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KENYA ROADS BOARD

FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR 2005/06



KENYA NATIONAL AUDIT OFFICE

17 MAR 2008

**REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL**

ON

**THE FINANCIAL STATEMENTS OF
KENYA ROADS BOARD FOR YEAR
ENDED 30 JUNE 2006**

GMPP	
GMF	
GMTC	
MLCA	
MHRA	



KENYA ROADS BOARD

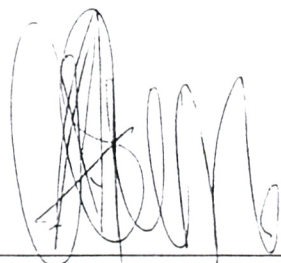
**FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR 2005/2006**

STATEMENT OF BOARD MEMBERS RESPONSIBILITIES

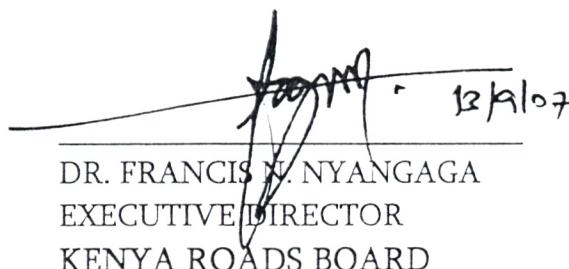
The Kenya Roads Board Act No. 7 1999 requires the Board Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of the Board's Income and Expenditure Statement for that period. It also requires the directors to ensure the Board keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board and to ensure that the Financial Statements comply with the establishing Act. They are also responsible for safeguarding the assets of the Board and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board Members accept responsibility for the FY 2005/06 annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenya Roads Board Act. The Board Members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board and of the Board's Income and Expenditure Statement. The Board Members 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 Board Members to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.



MR. ALFRED C. JUMA, MBS
CHAIRMAN
KENYA ROADS BOARD



DR. FRANCIS N. NYANGAGA
EXECUTIVE DIRECTOR
KENYA ROADS BOARD

INSTITUTIONAL DETAILS

Kenya Roads Board was formed by an Act of parliament No. 7 of 1999

Registered office and principal place of business:

3rd Floor
Kenya Re Towers , Off Ragati Road
Upper Hill Area

Postal Address

P. O. Box 73718 – 00200
NAIROBI

Bankers

Citibank N.A.
Upperhill
P.O. Box 30711
NAIROBI

Standard Chartered Bank
Kenyatta Avenue
P.O. Box 30034
NAIROBI

Central Bank of Kenya
P.O. Box 60000
NAIROBI

Co-operative Bank of Kenya
Co-operative Bank House
P. O. Box 48231 – 00100
NAIROBI

National Bank of Kenya Limited
Hill Branch
P. O. Box 41862 – 00100
NAIROBI

Auditor
Controller and Auditor General
P. O. Box 30084 – 00100
NAIROBI

Lawyers
Lumumba Mumma and Kaluma Advocates
P. O. Box 10676 – 00400
NAIROBI

Board Members

- 1) Eng. Samuel Otonglo - Chairman (up to 9/08/2005)
- 2) Mr. Alfred C. Juma, CBS - Chairman (from 10/08/2005)
- 3) Dr. Francis N. Nyangaga - Executive Director
- 4) Amb. (Eng.) Mohamed Mahamud - PS, MoRPW
- 5) Mr. Joseph Kinyua - PS, Finance
- 6) Dr. Gerrishon Ikiara - PS, Transport
- 7) Mr. Solomon Boit - PS, Local Government
- 8) Amb. Peter Ole Nkuraiya - PS, East African Community
- 9) Mr. Joseph Muongeri - Kenya Association of Tour Operators
- 10) Mrs. Kellen Kariuki - ICPAK
- 11) Amb. John P. Mbogua - Kenya Association of Manufacturers
- 12) Mr. Silas Muriithi Kinoti - Institution of Surveyors of Kenya
- 13) Mrs. Susan Millie Owino - League of Kenya Women Voters
- 14) Mr. Nelson Ruto Korir - Kenya Transporters Association

