


REPUBLIC OF KENYA



Enhancing Accountability



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REPORT	
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THE AUDITOR-GENERAL

ON

**EAST AFRICA TRADE AND TRANSPORT
FACILITATION PROJECT (MOT/KRC
COMPONENT) CREDIT NO.4148-KE AND
CREDIT NO. 4977-KE**

**FOR THE YEAR ENDED
30 JUNE, 2021**

STATE DEPARTMENT FOR TRANSPORT



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30034 - 00100, NAIROBI
REGISTRY
26 OCT 2021
RECEIVED

**EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT MOT/KRC
IMPLEMENTED BY
STATE DEPARTMENT FOR TRANSPORT**

PROJECT GRANT/CREDIT NUMBER 4148 & 4977

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

**Prepared in accordance with the Cash Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)**

*East Africa Trade & Transport Facilitation Project MOT/KRC
Reports and Financial Statements
For the financial year ended June 30, 2021*

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is East African Trade & Transport Facilitation project MOT Component,

Objective: The key objectives of the project are:

- a) Improving the trade environment among the Regional Countries, through effective implementation of EACCU protocol
- b) Enhancing the efficiency of transport and logistic services along key transport corridors by reducing non-tariff barriers and uncertainty of transit time.
- c) Improving railway services in the territory of the borrower and the Republic of Uganda.

Address:

The project headquarters offices are at Transcom Building, Nairobi County, Kenya.
P.O.Box 30007-00100, Nairobi Kenya.

Contacts: The following are the project contacts

Cable: FINANCE MINIFIN-KE Nairobi.
Telex: 2292
Facsimile: 254 20 330426
County, Kenya.

Telephone: (254)2729200
E-mail: info@transport.go.ke
Website: www.transport.go.ke

1.2 Project Information

Project Start Date:	5th April 2006
Project End Date:	30th September 2015
Project Manager:	Philip Mainga
Project Sponsor:	International Development Association

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1.3 Project Overview	
Line Ministry/State Department of the project	State Department of Transport.
Project number	4148 & 4977
Strategic goals of the project	<p>a) Improving the trade environment among the Regional Countries, through effective implementation of EACCU protocol</p> <p>b) Enhancing the efficiency of transport and logistics services along key transport corridors by reducing non-tariff barriers and uncertainty of transit time.</p> <p>c) Improving railway services in the territory of the borrower and the Republic of Uganda.</p>
Achievement of strategic goals	<p>a) Improving the trade environment among the Regional Countries, through effective implementation of EACCU protocol</p> <p>b) Enhancing the efficiency of transport and logistics services along key transport corridors by reducing non-tariff barriers and uncertainty of transit time.</p> <p>c) Improving railway services in the territory of the borrower and the Republic of Uganda</p>
Other important background information of the project	<p>a) Improving the trade environment among the Regional Countries, through effective implementation of EACCU protocol</p> <p>b) Enhancing the efficiency of transport and logistics services along key transport corridors by reducing non-tariff barriers and uncertainty of transit time.</p> <p>c) Improving railway services in the territory of the borrower and the Republic of Uganda.</p>
Situation that the project was formed to intervene	<p>a) Improve the trade environment among the Regional Countries, through effective implementation of EACCU protocol</p> <p>b) Enhance the efficiency of transport and logistics services along key transport corridors by reducing non-tariff barriers and uncertainty of transit time.</p> <p>c) Improve railway services in the territory of the borrower and the Republic of Uganda</p>
Project duration	The project started on 5 th April 2006 and ended on 30th September 2015

1.3 Bankers

Standard Chartered Bank
Kenyatta Avenue Branch
P.O. Box 98683-80100
Tel: 254 0203294000
Fax: 254 (0) 20 213233
Nairobi, Kenya

1.4 Auditors

Auditor General
Office of the auditor General
Anniversary Towers, University Way
P.O. Box 30084
G.P.O 00100
Nairobi, Kenya.

