

REPUBLIC OF KENYA



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Leader of Majority
on 23/4/2014
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KENYA NATIONAL AUDIT OFFICE

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**REPORT OF
THE
AUDITOR-GENERAL**

KENYA NATIONAL AUDIT OFFICE

ON

**THE FINANCIAL STATEMENTS
OF KENYA TRADE NETWORK AGENCY
FOR THE YEAR ENDED
30 JUNE 2013**





Your G2B trading partner

KENYA TRADE NETWORK AGENCY

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2013**

Kenya Trade Network Agency
Annual Reports and Financial Statements
Year Ended June 30, 2013

AGENCY INFORMATION

Board of Directors	Gen (Rtd) J. Kibwana	Chairman
	Aggrey K. Chabeda	
	Sam K. Njonde	
	Gilbert Langat	
	Juliana M.Kisimbii	
	Dr. Kamau Thugge	PS-The National Treasury
	Joseph Kinyua	PS- Treasury
	Joseph Nduva Muli	PS-Transport & Infrastructure
	Dr. Cyrus Njiru	PS- Transport
	Eng. Abdulrazaq Ali	PS- Trade
	Joseph Z. Ngugi	Alternate-PS Treasury
	George Wanjau	Alternate- PS Transport
	Philip G. Nderitu	Alternate- PS Trade
	Alex Kabuga	CEO, Secretary to the Board of Directors

Principal Place of Operation

Embankment Plaza
First Floor
P.O. Box 36943 -00200
Nairobi

Auditors

Auditor General
Republic of Kenya
P.O. Box 30084-00100
Nairobi

Principal Bankers

Equity Bank Limited
Equity Center Branch
P.O.Box 75104 -00200
Nairobi

Co operative Bank of Kenya
Upper Hill Branch
KUSCO CENTRE
P.O BOX 48231-00100
NAIROBI

**Kenya Trade Network Agency
Annual Reports and Financial Statements
Year Ended June 30, 2013**

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 30th June 2013

ENABLING LEGISLATION

The Agency was created by Legal Notice No. 6 of 2010 and operates under the States Corporation Act (Cap 446)

PRINCIPAL ACTIVITY

The Principal Objective of the Agency is to establish and manage the National Electronic Single Window System and to facilitate trade.

RESULTS

Results for the year are as shown on page 4.

DIRECTORS

The Directors who held office during the year and at the date of this report are shown on page 1.

AUDITORS

The organization's auditor, is the Auditor General of the Republic of Kenya in accordance with the Public Audit Act 2003.

BY ORDER OF THE BOARD



**SECRETARY
NAIROBI**

20-02- 2014

Kenya Trade Network Agency
Annual Reports and Financial Statements
Year Ended June 30, 2013

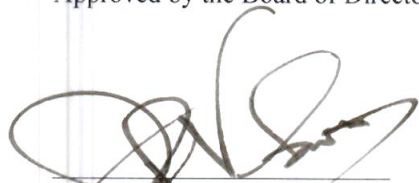
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Audit Act 2003 requires the board of Directors to prepare Financial Statements for each financial year, which includes a statement of financial position (Balance sheet) showing in details the assets and liabilities of the Agency, a statement of comprehensive income, Statement of cashflows, statement of fund balances, notes to the Accounts and such other statements that the Board may deem necessary. The State Corporations Act (Cap 446) requires the Board to ensure that proper books are kept recording all the property, undertakings, funds, activities, contracts, transactions and other business of the Board. The Board is also responsible for safeguarding the assets of the Agency.

The Board of Directors accept the responsibility for the Annual Financial Statements which have been prepared using appropriate Accounting policies supported by reasonable and prudent judgments and estimates, consistent with generally accepted accounting principles, and in conformity with International Financial Reporting Standards and in the manner required by the State Corporation Act. The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Agency as at 30 June 2013 and of its operating results for the year then ended. The Directors further confirm the accuracy and completeness of the Accounting records maintained by the organization which have been relied upon in the preparation of the Financial Statements, as well as on the adequacy of the systems of internal financial controls.

