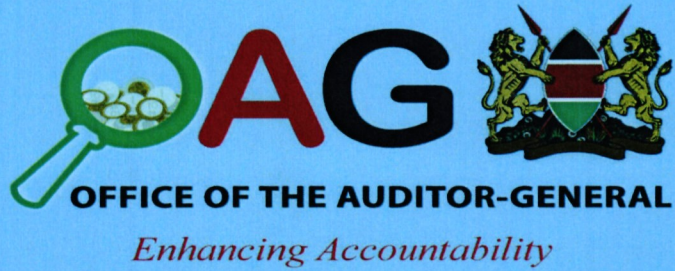


REPUBLIC OF KENYA



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**RAILWAY DEVELOPMENT LEVY FUND  
(HOLDING ACCOUNT)**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

**STATE DEPARTMENT FOR TRANSPORT**



**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**

**IMPLEMENTED BY STATE DEPARTMENT FOR TRANSPORT**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

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**Contents**

<b>1. KEY ENTITY INFORMATION AND MANAGEMENT .....</b>	<b>ii</b>
<b>2. FORWARD BY THE CABINET SECRETARY .....</b>	<b>iv</b>
<b>3. Overview of the Railway Development Levy Fund Holding Account.....</b>	<b>viii</b>
<b>3.1 Background of the Fund .....</b>	<b>viii</b>
<b>3.2 Administration of the Fund .....</b>	<b>viii</b>
<b>3.3 Key Management and reporting arrangement for the Holding Account of the Fund.....</b>	<b>viii</b>
<b>3.4 Commentary on the financial statements of the Fund .....</b>	<b>ix</b>
<b>4.0 STATEMENTS OF PERFORMANCE AGAINST MDA'S PREDETERMINED OBJECTIVES.....</b>	<b>x</b>
<b>4.4 Challenges .....</b>	<b>xiv</b>
<b>4.5 Opportunities .....</b>	<b>xiv</b>
<b>5. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY.....</b>	<b>xv</b>
<b>6. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES. ....</b>	<b>xvii</b>
<b>7. REPORT OF THE INDEPENDENT AUDITORS ON THE STATE DEPARTMENT FOR TRANSPORT ..</b>	<b>xviii</b>
<b>8. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020.....</b>	<b>1</b>
<b>9. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020 .....</b>	<b>2</b>
<b>10. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020 .....</b>	<b>3</b>
<b>11. Summary of Budget versus Actual Performance for the year ended 30th June 2020 .....</b>	<b>4</b>
<b>12. NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>5</b>
<b>13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS .....</b>	<b>14</b>

**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The state department for transport was formed on May 2013 as one of the State Departments under the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. The State Department for transport is represented by the Cabinet Secretary for Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works who is responsible for the general policy and strategic direction of the state department for Transport.

**(b) Key Management**

The entity's day-to-day management is under the following key organs:

- Cabinet Secretary –**James Wainaina Macharia, EGH**
- Principal Secretary –**Solomon Kitungu,**
- Senior Management;
  - Director Administration – **David Ole Shege**
  - Director Air Accident marine – **Martyn Lunani**
  - Director Road Transport - **Martin Eshiwani**
  - Director Air Transport – **Nicholas Bodo**
  - Chief Finance Officer – **Johnson Wambugu**
  - Head of Accounting Unit- **Priscilla Karanja**

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 20xx and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Cabinet Secretary	James Wainaina Macharia, EGH
2.	Accounting Officer	Solomon Kitungu

**(d) Fiduciary Oversight Arrangements**

Members of the Budget Implementation Committee were appointed as guided by the Treasury's Circular at the beginning of the Financial Year ended 2019/20. All the audit queries that were raised during the year were scrutinized by the Committee and the reports were shared with the Executive for implementation in the areas which were affected. Also, a major oversight role was provided by the Parliamentary Accounts Committee. They had meetings with the State Department officers led by the Accounting officer and sought responses for the issues which were raised by the Auditor General. The department addressed the issues as was required to the satisfaction of the Committee before the issues were discharged. Further, development partners assisted in monitoring the projects and issuance of no objection before the expenditures were incurred.

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

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**(e) The State Department for Transport Headquarters**

Transcom House  
Ngong Road  
Nairobi, KENYA

**State Department for Transport Contacts**

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Telephone: (254) **22729200**  
E-mail: [ps@transport.go.ke](mailto:ps@transport.go.ke)  
Website: [www.transport.go.ke](http://www.transport.go.ke)