Senior Management Staff

- 1) Mr. Nicodemus M. Muteti - General Manager, Finance
- 2) Eng. Stephen W. Ndinika - General Manager, Technical Compliance
- 3) Eng. Jacob Z. Ruwa - General Manager, Planning & Programming
- 4) Ms Ruth M. Bitu - Manager Human Resource & Administration
- 5) Ms Lucy K. Gathika - Legal Secretary



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA ROADS BOARD FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of Kenya Roads Board for the year ended 30 June 2006 set out on pages 5 to 13 which comprise the balance sheet as at 30 June 2006, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with the provision of Section 14 of the Public Audit Act, 2003. I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

The Board's Responsibility for the Financial Statements

The Board is 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 in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 Road Board's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the

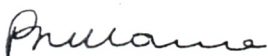
directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Consolidated Financial Statements and Audited Accounts

The financial statements for the year ended 30 June, 2006 are not consolidated and only reflect 3% or Kshs.300,310,757 being funds disbursed for Kenya Roads Board operations out of a total of Kshs.10,607,521,000 funds available from the Petroleum Levy Fund during the year. Disbursements totalling 9,810,120,000 to Agencies namely, Ministry of Roads and Public Works, Ministry of Local Government, District Roads Committees, Kenya Wildlife Services and Constituencies have not been consolidated with those of the Kenya Roads Board. Further, with the exception of the Kenya Wildlife Service, other Agencies have not prepared or submitted to the Board audited financial statements, contrary to Section 25(2) of the Kenya Roads Board Act, 1999. In addition, although the Act requires Agencies to submit audited accounts to the Board, it is not specific on the requirement for the Board to prepare and submit consolidated financial statements for audit. Consolidation, according to the management, is made difficult by the requirement for the Board to prepare accounts within three months after the end of the financial year while its implementing agencies are supposed to submit audited accounts to the Board within a period of six months after the end of financial year. In its 14th Report on the Accounts for the financial year 2001/2002, the Public Investments Committee recognized this weakness which inhibits consolidation of accounts of the board with those of the Agencies. It recommended a legal review of the Kenya Roads Board Act, 1999 with a view to facilitating and requiring consolidation of the Accounts for Kenya Roads Board with those of its Agencies. The Board has indicated that the review is at an advance stage. Until this legal review is concluded, however, it is not possible to confirm the overall financial position, performance and changes in financial position of the total Road Maintenance Levy Fund disbursed, which in 2005/2006 stood at Kshs.10,110,430,000.

Opinion

Except for the foregoing reservation, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the financial state of affairs of the Roads Board as at 30 June 2006 and of its surplus and cash flow for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Roads Board Act 1999.



P.N. KOMORA, C.B.S
CONTROLLER AND AUDITOR GENERAL

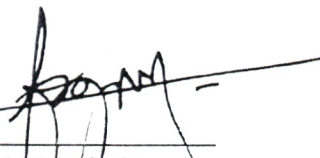
Nairobi

29 February 2008

KENYA ROADS BOARD

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2005/06	2004/05
		Kshs '000	Kshs '000
FIXED ASSETS			
Property Plant & Equipment	4	31,141	41,649
CURRENT ASSETS			
Cash and Bank	5	1,778,218	1,708,405
Debtors	6	4,855	4,381
Prepayments	7	681	2,457
TOTAL		1,783,754	1,715,243
TOTAL ASSETS		1,814,895	1,756,892
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Fund - Operational	1	100,014	100,014
Road Maintenance Levy Fund - CBK	1	904,459	932,463
Surplus from operations	8	20,958	104,099
KRB Staff Fund	9	99,057	0
TOTAL		1,124,488	1,136,576
CURRENT LIABILITIES			
Creditors	10	93,566	80,810
Agencies Payable	11	596,841	539,506
TOTAL		690,407	620,316
TOTAL EQUITY & LIABILITIES		1,814,895	1,756,892


 DR. FRANCIS N. NYANGAGA
 EXECUTIVE DIRECTOR

DATE

13/9/07


 MR. ALFRED C. JUMA MBS
 CHAIRMAN

DATE

13/9/07

KENYA ROADS BOARD

INCOME & EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2006.