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

Approved by the Board of Directors on 20-02- 2014 and signed on its behalf by:



CHAIRMAN

DIRECTOR

REPUBLIC OF KENYA



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E-mail: cag@kenao.go.ke

Website: www.kenao.go.ke

P.O. Box 30084-00100

NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF KENYA TRADE NETWORK AGENCY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Trade Network Agency set out on pages 4 to 11, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in grants balance and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

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 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain

reasonable assurance about whether 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 judgement, 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 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 Agency's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, 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 qualified opinion.

Basis for Qualified Opinion

1. Unsupported Payments

As disclosed in note 4 to the financial statements, the Agency incurred operating expenses totalling Kshs.80,554,952, out of which Kshs.8,075,437 was paid to various suppliers for provision of air tickets and for hire of taxis. These payments were however not supported by any documentary evidence of the approval of the related journeys, including nomination or invitation letters to the functions in question. The operating expenses also include Kshs.828,980 incurred on conference packages for sensitization of stakeholders on the implementation of the National Electronic Single Window system. These payments had no supporting schedules. Under the circumstances, it has not been possible to confirm the propriety of Kshs.8,904,417 incurred as operating expenses of the Agency for the year ended 30 June 2013.

2. Procurement of Goods and Services

2.1 Irregular Payment for Goods and Services

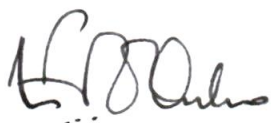
The operating expenses of Kshs.80,554,952 disclosed in note 4 to the financial statements include Kshs.10,890,106 incurred on procurement of goods and services during the year under review. However, the payment for these goods was made against no purchase/service order, as evidenced by the fact that LPOs/LSOs were raised after the respective invoices. In the circumstances, the procurement of goods and services totalling Kshs.10,890,106 was done contrary to the Public Procurement and Disposal Act, 2005.

2.2 Irregular Procurement of Goods and Services

The operating expenses of Kshs.80,554,952 disclosed in note 4 include Kshs.10,089,527 incurred on procurement of goods and services, during the year under review. However, the management procured these goods and services without requesting for quotations, contrary to Section 89 3 (b) of the Public Procurement and Disposal Act 2005. Under the circumstances, it has not been possible to confirm that the Agency obtained value for money in this procurement which was not competitive.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Agency as at 30 June 2013, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the State Corporations Act, Cap. 446 of Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

6 March 2014

Kenya Trade Network Agency
Annual Reports and Financial Statements
Year Ended June 30, 2013

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2013 KShs.	2012 KShs.
REVENUE			
Government Grants-Re- Current	* 2(a)	199,500,000	110,000,000
Miscellaneous Receipts	(b)	924,838	393,000
Total Revenue	*	<u>200,424,838</u>	<u>110,393,000</u>
RECURRENT EXPENDITURE			
Employment Costs	3 a-b	88,395,938	28,354,466
Operating Costs	4	80,554,952	40,616,080
Boards Expenses	5	12,027,087	8,623,400
Other Cost -Depreciation	6	10,876,722	1,177,698
Other Cost -Amortisation	6	650,224	-
Total Expenses		<u>192,504,923</u>	<u>78,771,644.00</u>
Net Surplus	*	<u>7,919,915</u>	<u>31,621,356</u>

* These amount have been stated as explained in the notes to cater for the change in treatment of the Development fund.