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1.5 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Dr Duncan Hunda	Overall project coordinator		<ul style="list-style-type: none"> ▪ Coordinates project activities ▪ Plan direct, control and coordinate project. ▪ Monitor the commitment of MOTI commitment to the project. ▪ Monitor the performance of the consultants and contractors in accordance to agreed contractual obligations. ▪ Implement the project in accordance to the overall plan of operations and activity schedules and report changes thereto. ▪ Ensure that adequate coordination exists with all other ministries as required. ▪ Ensure that there is structured and consistent monitoring of progress of implementation, including the regular reports, and audit reports
Tobias Olambo	Project Accountant		<ul style="list-style-type: none"> ▪ -Process all project payments, ▪ -Document payments and seek advances ▪ -Prepare Interim Financial Reports and Annual financial statements ▪ -Forward documents on behalf of the implementing agencies to the National Treasury ▪ -Respond to audit queries.

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1.6 Funding summary

The Project is for duration of 9 years from 2006 to 2015 with an approved budget of US\$ 170 Million equivalent to Kshs 7,062,312,000 donor funds and a GoK funding of Kshs. 7,800,000,000.

A. Source of funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2020)		Undrawn balance to date (30 June 2020)	
	USD	KShs	USD	KShs	USD	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
IDA	81,000,000	7,062,312,000	81,000,000	7,062,312,000	None	-
(ii) Counterpart funds						
Government of Kenya	89,000,000	7,800,000,000	81,500,000	7,173,584,062	7,500,000	623,415,938
Total	170,000,000	14,862,312,000	162,500,000	14,235,896,062	7,500,000	623,415,938

B. Application of Funds

Application of funds	Amount received to date (30 th June 2021)		Cumulative Amount paid to date (30 th June 2021)	Unutilised balance to date (30 th June 2021)	
	USD	Kshs	Kshs	USD	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Loan					
IDA	81,000,000	7,062,312,000	7,062,312,000	-	-
(ii) Counterpart funds					
Government of Kenya	81,500,000	7,173,584,062	7,168,174,915	62,174	5,409,147
Total	162,500,000	14,235,896,062	14,230,486,915	62,174	5,409,147

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1.7 Summary of Overall Project Performance:

The balances shown for IDA are in special drawing rights currency as retrieved on Client connection on September 2016. The overall percentage disbursed is 100% as per client connection

1.8 Summary of Project Compliance:

The Program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

2.1 Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

2.2 Objectives

The key development objectives of the State Department for Transport for 2018-2022 plan are to:

- i. Improve efficiency and reliability of transport and logistics services along the key corridors.

2.3 Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
East Africa Trade & Transport Facilitation Project MOT/KRC	Improve efficiency and reliability of transport and logistics services along the key corridors	Clearance of Railway Corridor of operation to improve railway safety and operations through reallocation of all human activities.	Reallocation action in Kibera and Mukuru	

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Below is a brief highlight of our achievements in each pillar

i. Sustainability strategy and profile -

None

ii. Environmental performance

The upgrade environmental impact assessment for the areas of Kibera and Mukuru in Nairobi which covered creation of safety corridor of 40metres wide for Kibera and 50metres wide for Mukuru and construction of a wall on both sides of the railway to secure it.

Provision of open market spaces resettlement zone for displaced mobile traders.

Construction of three storey structure resttlement zone for shops, stalls and residential housing for displaced persons.

Construction of footbridges to connect the safety walls on the two sides of the railway line.

iii. Employee welfare

Recruitment is guided and done by the public service commission (as guided by Human resource policy and procedure Manual).

Skills improvement is done by the State Department in a structured manner. This starts from receipt of request, validation and approval by Ministerial Human Resource Management Advisory Committee (MHRMAC) followed by intervention programmes Implementation.

Appraisal is similarly done in a structured manner through the Government Human Resource Information System (GHRIS)

The safety committee as required by Occupational Safety and Health Act. (OSHA) is yet to be established.

iv. Market place practices

a) Responsible Competition Practice

Competitive practices are ensured through competitive bidding, parity in supplier selection, and application of preferences for special groups where applicable, i.e. Youth, Women and Persons with disabilities.

b) Responsible Supply chain and supplier relations

The organisation maintains good business practices by adhering to the set act and regulations, i.e. The Public Procurement and Asset Disposal Act 2015 And Regulations 2020

c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

Efforts under this are maintained through Pre qualifications and continuous update of suppliers' profiles by the organisation. Market trends are updated annually through market indexes published by procurement bodies e.g. PPRA and KISM.