**(f) Entity Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

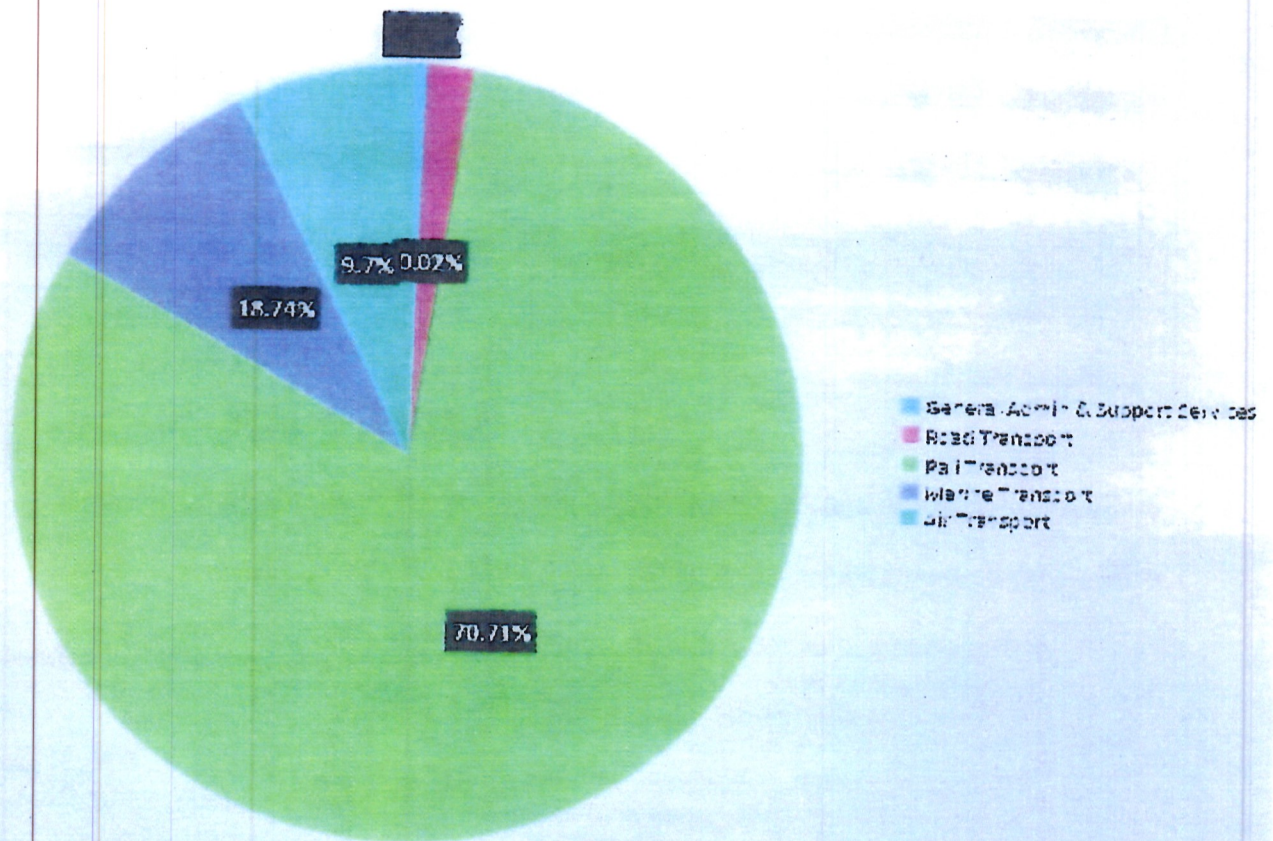
## I. FORWARD BY THE CABINET SECRETARY

The mandate of the State Department for Transport (SDOT) for the financial year 2019/2020 was Transport Policy Management, Management and Infrastructure Development for Rail, Marine and Air Transport, Fast Tracking of Identified Northern Corridor Integration Projects, Oversight & Coordination of Lamu South Sudan Ethiopia Transport Corridor (LAPSSET) Programme Implementation, Civil Aviation Management & Training, National Roads Development Policy Management, Development and Maintenance of Aerodromes

The total budget for the State Department was Kshs.103,966,601,040, Recurrent Kshs. 9,768,110,285 Development Kshs. 94,198,490,755.

The pie chart below depicts the budget allocation by Programs and proportional percentage of the total budget allocation. Rail Transport- 70.71 % Road Transport 0.02%, Marine Transport 18.74%, Air Transport Services 9.7%, and General Administration and Support Services 0.83%.

### BUDGET ALLOCATION BY PROGRAMMES



The utilization of this budget as per the Economic items is depicted in the table below

Budget Utilization as Per Economic Items			
	Approved Budget Allocation	Actual Payments	% of Actual payment to Approved Budget Allocation per Economic Item
Compensation of Employees	216,528,045	198,567,233	91.71%
Use of goods and services	499,785,286	249,114,785	49.84%
Subsidies	-	-	0.00%
Transfers to Other Government Units	39,643,103,944	32,412,939,824	81.76%
Other grants and transfers	-	-	0.00%
Social Security Benefits	4,701,504	4,631,431	98.51%
Acquisition of Assets	63,602,482,261	64,181,798,587	100.91%
Finance Costs, including Loan Interest	-	-	0.00%
Repayment of principal on Domestic and Foreign borrowing	-	-	0.00%
Other Expenses	-	-	0.00%
<b>Total Payments</b>	<b>103,966,601,040</b>	<b>97,047,051,860</b>	<b>93.34%</b>

As per the table, the overall Budget Utilization per the Economic items was at 93.34%.