*In the restatement only recurrent grant has been treated as income while development has been transferred to the capital Fund

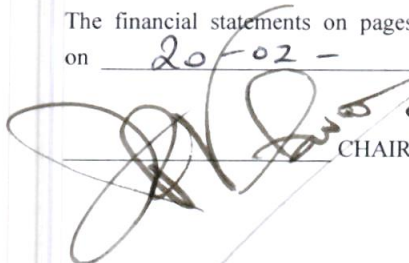
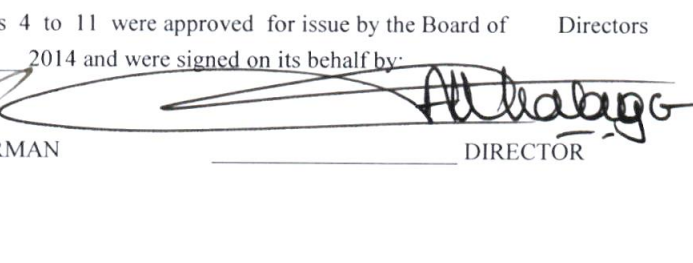
(See detailed explanations in the corresponding notes)

Kenya Trade Network Agency
Annual Reports and Financial Statements
At June 30, 2013

STATEMENT OF FINANCIAL POSITION

	Notes	2013 KShs.	2012 KShs.
NON- CURRENT ASSETS			
Property and Equipment	10	41,376,307	25,479,129
Intangible Assets	10	1,302,400	-
TOTAL NON -CURRENT ASSETS		<u>42,678,707</u>	<u>25,479,129</u>
CURRENT ASSETS			
Receivables	7	257,430,297	5,113,680
Cash and Cash Equivalents	8	287,586,250	205,698,773
Total Current Assets		<u>545,016,546</u>	<u>210,812,453</u>
TOTAL ASSETS		<u>587,695,253</u>	<u>236,291,582</u>
FUNDS AND LIABILITIES			
RESERVES			
Development Grant	*	542,000,000	200,000,000
Revenue Reserve	*	39,541,271	31,621,356
		<u>581,541,271</u>	<u>231,621,356</u>
CURRENT LIABILITIES			
Accounts payables	9	6,153,981	4,670,226
TOTAL FUNDS AND LIABILITIES		<u>587,695,253</u>	<u>236,291,582</u>

The financial statements on pages 4 to 11 were approved for issue by the Board of Directors on 20-02- 2014 and were signed on its behalf by:

CHAIRMAN
DIRECTOR

Kenya Trade Network Agency
Annual Reports and Financial Statements
Year Ended June 30, 2013

STATEMENT OF CHANGES IN GRANTS BALANCE

	Development Grant KShs	Revenue Reserves KShs	Total KShs
As at 1st July 2011	-	-	-
Government Grants-Development	200,000,000	-	200,000,000
Net surplus for the period	-	31,621,356	31,621,356
As at 30th June 2012	<u>200,000,000</u>	<u>31,621,356</u>	<u>231,621,356</u>
As at 1st July 2012	200,000,000	31,621,356	231,621,356
Government Grants-Development	342,000,000		342,000,000
Net Surplus for Period		7,919,915	7,919,915
As at 30th June 2013	<u>542,000,000</u>	<u>39,541,271</u>	<u>581,541,271</u>

Kenya Trade Network Agency
Annual Reports and Financial Statements
Year Ended June 30, 2013

STATEMENT OF CASH FLOWS	Notes	2013 Kshs	2012 Kshs
Cash flows from operating activities			
Surplus for the year		7,919,915	31,621,356
Adjustment for:			
Depreciation		10,876,722	1,177,698
Amortisation		650,224	-
Operating Surplus before working capital changes		<u>19,446,861</u>	<u>32,799,054</u>
Change in account receivables		(252,316,617)	(5,113,680)
Change in accounts payable & accruals		1,483,755	4,670,226
Cash generated absorbed by operations		(250,832,862)	(443,454)
		(231,386,001)	32,355,600
Net cash generated from operating activities		<u>(231,386,001)</u>	<u>32,355,600</u>
Cash flows from investing activities			
Purchase of property and equipment		(26,773,899)	(26,656,827)
Purchase of Intangible Assets		(1,952,624)	-
Net cash (used in) investing activities		<u>(28,726,523)</u>	<u>(26,656,827)</u>
Cash flows from Financing activities			
Development Funds		342,000,000	200,000,000
		342,000,000	200,000,000
Net cash generated from financing Activities		<u>342,000,000</u>	<u>200,000,000</u>
Net (decrease)/Increase in cash and cash equivalents		81,887,476	205,698,773
Cash and cash equivalents at beginning	8	205,698,773	-
Cash and cash equivalents at the end	8	<u>287,586,250</u>	<u>205,698,773</u>