d) Product stewardship- outline efforts to safeguard consumer rights and interests

Provision of proper specifications for Goods, Works and Services, and adhering to them.
Engaging the statutory bodies charged with overseeing quality e.g. KEBS.
Carrying out due diligence whenever in doubt, especially before award of contracts.

v. Community Engagements

None

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for State Department for Transport and the Project Coordinator for East African Trade & Transport Facilitation project MOT/KRC Component are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2021 This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary State Department for Transport and the Project Coordinator for East African Trade & Transport Facilitation project MOT/KRC Component accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for State Department for Transport and the Project Coordinator for East African Trade & Transport Facilitation project MOT/KRC Component are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Principal Secretary for State Department of Transport and the Project Coordinator for East African Trade & Transport Facilitation project MOT/KRC Component further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for State Department for Transport and the Project Coordinator for East African Trade & Transport Facilitation project MOT/KRC Component confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary for State Department of Transport and the Project Coordinator for East African Trade & Transport Facilitation project MOT/KRC Component on 22nd October 2021 and signed by them.




Principal Secretary

Name: Dr Eng Joseph Njoroge, CBS



Project Coordinator

Name: Dr. Duncan Hunda



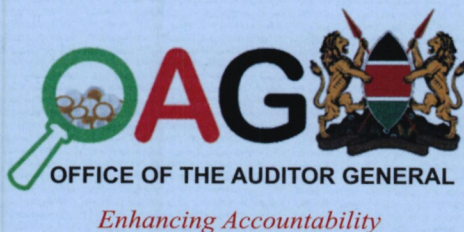
Accountant:

Name: P Karanja

ICPAK Member Number: 7221

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA TRADE AND TRANSPORT FACILITATION PROJECT (MOT/KRC COMPONENT) CREDIT NO.4148-KE AND CREDIT NO. 4977-KE FOR THE YEAR ENDED 30 JUNE, 2021 - STATE DEPARTMENT FOR TRANSPORT

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of East Africa Trade and Transport Facilitation Project (MOT/KRC Component) Credit No.4148-KE and Credit No. 4977-KE set out on pages 1 to 15, which comprise the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows, statement of comparative budget and actual amounts and the special account statement 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 35 of the Public Audit Act, 2015. 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of East Africa Trade and Transport Facilitation Project (MOT/KRC Component) as at 30 June, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreements Credit No.4148-KE and Credit No.4977-KE between the International Development Association (IDA) and the Republic of Kenya dated 5 April, 2006 and amended on 3 August, 2011 and the Public Finance Management Act, 2021.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of East Africa Trade and Transport Facilitation Project (MOT/KRC Component) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Pending Accounts Payable

Note 12.1 to the financial statements reflects pending accounts payable balance of Kshs.1,517,967,848 as at 30 June, 2021 which relates to Value Added Tax (VAT) refunds

on the project whose refund is contingent on verification and certification by the Kenya Revenue Authority and the Kenya Railways Corporation. As previously reported, Management has not provided reasons for the delay in undertaking the verification and certification of the refunds even though the Project is at risk of incurring significant interest costs and penalties with the continued delay in payment.

2. Project Closure Report

Review of the project information and funding summary reflected at Note 1.2 and Note 1.6 indicates that the project duration was for 9 years from 5 April, 2006 to 30 September, 2015. However, Management did not provide completion certificates, handover minutes and project completion report for audit review. In the absence of these reports, it was not possible to ascertain whether the project was closed or the status of the assets acquired under the project.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association (IDA), I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


24 November, 2021

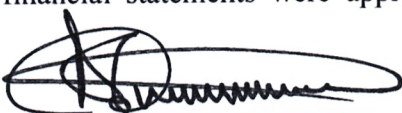
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For the financial year ended June 30, 2021*


6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021

	Note	2020/2021		2019/2020		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	11.1	-	-	373,584,062	-	7,173,584,062
Loan from External Development Partners	11.1	-	-	-	-	7,062,312,000
TOTAL RECEIPTS		-	-	373,584,062	-	14,235,896,062
PAYMENTS						
Purchase of goods and services	11.2	12,240	-	12,060	-	2,263,812,982
Acquisition of non-financial assets	11.3	-	-	373,584,062	-	11,966,673,933
TOTAL PAYMENTS		-	-	373,596,302	-	14,230,486,915
SURPLUS/(DEFICIT)		(12,240)	-	(12,060)	-	5,409,147

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 22nd October 2021 and signed by them.