	NOTE	ACTUAL 2005/06 Kshs '000	ACTUAL 2004/05 Kshs '000
Road Maintenance Levy Fund Receipts	2	9,641,006	9,466,515
INCOME			
Road Maintenance Levy Fund	3	279,000	283,314
Interest Earned		5,903	6,115
Sale of Tender		176	155
TOTAL INCOME		285,079	289,584
EXPENDITURE			
Directors Emoluments		21,710	22,319
Directors Insurances		687	198
Directors Field Trips		1,952	2,690
Directors Overseas Travel		4,958	1,558
Directors Training		544	2,186
Ministerial Functions		536	0
Salaries & Wages		62,109	46,987
Staff Pension		12,671	7,500
Staff Training & Development		8,012	7,605
Staff Welfare		2,027	0
Staff Recruitment		319	0
Staff Insurance		3,437	1,795
Advertising & Publicity		23,878	6,271
Bank Charges		470	379
Books & Publications		30	33
Conferences & Seminars		4,660	3,482
Consultancies		60,599	62,619
General Insurances		711	579
Legal & Professional fees		800	347
Newspapers & Magazines		375	421
Office Expenses		4,158	4,206
Rent of Premises		10,298	9,135
Security		465	780
Staff Mileage		1	0
Stationery		2,777	3,161
Telephone & Postages		6,061	4,749
Vehicle Expenses & Repairs		7,093	6,885
Audit Fees Provision		150	150
Field Activities:			
Executive Director		1,952	7,323
Planning & Programming		2,498	2,253
Technical Compliance		2,806	2,578
Finance		1,816	1,756
ICT		504	671
Depreciation	4	13,057	21,818
TOTAL EXPENSES		264,121	232,434
Surplus of Income over Expenditure		20,958	57,150

KENYA ROADS BOARD

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2006

	Kshs '000	Kshs '000
CASH FLOWS FROM OPERATION		
Surplus of Income over Expenditure	20,958	
Adjust for:		
Depreciation	13,057	
Investing Income	(5,903)	
Operating Profit before working capital changes	<u>28,112</u>	
Decrease in Debtors	1,302	
Increase in Creditors	<u>70,091</u>	
Net cash flow from operating activities		99,505
CASH FLOW FROM INVESTING ACTIVITIES		
Net Interest Earned	5,903	
Purchase of Fixed Assets	<u>(2,549)</u>	
Net cash used in investing activities		3,354
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in Retained Surplus	(5,042)	
Decrease in Road Maintenance Levy Fund	<u>(28,004)</u>	
Cash flow from financing activities		<u>(33,046)</u>
Net increase in cash and cash equivalent		69,813
Add: Cash and cash equivalent at beginning of period		<u>1,708,405</u>
Cash and cash equivalent at end of period		1,778,218

KENYA ROADS BOARD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Kshs '000	Kshs '000	Kshs '000
	Capital Reserves	Operations Reserves	Total
As at 30 June 2005	100,014	104,099	204,113
At 1 July 2005	100,014	104,099	204,113
Disbursements from Operation Reserves		(104,099)	(104,099)
Net surplus for the year		20,958	20,958
As at 30 June 2006	100,014	20,958	120,972

The operations reserves are generated from the allocation of Kenya Roads Board Fund towards the operations of the Board and is available for disbursements to road agencies and sub-agencies for the purpose for which the fund was created.

KENYA ROADS BOARD

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30th JUNE 2006.

NOTE 1:

ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared under the historical cost basis.

Currency

The accounts are in Kenya Shillings.

Depreciation

The depreciation policy is a full charge in the year of acquisition and no charge during the year of disposal. This is calculated on a straight line basis to write off the cost of fixed assets over their useful lives at the following rates:

- Computer Equipment 33 $\frac{1}{3}$ %
- Office Equipment 12.5%
- Motor Vehicles 25.0%
- Furniture & Fittings 12.5%

Revenue Recognition

The Board is allocated 3% of the Road Maintenance Levy Fund to run its operations. These funds are disbursed together with other disbursements to agencies. Revenue is recognized once the Board has given approval to disburse.