Kenya Trade Network Agency
Annual Reports and Financial Statements
Year Ended June 30, 2013

Note to Financial Statements

1. Significant 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 compliance with International Financial Reporting standards under the historical cost convention, and are presented in the functional currency Kenya Shillings (KShs).

b) Revenue recognition

Grant revenue is recognized upon receipt or when the Agency is Certain that the funds will be received. The Recurrent Budget Amount of Kshs 50,000,000.00 was received on 2nd of July 2013, and recognized on the Re Current Income is treated as income for the Period and matched with the expenses for the period. Development Fund is taken into the Fund Account for the purchase and implementation of the Kenya National single window System

c) Property, plant and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Depreciation and amortisation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

	Method	<u>Rate %</u>
Computer equipment & Peripherals	Straight Line	33.3
Office Equipment	Straight Line	25.0
Furniture /fittings and Partitions	Straight Line	12.5
Motor Vehicles	Straight Line	25
Computer software's	Straight Line	33.3

d) Employees Benefit

The Agency contributes funds to National Social Security Fund (NSSF), and in the Financial year 2012-2013 a scheme to manage the staff benefits has been established (Liberty Pension Limited)

Kenya Trade Network Agency
Annual Reports and Financial Statements
Year Ended June 30, 2013

NOTES TO THE FINANCIAL STATEMENTS

	2013	2012
	KShs.	KShs.
2. Revenue		
a) GOK Grants		
Recurrent Expenditure Grants	199,500,000	310,000,000
Less, Adjustments for the capital Fund		200,000,000
	199,500,000	110,000,000

The annual statements for the 2011-2012 Financial year have been restated to reverse the earlier recognition of development funds of Kshs 200,000,000 as income for the period, and transfer the development funds to the capital fund

Due to the adjustment of the Kshs 200,000,000 to fund account the surplus for the period has changed from Kshs 231,621,356 to Kshs 31,621,356

b) Miscellaneous Receipts	924,838	393,000
This receipts in relation to non-refundable application fees for Tender prequalification		

RECURRENT EXPENDITURE

3.a) Employment Costs		
Basic Salaries	62,307,356	25,068,745
House Allowance	10,858,217	-
Wages	74,750	1,635,968
Entertainment	-	395,347
Other Staff Allowance	2,543,500	1,189,900
Overtime allowance	21,404	22,506
Commuter Allowance	4,830,360	42,000
Leave Allowance	565,000	-
Pension Contributions	7,195,351	-
Sub-Total	88,395,938	28,354,466

b) By the close of the Financial year, the Agency had a total staff population of 28, 7 of whom were on contract

4. Operating Costs		
International Travel	16,043,215	15,233,689
local Travels	7,324,643	-
Membership Prof subscription	137,676	341,250
Lease Expenses	13,088,036	6,854,551
Office Maintenance	189,870	73,500
Printing and Stationery	2,525,903	4,558,242
Office Incidentals	2,473,531	385,670
Club Membership	1,121,045	410,000
Consultancy Fees	5,124,064	1,562,520
Training Expenses	304,540	-
M/V Maintenance & Repair	1,414,112	436,342
M/V Insurance	171,275	-
Postage Services	17,210	6,000
Fuel	1,311,355	516,097
CTC Expenses	670,150	-
Cleaning services	537,410	-
Security	1,026,600	30,000
Publicity & Advertisement	6,239,024	642,848
Telephone, Fax, Telex & Inter	2,721,638	8,150
Utilities	527,736	33,233
Bank Charges	181,050	41,070
Bad Debts Expenses	5,113,680	-
Conference & Workshops	4,725,601	8,882,918
Audit Fee	792,000	600,000
Insurance Premium	6,773,588	-
Sub-Total	80,554,952	40,616,080

