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**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF THE KENYA DAIRY BOARD FOR THE YEAR ENDED 30
JUNE 2001**

KENYA NATIONAL ASSEMBLY
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**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF THE KENYA DAIRY BOARD FOR THE YEAR ENDED 30
JUNE 2001**

The accounts of the Kenya Dairy Board for the year ended 30 June 2001 have been examined in accordance with the provisions of Section 29 of the Exchequer and Audit Act (Cap 412) under my direction. All the information and explanations required for the purpose of the audit have been obtained. Proper books of account have been kept and the Accounts, which have been prepared under the historical cost convention, are in agreement therewith.

Except for the matters referred to below, in my opinion the Accounts, when read together with the Notes thereon, present fairly the Board's financial state of affairs as at 30 June, 2001 and of its surplus and cash flow for the year then ended.

1. LAND

The Board does not hold title documents in respect of land properties at Narok town and Kabete. Although the plot at Kabete measuring 1.6 hectares has been valued at Kshs.17,800,000 and included in the Accounts of the Board, the plot at Narok town has not been valued and is therefore excluded from the Board's Accounts for the year 2000/2001. In the absence of title documents for the two land parcels, their ownership by the Board could not be established. Further, in view of the exclusion of the Narok town plot from the Accounts it was also not possible to confirm the correctness of the value of land and Buildings balance of Kshs.24,595,444 as at 30 June 2001.

2. DEBTORS AND PREPAYMENTS

The Debtors and Prepayments figure of Kshs.5,313,180 as at 30 June 2001 includes staff debtors totalling Kshs.4,317,933 in the form of imprests, advances, loans and other staff debtors, most of which have remained outstanding for over four (4) years. Although a number of staff have already left the services of the Board, no indication has been given as to how these debts and others due from former Board of Directors amounting to Kshs.1,194,648 are to be recovered from the ex-staff and former Board of Directors. Further the balance includes unsupported amount of Kshs.549,064. In the circumstances, it is not possible to confirm the correctness and recoverability of the debtors and prepayments balance of Kshs.5,313,180 as at 30 June 2001.

3. BOARD OF DIRECTORS ALLOWANCES

The Board of Directors approved revised allowances payable to Board members, three times, the last such approval being on 08 February 2001, without seeking the authority of Government. Further the Board paid allowances totalling Kshs.1,329,764.90 to Board members contrary to section 10 of the State Corporations Act (Cap. 446). In addition the chairman of the

Board was paid Kshs.612,802.60 for making regular visits to the Board offices supposedly to advise on managerial issues. There was, however, no evidence seen showing what the chairman did or that his presence at the Board offices was required. Consequently, therefore the propriety of Kshs.1,329,764.90 paid to board members and Kshs.612,802.60 paid to the Chairman could not be confirmed.



D. G. NJOROGE
CONTROLLER AND AUDITOR GENERAL

Nairobi

30 October 2003

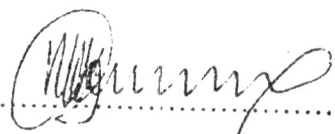
OFFICE OF THE CONTROLLER
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KENYA DAIRY BOARD

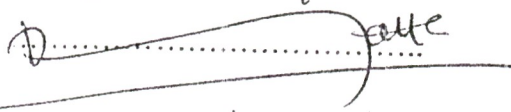
BALANCE SHEET AS AT 30TH JUNE 2001

	NOTES	2001 <u>KSHS</u>	2000 <u>KSHS</u>
<u>FIXED ASSETS:-</u>			
Land & Buildings	2(a)	24,595,444.00	24,595,444.00
Work in progress building	2(c)	5,017,287.00	5,017,287.00
Motor vehicles	2(b)	2,821,640.00	-
Furniture & Fittings	2(d)	822,147.00	1,665,934.00
Office Equipment	2(e)	949,254.00	-
		<u>34,205,772.00</u>	<u>31,278,665.00</u>
<u>CURRENT ASSETS:-</u>			
Debtors & Prepayments	3	5,313,180.00	3,700,414.00
Cash & Bank balances	4(b)	18,054,158.00	2,990,299.00
		<u>23,367,338.00</u>	<u>6,690,713.00</u>
<u>CURRENT LIABILITIES</u>			
Creditors & accruals	5	12,835,231.00	13,912,333.00
Bank overdraft	4(b)	2,804,397.00	1,349,407.00
		<u>15,639,628.00</u>	<u>15,261,740.00</u>
Net current Assets/liabilities		7,727,710.00	(8,571,027.00)
TOTAL NET ASSETS		<u>41,933,482.00</u>	<u>22,707,638.00</u>
<u>FINANCE BY:-</u>			
Accumulated fund	6	19,828,232.00	602,388.00
Capital reserves	7	22,105,250.00	22,105,250.00
		<u>41,933,482.00</u>	<u>22,707,638.00</u>