Principal Secretary
Name: Dr Eng Joseph Njoroge, CBS


Project Coordinator
Name: Dr. Duncan Hunda


Accountant:
Name: P Karanja
ICPAK Member Number: 7231

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For the financial year ended June 30, 2021*

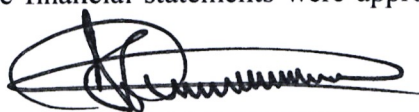
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.4	5,409,147	5,421,387
Total Cash and Cash Equivalents		5,409,147	5,421,387
TOTAL FINANCIAL ASSETS		5,409,147	5,421,387
REPRESENTED BY			
Fund balance b/fwd	11.5	5,421,387	5,433,447
Prior year adjustments			
Surplus/Deficit for the year		(12,240)	(12,060)
NET FINANCIAL POSITION		5,409,147	5,421,387

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 22nd October 2021 and signed by them.



Principal Secretary

Name: Dr Eng Joseph Njoroge, CBS



Project Coordinator

Name: Dr. Duncan Hunda


Accountant:

Name: P Karanja

ICPAK Member Number: 9327

*East Africa Trade & Transport Facilitation Project MOT/KRC
Reports and Financial Statements
For the financial year ended June 30, 2021*

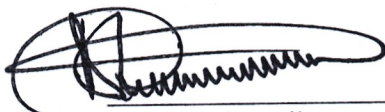
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

		2020/2021	2019/2020
	Note	KShs	KShs
Receipts for operating activities			
Transfer from Government entities	11.1	-	373,584,062
Payments for operating activities			
Purchase of goods and services	11.2	(12,240)	(12,060)
Net cash flow from operating activities		(12,240)	373,572,002
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Non-Financial Assets	11.3	-	(373,584,062)
Net cash flows from Investing Activities		-	(373,584,062)
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(12,240)	(12,060)
Cash and cash equivalent at BEGINNING of the year		5,421,387	5,433,447
Cash and cash equivalent at END of the year		5,409,147	5,421,387

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 22nd October 2021 and signed by them.



Principal Secretary

Name: Dr Eng Joseph Njoroge, CBS



Project Coordinator

Name: Dr. Duncan Hunda


Accountant:

Name: P Karanja


ICPAK Member Number: 5007

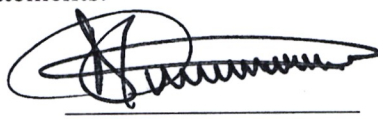
East Africa Trade & Transport Facilitation Project MOT/KRC
Reports and Financial Statements
For the financial year ended June 30, 2021

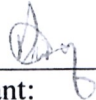
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from government entities	-	15,000,000	15,000,000	-	(15,000,000)	-
Total Receipts	-	15,000,000	15,000,000	-	(15,000,000)	-
Payments	-	-	-			-
Acquisition of Non-Financial assets	-	15,000,000	15,000,000	-	(15,000,000)	-
Purchase of goods and services				12,240	(12,240)	(100 %)
Total Payments	-	15,000,000	15,000,000	12,240	(15,012,240)	(100 %)

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.


 Principal Secretary
 Name: Dr Eng Joseph Njoroge, CBS


 Project Coordinator
 Name: George Wanjau


 Accountant:
 Name: P Karanja
 ICPAK Member Number: T28

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.1.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

10.1.2 Reporting entity

The financial statements are for the Project AETTF under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.1.3 Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.2 Significant Accounting Policies

a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

• Transfers from the Exchequer

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

• External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

• **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

• **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

• **Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

• **Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

- **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

c) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

f) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 4** of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

i) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

j) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year no loan disbursements were received in form of direct payments from third parties

k) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Comparative figures

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

m) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020.

n) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

11. NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.1 RECEIPTS

These represent counterpart funding and other receipts:

	2020/2021	2019/2020	Cumulative to Date
	KShs	KShs	KShs
GoK Counterpart funds	-	373,584,062	7,173,584,062
			-
<i>Loans from external development partners</i>			-
IDA	-	-	7,062,312,000
	=	<u>373,584,062</u>	<u>14,235,896,062</u>