However there were variations in some Economic items of  $\pm 10\%$  such as:

- i) Acquisition of Assets; Budget utilization was at 100.91%. This was caused by a reduction in budget under supplementary II after the payment of a commitment on Mombasa to Nairobi-Standard Gauge Railway (SGR)
- ii) Transfer to other government entities; Budget utilization was at 81.76%. This was occasioned by delay in payment of Mombasa Port Development Project by JKIA.
- iii) Use of goods and services; Budget utilization was at 49.84% due to slow procurement processes.

The State Department is committed to facilitating the achievement of the Vision - 2030 Long-Term Development Strategy of transforming Kenya into an Upper Middle-Income Country during the vision horizon. SDOT has contributed to the achievement of the big 4 Agenda in support of the country's transformation. The development of modern and efficient transport systems focusing on increasing Kenya's competitiveness in transport services in the Region.

During the period under review, major achievements were realized through implementation of various projects and programmes including ongoing development of airstrips and aerodromes in support of aviation activities. These include; Malindi International Airport; Isiolo International Airport; Lanet Airport Nakuru, Kitale, Kakamega, Kabunde and Migori Airstrips among others. This will boost, Domestic travel, Tourism and promotion of horticultural trade in the regions.

The State Department during the same period, continued in modernization of the Shipping and Maritime facilities by development of Mombasa Port Phase II and Lamu Port and ferry transport services in Likoni Channel. This is mainly to enhance Maritime transport services and timely cargo handling leading to reduction in business costs.

In the railway sub-sector, State Department continued to operationalize phase I of the Standard Gauge Railway (SGR) line between Mombasa and Nairobi and completion and operationalization of phase 2a of the SGR from Nairobi to Naivasha. This will lead to more cargo handling in Nairobi ICD and Mai Mahiu ICD. Other projects that were commenced during the year under review included ongoing rehabilitation of Nairobi Commuter Railway Rehabilitation of Nbi-Nanyuki MGR line, Naivasha SEZ and restructuring of the civil aviation sector [Kenya Aviation Authority (K.A.A) and Kenya Airways (KQ)].

The State Department continued consultation with key stakeholders in the road sub sector to enhance road transport safety with a view to reduce road fatalities.

### **Emerging Issues**

Several issues emerged during the implementation of last financial year's budget including;

- i. Lack of exchequer issues especially towards the end of 2019/20 FY leading to accumulation of pending bills.
- ii. Austerity measures and revision of budgets significantly affected resource availability for project and programmes implementation.
- iii. COVID 19 pandemic

## Challenges

- i. Land acquisition challenges – higher than anticipated compensation costs for land and property in areas where projects were being implemented
- ii. Court litigations/Injunctions matters leading to significant delay in project implementation.
- iii. Lack of funds to support SGR operations.
- iv. Lack of adequate funds to support key programmes and projects.
- v. The impact of COVID19 Pandemic leading to low performance in the transport Subsector.
- vi. Settlement of historical pending bills.

## Recommendations

- i. The National Treasury should communicate in good time on resources availability to facilitate MDAs plan effectively;
- ii. Timely engagement with stakeholders (affected parties) in respect to land acquisition and other transport related facilities;
- iii. Continuous capacity building for MDAs on budget implementation;
- iv. Engage the National Treasury and the Energy Infrastructure and ICT sector Working Group to adequately fund the transport sub sector;
- v. Provision of budgetary resources to settle pending bills;
- vi. Provision of budgetary resources to support SGR operations

## CONCLUSION

The State Department for Transport managed to meet most of the targets in the 2019/20 financial year despite the above enumerated challenges. You may also note that, the State Department did not have any reported cases of misappropriation of funds during the financial year and is committed to improve the transport services rendered to the citizens. Finally, the State Department will continue to enhance efficiency by instituting cost cutting measures in order to deliver more with limited resources.



James Macharia, EGH  
CABINET SECRETARY

### **3. Overview of the Railway Development Levy Fund Holding Account**

#### **3.1 Background of the Fund**

The Railway Development Levy Fund is established under section 6 of the Finance Act, 2013 amending section 117 of the Customs and Excise Act.

The purpose of the Railway Development Levy Fund is to provide funds for the construction of the standard gauge railway in order to facilitate the transportation of goods.

The Fund consists of the proceeds of the Railway Development Levy charged under section 117A of the Customs and Excise Act (Cap 472), grants or donations made to the Fund and any income generated from the proceeds of the Fund.

The Railway Development Levy is collected by the Kenya Revenue Authority on behalf of the government and remitted to the Railway Development Levy Fund Holding Account maintained by the State Department for Transport at the Central Bank of Kenya.