Managing Director :



Director :



INCOME & EXPENDITURE ACCOUNT AS AT 30TH JUNE 2001

	<u>2000/01</u> <u>KSHS</u>	<u>1999/00</u> <u>KSHS</u>
<u>INCOME</u>		
Ghee Licence	2,000.00	3,000.00
Retail Licence	669,200.00	536,200.00
Dairy Managers Lic	3,000.00	1,000.00
Producer Licence	406,500.00	495,850.00
Cess receipts	29,828,973.00	4,008,883.00
Permit Licence	178,800.00	222,800.00
Miscellaneous revenue	178,427.00	115,043.00
G.O.K - Grants	24,819,000.00	27,200,000.00
Interest received	152,600.00	56,321.00
Assurance fee	14,000.00	18,000.00
Processors licence	134,000.00	180,000.00
Milk bar Licence	610,000.00	821,800.00
Application fees	172,600.00	185,900.00
Cottage Industry	13,000.00	12,000.00
Mini-Dairies	138,000.00	160,000.00
Import Licence	9,891,764.00	1,037,097.00
M/Vehicle Sales	434,500.00	-
TOTAL INCOME	<u>67,646,364.00</u>	<u>35,053,894.00</u>
<u>EXPENSES:-</u>		
Telephone, postage & teleg	4,215,433.00	438,907.00
Maint. Of stations	790,751.00	329,998.00
Trav. Accom & Subsistence	2,433,705.00	2,429,968.00
M/Vehicle expenses	4,110,066.00	3,323,149.00
Education & training	258,665.00	267,270.00
Stationery & Printing	964,510.00	740,268.00
Advertising expenses	308,869.00	70,458.00
Board members Allowance	2,721,686.00	102,410.00
Entertainment & Misc Exp.	533,904.00	388,542.00
Donations	177,720.00	183,150.00
Medical Expenses	4,473,327.00	3,347,093.00
Rent & Rates	4,175,429.00	3,999,186.00
Show Expenses	202,818.00	100,000.00
Salaries & Wages	18,205,242.00	17,152,519.00
Laboratory & Sundry Exp.	12,620.00	-
Insurance General	437,018.00	327,076.00
Gratuity & Pension	1,132,083.00	1,165,942.00
Audit fees	300,000.00	120,000.00
N.S.S.F employers contr.	146,520.00	146,720.00
Bank charges	415,844.00	299,426.00
Fees, Coom & Honorarium	881,865.00	733,885.00
Leave passage allowance	706,898.00	204,376.00
Electricity & conservancy	170,986.00	292,712.00
Maint. Of Plant & Equipment	131,821.00	189,015.00
Uniform & Protective clothing	-	59,420.00
Depreciation	536,742.00	371,800.00
Total Expenditure	<u>48,444,522.00</u>	<u>36,783,290.00</u>
SURPLUS/DEFICIT	<u>19,201,842.00</u>	<u>(1,729,396.00)</u>

KENYA DAIRY BOARD

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2001

<u>CASH FLOW FROM OPERATING ACTIVITIES</u>	<u>2001</u> <u>KShs.</u>	<u>2000</u> <u>KShs.</u>
Net surplus/(deficit) for the year	19,201,842.00	(1,729,398.00)
add: Adjustments for:-		
Prior year adjustments	24,002.00	55,138.00
Depreciation.	536,742.00	371,800.00
Operating surplus (loss) before working capital changes	<u>19,762,586.00</u>	<u>(1,302,460.00)</u>
(increase)/Decrease in debtors	(1,612,766.00)	615,215.00
Increase/(Decrease in creditors	<u>(1,077,102.00)</u>	<u>1,798,093.00</u>
Net cash from operating activities	17,072,718.00	1,110,848.00
Interest paid	-	-
<u>CASH FLOW FROM SERVICING FINANCE</u>		
Purchase of fixed assets	(3,463,848.00)	(93,000.00)
Proceeds from sale of fixed assets	-	-
Cash flow from investing activities	<u>(3,463,849.00)</u>	<u>(93,000.00)</u>
Changes in cash & cash equivalent	13,608,869.00	1,017,848.00
Cash & Cash equivalent at the beginning of the period	1,640,892.00	623,044.00
Cash & cash equivalent at the end of period	<u>15,249,761.00</u>	<u>1,640,892.00</u>

