year renewable contracts at the end of which a gratuity of 31% of total basic salary earned is paid. The latter are on the central government payroll and therefore on the government retirement pension scheme.

2 Income from Core Activities (License Fees)

	2004/2005	2003/2004
	Amount	Amount
1 Premises License	6,093,520.00	6,226,700.00
2 Product Export License	22,000.00	
3 Product Import License	14,732,091.00	
4 Product Introduction License	1,230,000.00	
5 Product Registration License	3,650,000.00	
6 Product Renewal License Renewals	8,240,000.00	
7 License Fees for Product intro, reg, renewal, import & export		20,764,111.00
Total	33,967,611.00	26,990,811.00

3 Other Receipts

	2004/2005	2003/2004
	Amount	Amount
1 Miscellaneous	180,350.00	80,000.00
2 Interest on Investment	908,316.00	193,929.00

Pest Control Products Board

3 Gain on disposal of Motor Vehicles	-	1,376,572.00
Total	1,088,666.00	1,650,501.00

4 Expenditure

Staff costs and administration costs are detailed in the appendix to income and expenditure account on page 10

5 Property, Plant and Equipment

	Freehold Land	Computer Equipment	Office Equipment	Office Furniture	Motor vehicle	Total
<i>Depreciation Rate</i>	0%	33.3%	12.5%	12.5%	25%	
Cost						
As at 1 July 2004	35,000,000.00	707,381.60	2,841,568.80	1,392,355.80	8,668,326.00	48,609,632.00
Additions	-	1,438,680.40	181,697.00	341,257.60	49,880.00	2,011,515.00
As at 30 June 2005	35,000,000.00	2,146,062.00	3,023,265.80	1,733,613.40	8,718,206.00	50,621,147.00
Depreciation						
Balance as at 1 July 2004	-	130,384.00	1,862,432.90	876,629.20	1,380,340.00	4,249,786.00
Charge for the Year	-	459,006.07	362,017.10	209,473.48	2,179,551.50	3,210,048.00
	-	589,390.07	2,224,450.00	1,086,102.68	3,559,891.50	7,459,834.00
Net Book Value						
As at 30 June 2005	35,000,000.00	1,556,671.93	798,815.80	647,510.73	5,158,314.50	43,161,313.00
As at 30 June 2004	35,000,000.00	576,997.60	979,135.90	515,726.60	7,287,986.00	44,359,846.00

6 Intangible Asset

Intangible asset represents work-in-progress at the Loresho plot with an initial cost of 16 million. In June 2001 the Board resolved to amortize WIP over a period of 10 years starting from the Financial year 2001/2002

	2004/2005 Amount	2003/2004 Amount
Balance B/F	11,200,000.00	12,800,000.00
Amortization (@ 10% of 16 million)	(1,600,000.00)	(1,600,000.00)
Balance C/F	9,600,000.00	11,200,000.00

7 Trade Receivables

	2004/2005 Amount	2003/2004 Amount
1 Dishonoured Cheques	261,428.00	253,978.00
2 Employees	54,000.00	-
3 Deposits	138,000.00	
4 Reimbursable Expenses	75,714.00	
Total	529,142.00	253,978.00

Pest Control Products Board

Excluded from trade receivables is Shs. 2,990,000 that relates to unpaid product registration fees and product renewal fees by pest control products registrants/agents. Product registration fees is charged by the regulatory authority so as to maintain a product in the pest control products register and gives the registrant the privilege to deal with the registered product in Kenya, the fees is not accrued in the accounts hence the exclusion. The Board has notified all registrants concerned to pay up or have their products removed from the register.

8 Investments (Treasury Bills)

	2004/2005 Amount	2003/2004 Amount
Balance B/F	15,000,000.00	20,000,000.00
Addition/(Reduction) during the Year	10,000,000.00	(5,000,000.00)
Total	25,000,000.00	15,000,000.00

Interest on Investment

Tender No	Tender date	Face Value	Maturity Date	Interest
1580	28/Jun/04	15,000,000	27/Sep/04	45,620.00
1594	4/Oct/04	20,000,000	3/Jan/05	122,400.00
1608	10/Jan/05	25,000,000	11/Apr/05	415,650.00
1623	25/Apr/05	25,000,000	25/Jul/05	324,646.00
Total				908,316.00

9 Prepayments

	2004/2005 Amount	2003/2004 Amount
1 Insurance	156,525.00	235,680.00
2 Rent and Rates	416,310.00	281,440.00
3 Subscription of Newspapers		4,105.00
4 Maintenance Contract - Copiers		10,298.00
5 Internet Service Subscription		7,258.00
Total	572,835.00	538,781.00

10 Cashbook Balances

<u>Bank</u>		30-Jun-05 Amount	30-Jun-04 Amount
KCB	Revenue A/c No. 200-770-359	7,162,884.00	11,348,795.00
BBK	Revenue A/c No. 1026785	1,780,594.00	353,978.00
KCB	Operations A/c No. 200-771-681	(111,488.00)	666,463.00
Petty	Cash in hand		1,000.00
Total		8,831,990.00	12,370,236.00

11 Trade Payables

	2004/2005 Amount	2003/2004 Amount
1 Telkom (Accrued Expenses)	21,564.00	28,406.00
2 KRA (PAYE)		84,597.00
3 Bank Charges	20,853.00	
4 KRA (VAT Withheld)	22,960.00	
5 Director of Pensions	20,758.00	
Total	86,135.00	113,003.00