5. Boards Expenses		
Meals and Accommodations	1,450,896	
Monthly retainer	3,520,000	
Utilities	107,350	
Sitting allowances	4,637,200	
Insurance	505,160	
Trainings	287,825	
Income Taxes	960,000	
E-board Expenses	558,656	
	12,027,087	8,623,400

6. Other Costs		
Depreciation (see Note 10)	10,876,722	1,177,698
Amortisation (see Note 10)	650,224	-
	11,526,946	1,177,698

NOTES TO THE FINANCIAL STATEMENTS (ctd)

	2013	2012
	KShs.	KShs.
7 Receivables		
Due from GOK	-	5,113,680
Prepayments	257,249,850	-
Un surrendered Imprest and other Receivables	180,447	-
	257,430,297	5,113,680

Prepayments of Kshs 257,249,850 was advance payments for the Acquisition of the Single Window Base Software which has not been received by the Agency as such could not be recorded in the Fixed Assets Register.

Upon receipt this amount will be transferred to the asset, recorded in the register and depreciation expense charged.

Also included are the standing imprest held by former staff who have not yet surrendered the imprest.

8 Cash and Cash equivalents

For the purpose of the cash flow statement, the year-end cash a equivalent comprise the following

	2013	2012
	KShs.	KShs.
Cash at Hand	13,336	155,987
Cash in the Bank	287,572,914	205,542,786
	287,586,250	205,698,773

The Agency is not exposed to credit risk on the bank balances as these are held with sound financial institutions(Equity Bank Limited and Co-operative Bank)

	2013	2012
	Kshs	Kshs
9 Accounts payables		
Partition 10% retention	-	1,107,826
Accruals-Creditors	5,221,777	4,670,226
Audit Fee	696,000	600,000
Accruals-Repairs & Maintainance	236,204	-
	6,153,981	6,378,052

Kenya Trade Network Agency
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Year Ended June 30, 2013

10 Property, Plant and Equipment

	Office Partitions Kshs	Office equipment KShs	Office Furniture KShs	Computers & Peripherals KShs	Motor Vehicles KShs	Total KShs
As at 01.07.2012						
Cost/Valuation	22,156,510	-	3,534,021	966,296	-	26,656,827
Additions	-	229,775	2,038,870	11,249,816	13,255,438	26,773,899
Disposals	-	-	-	-	-	-
As at 30.06.2013	<u>22,156,510</u>	<u>229,775</u>	<u>5,572,891</u>	<u>12,216,112</u>	<u>13,255,438</u>	<u>53,430,726</u>
Accumulated Depreciation						
As at 01.07.2012	923,188		147,251	107,259	-	1,177,698
Charge for the year	2,769,564	28,722	696,611	4,067,965	3,313,859.50	10,876,722
As at 30.06.2013	<u>3,692,752</u>	<u>28,722</u>	<u>843,862</u>	<u>4,175,224</u>	<u>3,313,860</u>	<u>12,054,419</u>
Net Book Value						
As at 30.06.2013	<u>18,463,758</u>	<u>201,053</u>	<u>4,729,029</u>	<u>8,040,888</u>	<u>9,941,579</u>	<u>41,376,307</u>
As at 30.06.2012	<u>21,233,322</u>	<u>-</u>	<u>3,386,770</u>	<u>859,037</u>	<u>-</u>	<u>25,479,129</u>

Intangible Assets

	Intangible Assets KShs
As at 01.07.2012	
Cost/Valuation	-
Additions	1,952,624
Disposals	-
As at 30.06.2013	<u>1,952,624</u>
Accumulated Amortisation	
As at 01.07.2012	-
Amortisation Charge for	650,224
As at 30.06.2013	<u>650,224</u>
Net Book Value	
As at 30.06.2012	<u>-</u>
As at 30.06.2013	<u>1,302,400</u>

11 Financial Statements are represented in Kenya Shillings