KENYA DAIRY BOARD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2001

1. ACCOUNTING POLICIES:-

(a) The Board's accounts have been prepared on historical basis of accounting.

(b) The fixed assets have been depreciated on straight line method designed to write off the assets during their estimated useful life at the following rates:-

Motor Vehicle	25%
Furniture & Fittings	10%
Office Equipment	10%

(c) Revenue and Expenditure are recognised and matched with the period to which they accrue

2.(a) FIXED ASSETS :-

	<u>Land & Buildings</u>	<u>Motor Vehicles</u>	<u>Furniture & Fittings</u>	<u>Office Equipment</u>	<u>Total</u>
	Kshs	Kshs	Kshs	Kshs	Kshs
Bal. B/f 1.7.00	29,612,731.00	3,360,000.00	3,062,502.00	1,408,276.00	37,443,509.00
Additions	-	2,944,320.00	44,450.00	475,079.00	3,463,849.00
Disposals	-	(590,000.00)	-	-	(590,000.00)
Total Cost	29,612,731.00	5,714,320.00	3,106,952.00	1,883,355.00	40,317,358.00
Bal. B/f 1.7.00	-	3,360,000.00	1,918,251.00	886,593.00	6,164,844.00
Charge for the year	-	122,680.00	366,554.00	47,508.00	516,742.00
Disposals	-	(590,000.00)	-	-	(590,000.00)
Accum. Depr.	-	2,892,680.00	2,284,805.00	934,101.00	6,111,586.00
Bal c/f 30.6.2001	29,612,731.00	2,821,640.00	822,147.00	949,254.00	34,205,772.00
Bal c/f 30.6.2000	29,612,731.00	-	1,144,251.00	521,683.00	31,278,665.00

(b) Four motor vehicles costing kshs.590,000.00 werw disposed off during the year and one m/vehicle purchased for the Managing Director at acost of kshs.2,944,320.00

('C) The land buildings cost of kshs.29,612,731.00 includes kshs.5,017,287.00 being work in progress on the ongoing construction of the Board's headquarters in Nairobi South 'B'.

3. DEBTORS:-

	2001 <u>KSHS</u>	2000 <u>KSHS</u>
West Wood Construction	317,133.00	317,133.00
K.N.A.C M/Vehicle claim	318,250.00	318,250.00
Fuel Deposits	173,814.00	173,814.00
Water Deposits	2,000.00	2,000.00
K.P.L.C Deposit	10,500.00	10,500.00
Rent Deposit	551,914.00	136,000.00
Car Loan Control	798,885.00	422,714.00
Rent Prepayments	13,200.00	13,200.00
Fridge loan Control	96,661.00	39,715.00
Staff Debtors	667,425.00	769,028.00
KDB-Haarrambue Contribution	8,500.00	3,400.00
INS. Compensation K.N.A.C	44,500.00	44,500.00
Staff Imprests Control	2,559,320.00	1,677,776.00
Staff Advances Control	195,642.00	216,948.00
TOTAL	5,757,744.00	4,144,978.00
LESS:-		
Prov For Bad Debts.	(444,564.00)	(444,564.00)
NET DEBTORS	<u>5,313,180.00</u>	<u>3,700,414.00</u>

4.(a) CASH & BANK BALANCES:-

	<u>2001</u> KSHS	<u>2000</u> KSHS
Savings Account	17,879,970.00	2,841,267.00
N.B.K Car Loan Account	174,188.00	149,032.00
Petty Cash	-	-
BAL C/F	<u>18,054,158.00</u>	<u>2,990,299.00</u>

OVER DRAFTS

Current Bank Account	2,804,397.00	1,349,407.00
BAL C/F	<u>2,804,397.00</u>	<u>1,349,407.00</u>