11.2 PURCHASE OF GOODS AND SERVICES

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Other operating payments	12,240		12,240	12,060	181,960
Utilities, supplies and services					1,297,225,396
Consultancy services:- Technical and professional services					966,405,626
Total	12,240	-	12,240	12,060	2,263,812,982

*East Africa Trade & Transport Facilitation Project MOT/KRC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.3 ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2020/21			FY 2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Construction of buildings-GOK	-	-	-	373,584,062	44,902,062,441
Construction of buildings-Direct Payment					3,729,660,663
Refurbishment of buildings					3,272,638,829
Research, studies, project preparation, design & supervision					62,312,000
Total	-	-	-	373,584,062	11,966,673,933

11.4 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts	5,409,147	5,421,387
Total	5,409,147	5,421,387

The project has one number of project accounts spread within the project implementation area and none of foreign currency designated accounts managed by the National Treasury as listed below:

*East Africa Trade & Transport Facilitation Project MOT/KRC
 Reports and Financial Statements
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**11.4A Bank Accounts
 Project Bank Accounts**

	2020/21	2019/20
	KShs	KShs
Local Currency Accounts		
Standard Chartered [A/c No. 0108076455800]	5,409,147	5,433,447
Total local currency balances	5,409,147	5,433,447
Total bank account balances	5,409,147	5,433,447

11.5 FUND BALANCE BROUGHT FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts	5,421,387	5,433,447
Total	5,421,387	5,445,698

*East Africa Trade & Transport Facilitation Project MOT/KRC
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For the financial year ended June 30, 2021*

12. OTHER IMPORTANT DISCLOSURES

12.1 PENDING ACCOUNTS PAYABLE (annex 4)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	1,517,967,848		-	1,517,967,848
Total	1,517,967,848		-	1,517,967,848

Note: Kshs. 1,517,967,848 is a contingent liability relating to VAT refunds on the project whose payment is subject to verification and certification by both Kenya Railways corporation and Kenya Revenue Authority.

13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

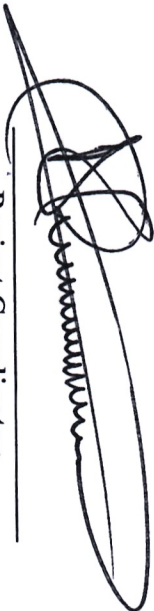
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
EAT&TF- MOT/KRC	Undisclosed VAT- Pending Bills	Explained	Project Coordinator/ Accountant	Not resolved	2021/2022 financial year

Principal Secretary



Project Coordinator



Date

Date

14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
GoK Counterpart	15,000,000	-	15,000,000	0	Slow Procurement Processes
Total Receipts	15,000,000	-	15,000,000	0	
Payments					
Purchase of goods and services					There was no budget since the project ended during 2015/2016 FY. These are bank charges.
Aquisition of non financial Asset	15,000,000	12,060	-12,060	-100%	Slow Procurement Processes
Total payments	15,000,000	-	15,000,000	0	

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ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2020/2021 (a)	*Purchases/Additions in the Year (KShs) 2020/2021 (b)	**Disposals in the Year (KShs) 2020/2021 (c)	Closing Cost (KShs) 2020/2021 (d) = (a) + (b) - (c)
Construction of buildings-GOK	4,902,062,441	-	-	4,902,062,441
Construction of buildings-Direct payments	3,729,660,663	-	-	3,729,660,663
Refurbishment of buildings	3,272,638,829	-	-	3,272,638,829
Research, studies, project preparation, design and supervision	62,312,000	-	-	62,312,000
Total	11,966,673,933	-	-	11,966,673,933

*East Africa Trade & Transport Facilitation Project MOT/KRC
Reports and Financial Statements
For the financial year ended June 30, 2021*

ANNEX 2 - ANALYSIS OF PENDING BILLS (CONTINGENT LIABILITY)