Accumulated Fund – Operational

This consists of funds which have been set aside as initial capital.

Road Maintenance Levy Fund

This amount represents funds available for disbursement as at 30th June 2006 of (Kshs '000) 904,459 to be carried forward for disbursement in the following year.

NOTE 2:

Road Maintenance Levy Fund Disbursements

RECIPIENT/AGENCY	2005/06 Kshs '000	2004/05 Kshs '000
Opening Balance	966,515	943,805
Receipts	9,641,006	9,466,515
Funds Available	10,607,521	10,410,320
Disbursements:		
KRB OPERATIONS	300,311	283,314
ROADS DEPT. (ABC ROADS)	5,721,524	5,382,969
ROADS DEPT. (D,E & OTHERS)	1,135,163	978,573
MINISTRY OF LOCAL GOVERNMENT	894,432	821,278
DISTRICT ROADS COMMITTEES	474,000	400,000
KENYA WILDLIFE SERVICES	70,000	66,662
CONSTITUENCIES	1,515,000	1,511,009
TOTAL DISBURSEMENTS	10,110,430	9,443,805
CLOSING BALANCE	497,091	966,515

NOTE 3:

The RMLF income for Kenya Roads Board is made up as follows:

ITEM	Kshs '000
2 nd Tranche	21,779
4 th Tranche	35,909
5 th Tranche	25,023
6 th Tranche	22,513
7 th Tranche	34,096
8 th Tranche	46,763
9 th Tranche	32,127
10 th Tranche	21,105
11 th Tranche	32,000
12 th Tranche	7,685
TOTAL	279,000

NOTE 4:
Property Plant and Equipment

	COMPUTER EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	TOTAL
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Depreciation Rate	33.33%	12.50%	25.00%	12.50%	
Cost:					
Balance b/f 1 July 05	28,910	10,722	40,801	41,575	122,008
Additions	2,309	229	0	10	2,548
Balance as at 30 June 2006	31,219	10,951	40,801	41,585	124,556
Depreciation:					
Accumulated dep'n b/f	24,766	4,417	33,912	17,263	80,358
Charge for the year	2,873	1,369	3,617	5,198	13,057
Balance as at 30 June 2006	27,639	5,786	37,529	22,461	93,415
Net Book Value as at 1st July 2005	3,089	7,632	10,625	23,143	44,489
Net Book Value as at 30 June 2006	3,580	5,165	3,272	19,124	31,141

NOTE 5:
Cash & Bank

This amount is made up as follows:

Bank	Kshs '000
Citibank	205,830
Standard Chartered	51,124
Central Bank	904,459
Standard Chartered Coffee Cess	6
Standard Chartered Cess USD	43,273
Citibank Agency	49,998
Cooperative Bank Agency	181,668
National Bank Agency	330,307
Citibank Agency USD	11,473
Petty Cash	80
TOTAL	1,778,218

NOTE 6:**Debtors**

ITEM	Kshs '000
Staff Advances	1,083
Telephone Deposits	87
Other Debtors	3,685
TOTAL	4,855

NOTE 7:**Prepayments**

This amount is made up as follows:

ITEM	Kshs '000
Motor Vehicle Insurance	592
General Insurance	89
TOTAL	681

NOTE 8:**Surplus from operations**

This amount is made up as follows:

ITEM	Kshs '000
Current Year	20,958
Previous Year	0
TOTAL	20,958

NOTE 9:**KRB Staff Fund**

These are funds which have been set aside to support the Kenya Roads Board staff car loan scheme and mortgage scheme.

NOTE 10:**Creditors**

ITEM	Kshs '000
Suppliers	26,172
Provisions & Accruals	66,917
Others	477
TOTAL	93,566

NOTE 11:**Agency Payable**

This relates to funds approved for disbursement to agencies but not yet released. The balances owing as at 30th June 2006 are as shown below:

Agency	Kshs '000
Ministry of Local Government	339,628
District Roads Committees	106,156
Constituencies	151,057
Total	596,841