5. CREDITORS & ACCRUALS:-

	<u>2001</u> <u>KSHS</u>	<u>2000</u> <u>- KSHS</u>
Provision for Audit fees	470,000.00	880,000.00
KDB cost./Retention money	501,729.00	501,729.00
KNAC staff pension	2,937,115.00	2,937,115.00
Accrued expenses	4,777,790.00	2,914,294.00
Accrued rent	181,261.00	1,230,138.00
Staff claims. Imp/Adv.	30,298.00	40,382.00
Staff pension K.N.A.C	27,347.00	39,947.00
N.H.I.F	1,256,460.00	1,041,400.00
ALICO - B. Ngati	284.00	284.00
Harambee SACCO	900.00	900.00
S.F.T account	-	220.00
Ukulima SACCO	31,604.00	706,833.00
Staff pension KNAC	266,302.00	266,302.00
P.A.Y.E	1,577,536.00	235,241.00
N.S.S.F	-	61,852.00
M/Vehicle surcharge	-	15,365.00
N.H.C - Sarah Ochar	2,576.00	2,576.00
A.G Chambers - W. Njoroge	-	10,392.00
Staff Welfare	6,017.00	850.00
Jaribu traders	22,885.00	22,885.00
Account payable - B. Saidimu	1,141.00	1,141.00
ALICO -Staff pension	100,583.00	2,585,612.00
Ins. Policy - N. Wanjohi	296.00	296.00
Jubilee Ins. Claims	-	171,600.00
ALICO Ins. Claims	387,557.00	31,749.00
L. A. Service charge	255,550.00	213,230.00
TOTAL	<u>12,835,231.00</u>	<u>13,912,333.00</u>

6. ACCUMMULATED FUND :-

	<u>2001</u>	<u>2000</u>
	KSHS	KSHS
BAL B/F	602,388.00	2,276,648.00
Prior year Adjustments	24,002.00	55,136.00
Surplus/(Deficit) for the year	18,172,528.00	(1,729,396.00)
BAL C/F	<u>18,798,918.00</u>	<u>602,388.00</u>

7. CAPITAL RESERVES

	<u>2001</u>	<u>2000</u>
	KSHS	KSHS
BAL B/F	22,105,250.00	4,305,250.00
Gain on Valuation	-	17,800,000.00
BAL C/F	<u>22,105,250.00</u>	<u>22,105,250.00</u>

KENYA DAIRY BOARD

SCHEDULE OF CREDITORS & ACCRUALS 2000/2001

	2001	2000
	<u>KSHS</u>	<u>KSHS</u>
Provision for Audit fees	470,000.00	880,000.00
KDB cost./Retention money	501,729.00	501,729.00
KNAC staff pension	2,937,115.00	2,937,115.00
Accrued expenses	4,777,790.00	2,914,294.00
Accrued rent	181,261.00	1,230,138.00
Staff claims. Imp/Adv.	30,298.00	40,382.00
Staff pension K.N.A.C	27,347.00	39,947.00
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KENYA DAIRY BOARD

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LESS:-		
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NET DEBTORS	<u>5,313,180.00</u>	<u>3,700,414.00</u>

KENYA DAIRY BOARD

SCHEDULE OF FIXED ASSETS 30TH JUNE 2001

<u>FIXED ASSETS</u>	Land & Buildings	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Bal. B/f 1.7.00	29,612,731.00	3,360,000.00	3,062,502.00	1,408,276.00	37,443,509.00
Additions/ Val.	-	2,944,320.00	44,450.00	475,079.00	3,463,849.00
Disposals	-	(590,000.00)	-	-	(590,000.00)
Total Cost	29,612,731.00	5,714,320.00	3,106,952.00	1,883,355.00	40,317,358.00
<u>DEPRECIATION:-</u>					
Bal b/f 1.7.00	-	3,360,000.00	1,918,251.00	886,593.00	6,164,844.00
Add:- Charge for the year	-	122,680.00	366,554.00	47,508.00	536,742.00
Disposals	-	(590,000.00)	-	-	(590,000.00)
Total Accum. Depr.	-	2,892,680.00	2,284,805.00	934,101.00	6,111,586.00
Bal.30.6.'01	29,612,731.00	2,821,640.00	822,147.00	949,254.00	34,205,772.00
Bal.30.6.'00	29,612,731.00	-	1,144,251.00	521,683.00	31,278,665.00