#### **3.2 Administration of the Fund**

The Principal Secretary, State department of Transport, is the Administrator of the Railway Development Levy Fund.

Funds are transferred from the Holding Account to the Railway Development Fund Operations Account, maintained by the State department for Transport based on the approval of the Advisory Committee established under the Customs and Excise (Railway Development Levy Fund) Regulations, 2013.

#### **3.3 Key Management and reporting arrangement for the Holding Account of the Fund**

The State Department for Transport is responsible for preparing reports on the funds deposited into and out of the Holding Account and submitting to the Auditor-General and deliver a copy of the statements to the National Treasury, Commission on Revenue Allocation and the Controller of Budget not later than three months after the end of each financial year pursuant to Section 24 of PFM Act, 2012.

This report therefore covers the operations of the Railway Development Levy Fund Holding Account for the financial year ended 30<sup>th</sup> June 2020.

**The State Department for Transport Headquarters**  
Transcom House  
Ngong Road  
Nairobi, KENYA

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

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**State Department for Transport Contacts**

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**The State Department for Transport Bankers**

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

**Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

**3.4 Commentary on the financial statements of the Fund**

The Holding Account received Kshs 23.52 billion during the financial year 2019/2020 compared to Kshs 21.61 billion received in the previous year. The funds were received from the Kenya Revenue Authority as the appointed collector of the revenue for the Fund.

During the year ended 30<sup>th</sup> June 2020, Kshs 18.98 billion was transferred from the Holding Account to the operations account of the Railway Development Levy Fund. This compares to Kshs 31.99 billion transferred during the previous financial year.

As at 30<sup>th</sup> June 2020, the Holding Account had a cumulative balance of Kshs 9.96 billion compared to the balance Kshs 5.41 billion as at 30<sup>th</sup> June 2019. The fund is held in the holding bank account at the Central Bank of Kenya.

**4.0 STATEMENTS OF PERFORMANCE AGAINST MDA'S PREDETERMINED OBJECTIVES.**

**4.1 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.

**4.2 Objectives**

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

- i. Develop and review policies and regulatory guidelines that guarantee provision of efficient, safe and reliable transport services
- ii. Develop and implement road transport policies for efficient, effective and safe transport system.
- iii. Develop and manage efficient and reliable railway transport systems
- iv. Develop and manage efficient and safe marine transport systems in the country
- v. Expand, modernize and manage aviation sector

**4.3 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:

<b>MDA Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
General Administration, Planning and Support Services	To develop and review policies and regulatory guidelines that guarantee provision of efficient, safe and reliable transport services	An efficient, safe and reliable transport system and transport services	No. of policies and guidelines developed  No. of officers trained for skills development  No. of Monitoring and evaluation reports	Developed Kenya railway bill, Air Accident Investigation Regulations, Draft National Aviation Management Bill
Road Safety Regulation and Transport	To develop and implement road	Safe and secure road transport services	No. of road policies developed	Draft Reviewed Traffic Act  Developed guidelines for Road Side Stations

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

	transport policies for efficient, effective and safe transport system.			<p>Developed the National Road Safety Action Plan 2019-2023</p> <p>Developed draft Digital Hailing Taxis regulations</p> <p>Developed standards for electric vehicles and motorcycles in collaboration with KEBS</p>
Rail Transport	To develop and manage efficient and reliable railway transport systems	<p>Efficient, safe and reliable rail transport</p> <p>Improved modal share to 50% from 5%</p> <p>Revitalized the commuter rail services in Nairobi</p> <p>Improved access to Rail Services</p>	<p>No. of km railway developed/rehabilitated</p> <p>Rail passengers handled per year (no. 000)</p> <p>Rail cargo handled per year (Tons 000)</p>	<p>SGR Phase 1 Mombasa-Nairobi 472km constructed and operationalized</p> <p>SGR Phase 2A Nairobi-Naivasha constructed and operationalized</p> <p>Ten Commuter stations constructed and acquisition of 11 DMUS from Spain initiated</p> <p>Thika- Nanyuki MGR line rehabilitated</p>
Marine Transport	To develop and manage efficient and safe marine transport systems in the country	<p>Increased access to shipping and maritime services</p> <p>Enhanced port capacity</p> <p>Efficient, safe and secure maritime</p>	<p>Cargo throughput in Dead Weight Tonnes (DWT) per year (Tons in millions)</p> <p>Containers handled in Twenty foot Equivalent Units (TEUs)</p>	<p>Construction of the first three berths at Lamu progressed to 70% with the first one 100%</p> <p>Completed Construction of MPDP phase 1 with a capacity of 1.5m TEUs was completed and Phase 2 for an additional capacity of 450,000 TEUs commenced and progressed to 55% completion.</p>