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021	Outstanding Balance 2020	Comments
	a	b	c	d=a-c		
Construction of buildings						
1. PARBAT SIYANI	1,732,147,151		1,970,524,587	1,341,663	1,341,663	
2. VEE VEE	879,572,407		859,791,493	137,566,638	137,566,638	
3. EPCO	4,312,205,835		3,448,293,074	689,952,933	689,952,933	
4. H YOUNG	3,945,725,091		2,666,294,652	631,316,014	631,316,014	
5. EDON CONSULTANT	198,444,750		198,444,750	57,970,600	57,970,600	
Grand Total	11,068,095,234		9,143,078,556	1,517,967,848	1,517,967,848	

*East Africa Trade & Transport Facilitation Project MOT/KRC
Reports and Financial Statements
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APPENDICES

- i. Bank Reconciliation as at 30th June 2021
- ii. Cash Count Certificate
- iii. Trial Balance

Trial Balance

Entity: East Africa Transport Trade Facilitation Project MOT-KRC Credit no: 4148 & 4977

As At 30th June 2021

Description	Debit	Credit
Balance Brought Forward	5,421,387.45	
Bank Charges		12,240.00
Closing Balance		5,409,147.45
	<u>5,421,387.45</u>	<u>5,421,387.45</u>

Sign 

STATE DEPARTMENT FOR TRANSPORT
 REPUBLIC OF KENYA
 EAST AFRICA TRADE-TRANSPORT FACILITATION PROJECT (MOT-KRC)
 BANK RECONCILIATION
 AS AT 30TH JUNE 2021 STATION NAIROBI

F.O. 30

Balance as per bank statement			5,409,147.45
Less			
Payment in cashbook not in bank statement			
Receipts in bank statement not in cashbook			
Add			
Payment in bank statement and not in cashbook			
Receipts in bank statement not in cashbook			
Balance as per cashbook			5,409,147.45

I certify that I have verified the bank balance in the cash book with the bank statement and that the above reconciliation is correct

Reconciled By R. N. A. R. P.

Signature [Signature] Date 30.6.21

Approved By [Signature]

Signature [Signature] Date 30.6.21

PAYMENT IN CASH NOT IN BANK STATEMENT

	PARTICULARS	AMOUNT
DATE		
TOTALS		NIL

PAYMENTS IN BANK STATEMENT NOT IN CASH BOOK

DATE	PARTICULARS	AMOUNT
TOTALS		NIL

RECEIPTS IN BANK STATEMENT NOT IN CASH BOOK

DATE	PARTICULARS	AMOUNT
TOTALS		NIL

RECEIPTS IN CASH BOOK NOT IN BANK STATEMENT

DATE	PARTICULARS	AMOUNT
TOTALS		NIL

REPUBLIC OF KENYA.

Date: 30th JUNE, 2021

Report of the Board of Survey on the Cash and Bank Balances of EAST AFRICA TRADE AND TRANSPORT FACILITATION PROJECT -MOT/KRC COMPONENT, DEPT. FOR TRANSPORT as at the close of business on 30th June, 2021

The Board, consisting of (Names and Official Titles)

- Name (s) JACKSON ONDARA Chairman.
 Name (s) VICTOR GITONGA Member.
 Name(s) VERONICA GATHIGI Member.

Assembled at the Cash Office of State Department Of Transport at (time) on the 13TH JULY 2021 and the following cash was produced:-

Notes	...	Sh	<u>NIL</u>
Silver	...	Sh	<u>NIL</u>
Copper	...	Sh	<u>NIL</u>
Cheques (as per the details on reverse)	...	Sh	<u>NIL</u>
		SH	<u>NIL</u>

It was observed that cheques amounting to Sh. NIL Cts NIL had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

The cash Book reflected the following balances as at the close of business on the 30th June, 2021.

Cash on hand	...	Sh.	NIL
Bank Balances	...	Sh	5,408,127.45

The Bank Certificate Balances showed 5,408,127.45 cts.

Standing to the credit of the account on 30th June, 2021.


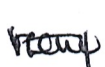
The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O.30) attached.



 Chairman.

Date 13/07/2021

Members Of the Board.

- MEMBER. VICTOR GITONGA  13/07/2021
 MEMBER VERONICA GATHIGI  13/07/2021

LIST OF CHEQUES INCLUDED AS PART OF CASH ON HAND

Cheque No.	Drawer	Date of Cheque	Date Received	Amount (Kshs.)

GPK(L)