Pest Control Products Board

12 Provisions

	2004/2005 Amount	2003/2004 Amount
1 Auditor General Corp (Audit Fees 2004/2005)	250,000.00	-
2 Auditor General Corp (Audit Fees 2003/2004)	250,000.00	250,000.00
3 Auditor General Corp (Audit Fees 2002/2003)	-	250,000.00
4 Auditor General Corp. (Audit Fees 2001/2002)	-	200,000.00
Total	500,000.00	700,000.00

13 Prior Year Adjustment

This relates to omissions from the financial statements of 2002/2003 that were discovered in the f/y 2003/2004 and relate to reliable information that was available when those financial statements were prepared, and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. The omissions were accounted for retrospectively by restating the opening balance of retained earnings. The omissions were as follows:

Kenya Times subscription	19,382.00
Income tax arrears	1,355,213.00
Total	1,374,595.00

14 Capital Reserves

Capital reserve relates to a capital item (Leasehold Land less valuation costs) provided by the Government of Kenya which is the sole shareholder of the entity.

15 Accumulated Surplus

This is the retained net earnings that has accumulated over the financial years

16 Interest in Advance

This relates to accrued interest on investment in treasury bills not yet received at the close of the financial year

17 Cash generated from operations

Reconciliation of surplus/(deficit) to cash generated from operations

	2004/2005	2003/2004
Surplus (Deficit) for the year	4,128,636.00	639,341.00
<i>Adjustments for:</i>		
Depreciation	3,210,048.00	1,823,502.00
Amortization	1,600,000.00	1,600,000.00
Gain on disposal of Fixed Assets	-	(1,376,572.00)
Government grant	(2,450,936.00)	(2,450,936.00)
Interest Income	(908,316.00)	(193,929.00)
Provisions	(200,000.00)	250,000.00
<i>Changes in working capital:</i>		
(Increase)/Decrease in Trade Receivables	(275,164.00)	251,884.00
Increase/(Decrease) in Trade Payables	(26,868.00)	(1,491,767.00)
(Increase)/Decrease in Prepayment	(34,054.00)	33,622.00
Increase/(Decrease) in Interest in Advance	70,671.00	(67,279.00)
Cash generated from operations	5,114,017.00	(1,002,986.00)

Pest Control Products Board

18 Employees

The number of employees at financial year end was 35. (29 as at 30 June 2004)

19 Incorporation and Nature of Business

The Pest Control Products Board is a statutory organization of Kenya Government established under the Pest Control Products Act Cap. 346 of the laws of Kenya. This is an Act of parliament that **regulates the importation, exportation, manufacture, distribution, sale and use of pest control products.** It became operational in 1984.

20 Domicile

Pest Control Products Board
Waiyaki Way (KARI-NARL)
Po Box 13794 Nairobi-00800
Tel 4446115
Fax 4449072
Email: pcpboard@todays.co.ke
www.pcpb.or.ke

Appendix to Income and Expenditure Account

INCOME	2004/2005 (Shs.)	2003/2004 (Shs.)
Miscellaneous	180,350.00	80,000.00
Interest on Investment	908,316.00	193,929.00
License Fees Income	33,967,611.00	26,990,811.00
Government Grants	2,450,936.00	2,450,936.00
Gain on disposal of Motor Vehicles	-	1,376,572.00
Total Income	37,507,213.00	31,092,248.00
EXPENDITURE		
Administration Cost		
Fees, Commission & Honoraria	1,205,650.00	1,607,180.00
Transport Operating Expenses	2,762,822.00	2,624,192.00
Traveling & Accommodation	2,688,331.00	3,344,600.00
Postal and Telegram	188,267.00	135,896.00
Telephone Expenses	554,985.00	494,996.00
Official Entertainment	238,868.00	323,349.00
Computer Expenses	939,046.00	30,392.00
Purchase of Stationary	300,700.00	342,288.00
Miscellaneous & other Charges	265,586.00	248,932.00
External Traveling	340,376.00	710,894.00
Maintenance of Plant & Machinery & Equipment	136,001.00	73,453.00
Maintenance of Buildings & Stations	123,861.00	854,280.00
Purchase of Fungicides	27,690.00	8,850.00
Insurance	842,056.00	691,740.00
Bank Charges	139,047.00	145,023.00
Library Expenses	78,885.00	134,596.00
Printing & Publication	467,176.00	365,293.00
Rent & Rates (Non-residential)	1,548,750.00	868,694.00
Expenses Board Committees & Conferences	315,903.00	894,187.00
Purchase of Staff Uniform	46,645.00	43,550.00
A.S.K. Show Expenses	84,010.00	6,220.00
Training Expenses	203,694.00	111,093.00
Depreciation Expenses	3,210,048.00	1,823,502.00
Audit fees Provision	250,000.00	250,000.00
Advertising and Publicity	192,160.00	241,474.00
Amortization Expenses	1,600,000.00	1,600,000.00
Bad debts Written off	-	30,000.00
Tax Arrears Paid	-	179,248.00
Sub Total	18,750,557.00	18,183,922.00
Staff Costs		
Basic Salary	5,138,805.00	3,439,022.00
House Allowance	4,905,258.00	3,974,000.00
Medical Allowances	1,572,077.00	1,356,760.00
Passage & Leave Allowance	340,000.00	167,500.00
Service Gratuity	277,104.00	895,474.00
Commuter Allowance	1,678,726.00	-
Other Personal Allowances	447,490.00	1,857,912.00
Company N.S.S.F Contribution	47,600.00	43,200.00
Medical Expenses - Inpatient	178,609.00	372,977.00
Medical Expenses - Ex gratia	42,351.00	146,572.00
Government Pension Contribution	-	15,568.00
Sub Total	14,628,020.00	12,268,985.00
Grand Total Expenditure	33,378,577.00	30,452,907.00