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

		services		Acquired two new ferries at Likoni to improve efficiency and ease congestion
Air Transport	To expand, modernize and manage aviation sector	Enhanced terminal capacity  Improved air connectivity  World class air transport services	Number of Air Passengers handled (int'l and domestic) per year (No. millions)  Volume of Air cargo handled per year (total freight) (Kg. millions)	JKIA terminal capacity was expanded to accommodate 7.5 Million per annum from 2.5 Million through construction of Terminal 1A arrival and departure, Terminal 2 and Terminal 1E arrivals. Current capacity is 7.0m  The existing runway was rehabilitated to enhance serviceability and the number of aircraft parking bays expanded from 21 to 37.  The Primary screening yard was established and completed to sterilize airport users and vehicles. This has greatly improved security.  Improvement of Moi, Kisumu and Isiolo airports undertaken  Rehabilitation and maintenance of airstrips targeting six per year  The sector retained Federal Aviation Administration (FAA) International Aviation Safety Assessment (IASA) Category 1 (CAT 1) Status by maintaining high levels of safety and security and implementing the Corrective Action Plans

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

				<p>(CAP's) from the FAA missions</p> <p>Completed construction of EASA library. Procured a fully equipped mobile control tower. Established KCAA Data Recovery Site in Mombasa. .</p> <p>Improvement of Moi, Kisumu and Isiolo airports undertaken</p> <p>Rehabilitation and maintenance of airstrips targeting six per year</p> <p>The sector retained Federal Aviation Administration (FAA) International Aviation Safety Assessment (IASA) Category 1 (CAT 1) Status by maintaining high levels of safety and security and implementing the Corrective Action Plans (CAP's) from the FAA missions</p> <p>Completed construction of f EASA library. Procured a fully equipped mobile control tower. Established KCAA Data Recovery Site in Mombasa.</p>
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#### **4.4 Challenges**

- i. Inadequate and weakly-integrated transport infrastructure;
- ii. Inadequate funds for development and maintenance of transport infrastructure facilities leading to low investment in transport infrastructure;
- iii. Inadequate technical staff;
- iv. Slow adoption of modern technology;
- v. Uncoordinated/conflicting policy, legal and institutional framework
- vi. Low quality of transport services;
- vii. Inappropriate modal split hence congestion on roads
- viii. Over reliance on one transport corridor;
- ix. Low compliance with transport rules, regulations and standards;
- x. Safety and security concerns;
- xi. Lengthy procurement procedures including PPPs approvals
- xii. Encroachment of transport infrastructure reserves
- xiii. high cost of land acquisition for expansion and relocation
- xiv. Inadequate consideration of climate change in the development of transport facilities/services

At the specific sub-sector levels, challenges are summarized below:

In the air transport subsector, there is inadequacy of skilled aviation safety inspectors due to high personnel turnover because of high demand and pay offers by foreign airlines and civil aviation authorities

In railway subsector, there is shortage of engineers, technicians for track and rolling stock maintenance and in operations and safety oversight personnel

#### **4.5 Opportunities**

- i. Political good will and enabling environment
- ii. Globalization – enhanced access of information and new markets
- iii. High demand for quality transport infrastructure and services within the country and the region
- iv. Country well placed in a strategic location to become a transport hub in the region
- v. Investors interest in transport infrastructure development and provision of transport services through direct investments and PPP
- vi. Development Partners support
- vii. Emergence of regional trading blocs such as EAC and COMESA
- viii. Enhanced use of ICT in transport sector leading to efficiency
- ix. Accountability demanded by the public
- x. Availability of labour force

## **5. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.**

Below is a brief highlight of our achievements in each pillar

### **1. Sustainability strategy and profile -**

None

### **2. Environmental performance**

The State Department has no policies in place in regards to biodiversity and waste management. However, the institution is guided by Presidential Directives and acts laid out by the government. Currently SDoT is guided by the Presidential Directive 2018 on the tree planting campaigns to achieve 10% of tree cover. MDAs are required to rehabilitate and adopt public land in an effort to accelerate the achievement of 10% tree cover by 2022.

In the FY 2019/2020, the State Department for Transport partnered with Kenya Ports Authority in a tree planting exercise at the Ganahola Creek, Mombasa County. The objective of this exercise was to restore and rehabilitate the Creek from the deforestation that had taken place over the years. With this partnership, a total of 10,000 mangrove trees were planted, in an effort increase the mangrove tree population in the Kenyan coastal line.

The State department implements Climate Change mitigation and adaptation actions in compliance with the Climate Change Act, 2016, whereby MDAs are tasked with upholding and mainstreaming climate change responses into development planning, decision-making and implementation of the guidelines set by the Ministry of Environment and Forestry.

### **3. 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.

#### **4. 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.

#### **5. Community Engagements**

The State Department participates in Kenya Communications Sports Organization (KECOSO) on yearly basis, in different venues. At the end of the sports event, sporting equipment are donated to the community (schools or such clubs) in the county where the games are held.

The tree planting exercise at the Ganahola creek, Mombasa County on in March 2019 involved both KPA employees and the local community in planting 10,000 mangrove trees.

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

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**6. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES.**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

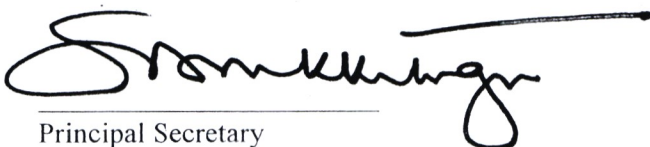
The Accounting Officer in charge of the State Department for Transport is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Transport accepts responsibility for the entity'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 (IPSAS). The Accounting Officer is of the opinion that the Railway Development Levy Fund (Holding account) financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department for Transport further confirms the completeness of the accounting records maintained for the Railway Development Levy Fund (Holding account), which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

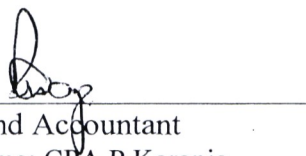
The Accounting Officer in charge of the State Department for Transport confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The State Department for Transport financial statements were approved and signed by the Accounting Officer on 16<sup>TH</sup> December 2020.



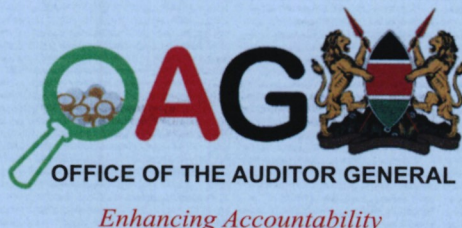
Principal Secretary  
Name: Solomon Kitungu



Fund Accountant  
Name: CFA P. Karanja  
ICPAK Member Number 17277

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT) FOR THE YEAR ENDED 30 JUNE, 2020 - STATE DEPARTMENT FOR TRANSPORT**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Railway Development Levy Fund (Holding Account) set out on pages 1 to 14, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flow and the summary of budget versus actual performance 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, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Railway Development Levy Fund (Holding Account) as at 30 June, 2020, and of 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 Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **Discrepancy in Receipts Balance**

The statement of receipts and payments reflects an amount of Kshs.23,528,463,126 being receipts from the Kenya Revenue Authority. However, records maintained by the Kenya Revenue Authority indicates that a total of Kshs.23,421,650,520 was transferred to the Fund during the year under review. The resultant difference of Kshs.106,812,606 between the two sets of records has not been reconciled or explained.

Under the circumstances, the accuracy of the reported receipts balance of Kshs.23,528,463,126 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Railway Development Levy Fund (Holding

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*Report of the Auditor-General on Railway Development Levy Fund (Holding Account) for the year ended 30 June, 2020 - State Department for Transport.*

Account) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with 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 qualified opinion.

### **Key Audit Matters**

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

## **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 overall 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.

### **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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain 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 Fund or to 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 financial reporting process, reviewing the effectiveness of how the Fund 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 overall 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 overall 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 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 Fund Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Fund'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 Fund 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 Fund 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.

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

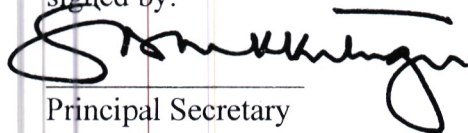
**16 April, 2021**

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

**8. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020**

	Particulars	2019/2020		2018/2019	
		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
<b>RECEIPTS</b>					
	12.3				
	Receipts from Kenya Revenue Authority.	23,528,463,126		21,613,544,290	
	<b>TOTAL RECEIPTS</b>	<b>23,528,463,126</b>		<b>21,613,544,290</b>	
<b>PAYMENTS</b>					
	12.4				
	Transfers to RDLF Operations.	18,980,686,811		31,999,674,958	
	<b>TOTAL PAYMENTS</b>	<b>18,980,686,811</b>		<b>31,999,674,958</b>	
	<b>SURPLUS/(DEFICIT)</b>	<b>4,547,776,315</b>	<b>-</b>	<b>(10,386,130,668)</b>	<b>-</b>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 16<sup>TH</sup> December 2020 and signed by:



Principal Secretary  
Name: Solomon Kitungu

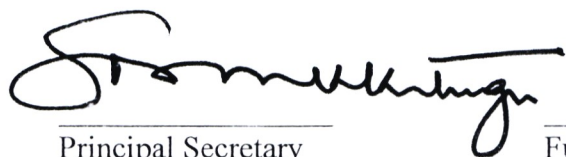


Fund Accountant  
Name: CPA P. Karanja  
ICPAK Member Number: 7271

**9. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020**

	2019	2019-2020	2018-2019
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	12.5	9,960,182,474	5,412,406,159
<b>Total Cash and Cash Equivalents</b>		<b>9,960,182,474</b>	<b>5,412,406,159</b>
<b>TOTAL FINANCIAL ASSETS</b>			<b>5,412,406,159</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	12.6	5,412,406,159	15,798,536,827
Surplus/(Deficit) for the year		4,547,776,315	(10,386,130,668)
<b>NET FINANCIAL POSITION</b>		<b>9,960,182,474</b>	<b>5,412,406,159</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 16<sup>TH</sup> December 2020 and signed by:



Principal Secretary  
 Name: Solomon Kitungu

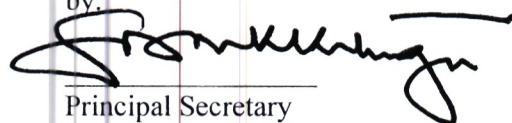


Fund Accountant  
 Name: CPA P. Karanja  
 ICPAK Member Number: 7271

## 10. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

	Note	2019-2020 KShs	2018-2019 KShs
<b>Receipts from operating activities</b>			
Receipts from Kenya Revenue Authority	12.3	23,528,463,126	21,613,544,290
		<b>23,528,463,126</b>	<b>21,613,544,290</b>
<b>Payments from operating activities</b>			
Transfer to Railway Development Levy Fund(Operation account)	12.4	18,980,686,811	31,999,674,958
		<b>18,980,686,811</b>	<b>31,999,674,958</b>
<b>Net cash flow from operating activities</b>		<b>4,547,776,315</b>	<b>(10,386,130,668)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
<b>Net cash flows from Investing Activities</b>			
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
<b>Net cash flow from financing activities</b>		-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>4,547,776,315</b>	<b>(10,386,130,668)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>5,412,406,159</b>	<b>15,798,536,827</b>
<b>Cash and cash equivalent at END of the year</b>		<b>9,960,182,474</b>	<b>5,412,406,159</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 16<sup>TH</sup> December 2020 and signed by:



Principal Secretary  
Name: Solomon Kitungu



Fund Accountant  
Name: CPA P. Karanja  
ICPAK Member No: 7271

**11. Summary of Budget versus Actual Performance for the year ended 30th June 2020**

The following statement summarizes the outturn against budget:

	Original Estimates	Adjustments	Revised Estimates	Total Actual 30 <sup>th</sup> June 2020	Difference	Dev.
	Kshs		Kshs	Kshs	Kshs	%
Opening balance	5,412,406,159	-	5,412,406,159	5,412,406,159	-	-
<b>Receipts</b>					-	-
Railway Development Levy Fund	23,528,463,126	-	23,528,463,126	23,528,463,126	-	-
<b>Total</b>	<b>28,940,869,285</b>	<b>-</b>	<b>28,940,869,285</b>	<b>28,940,869,285</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>						
Transfer to State Department of Transport - Mombasa - Nairobi	7,097,000,000	(5,738,313,189)	1,358,686,810	18,980,686,811	-	-
Transfer to State Department of Transport - Nairobi - Naivasha	17,622,000,000	-	17,622,000,000			
<b>Total Transfers</b>	<b>24,719,000,000</b>	<b>(5,738,313,189)</b>	<b>24,719,000,000</b>	<b>18,980,686,811</b>	<b>-</b>	<b>-</b>

**Commentary:**

A total of Kshs 23.52 billion was received into the Railway Development Levy Fund Holding Account against a budget of Kshs 23.52 billion.

A total of Kshs 18.98 billion was transferred to the Railway Development Levy Fund Operations Account for 2019/2020 financial year as per the approval by the Advisory Committee.

The Railway Development Levy Fund Holding Account had an opening balance of Kshs 5.41 billion and consequently a closing balance of Kshs 9.96 billion at the end of the financial year 2019/2020.

## **12. NOTES TO THE FINANCIAL STATEMENTS**

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

### **12.1 Basis of Preparation**

#### **i. 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.

#### **ii. Reporting entity**

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

#### **iii. 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.

### **12.2 Significant Accounting Policies**

#### **a) Recognition of receipts**

The Fund recognises receipts from Kenya Revenue Authority when the event occurs, and the related cash has actually been received by the Government.

**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.

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.

**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 Kshs - billion being 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 recognised 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.3 RECEIPTS FROM THE KENYA REVENUE AUTHORITY.**

An amount of Kshs 23.52 billion was received during financial year 2019/2020 compared to Kshs 21.63 billion received during financial year 2018/2019. The following is the breakdown on a quarterly basis of the receipts into the Holding Account. The funds were received from the Kenya Revenue Authority.

	Period to 30 <sup>th</sup> June 2020	Period to 30 <sup>th</sup> June 2019
	Kshs	Kshs
<b>Description</b>		
Quarter 1	5,677,861,830	5,298,553,397
Quarter 2	5,971,655,382	4,989,542,619
Quarter 3	6,478,931,943	5,548,391,789
Quarter 4	5,400,013,971	5,777,056,485
Total	<b><u>23,528,463,126</u></b>	<b><u>21,613,544,290</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.4 TRANSFERS TO RDLF OPERATIONS ACCOUNT**

The following is the breakdown of the funds transferred from the Holding Account to the Operational Account of the Railway Development Levy Fund following approval from Railway Development Levy Fund Advisory Committee:

	FY 2019/20			FY 2018/19
	Payments made by the Holding Account	Payments made by third parties	Total Payment	
	KShs	KShs	KShs	KShs
<b>Date of Transfers</b>				
20/12/2019- Transfers to RDLF Operations-PV 000936	11,038,692,754	-	-	6,363,968,893
23/12/2019- Transfers to RDLF Operations-PV 000939/1	354,722,471	-	-	3,020,925,616
23/12/2019- Transfers to RDLF Operations-PV 000959	2,296,806,153	-	-	10,224,479,162
27/01/2020- Transfers to RDLF Operations-PV 001070	209,423,086	-	-	1,200,000,000
30/01/2020- Transfers to RDLF Operations-PV 001081	250,000,000	-	-	964,890,548
30/01/2020- Transfers to RDLF Operations-PV 001080	250,000,000	-	-	1,732,535,662
11/03/2020- Transfers to RDLF Operations-PV 001390	250,000,000			2,295,760,492
14/05/2020- Transfers to RDLF Operations-PV 001931	2,301,474,517			35,399,604
28/05/2020- Transfers to RDLF Operations-PV 001995	1,189,379,157			161,714,981
29/05/2020- Transfers to RDLF Operations-PV 002001	840,188,673			1,000,000,000
<b>Total</b>	<b><u>18,980,686,811</u></b>	<b>=</b>	<b>=</b>	<b><u>31,999,674,958</u></b>

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)****Reports and Financial Statements****For the financial year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)****12.5 Bank Accounts**

The bank balance as at 30<sup>th</sup> June 2020 amounted to Kshs 9.96 billion compared to Kshs 5.41 billion in the previous year ended 30<sup>th</sup> June 2019.

	2019/20	2018/19
	KShs	KShs
<b><u>Local Currency Accounts</u></b>		
Central Bank of Kenya ,A/c No. 1000426818	9,960,182,474	5,412,406,159
<b>Total local currency balances</b>	<u>9,960,182,474</u>	<u>5,412,406,159</u>
<b>Total bank account balances</b>	<u>9,960,182,474</u>	<u>5,412,406,159</u>

**12.6 FUND BALANCE BROUGHT FORWARD**

	2019/20	2018/19
	KShs	KShs
Bank accounts	5,412,406,159	15,798,536,827
<b>Total</b>	5,412,406,159	15,798,536,827

**RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

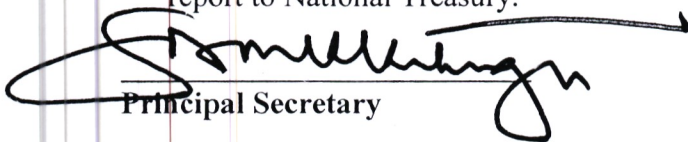
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

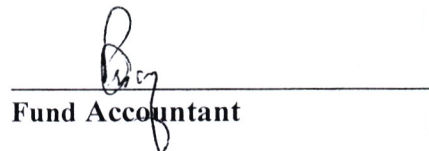
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue and designation	Status: (Resolve / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

**Audit Report for financial year 2018-2019 not yet received**

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

  
 Principal Secretary

  
 Fund Accountant

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Date

***RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)***

***Reports and Financial Statements***

***For the financial year ended June 30, 2020***

**APPENDICES**

- i. Bank Reconciliations
- ii. Cash Count Certificate
- iii. Trial Balance

**REPUBLIC OF KENYA.**

Date: 30<sup>TH</sup> JUNE 2020.

Report of the Board of Survey on the Cash and Bank Balances of RAILWAY DEV LEVY FUND HOLDING STATE DEPARTMENT OF TRANSPORT as at the close of business on 30<sup>th</sup> June, 2020.

The Board, consisting of (Names and Official Titles)

- Name (s) FREDRICK KABUNGE.....Chairman.
- Name (s) MARY KINUTHIA.....Member.
- Name(s) TOBIAS OLAMBO.....Member.

Assembled at the Cash Office of State Department Of Transport at ..... (time) on the 3<sup>RD</sup> JULY 2020 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>

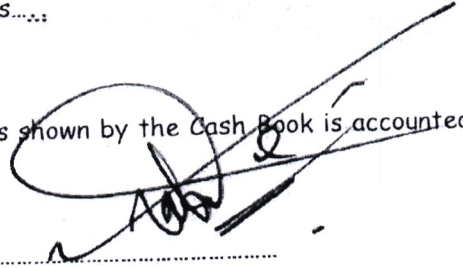
It was observed that cheques amounting to Sh. ....NIL.....Cts .....NIL..... had been on hand for more than 14 days prior to the date of the survey.

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 30<sup>th</sup> June, 2020 .

Cash on hand	.....	Sh.	NIL
Bank Balances	.....	Sh.	<u>9,960,182,473.91</u>

The Bank Certificate Balances showed Sh .....cts..... Standing to the credit of the account on 30<sup>th</sup> June, 2020.



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 02.07.2020.

Members Of the Board.

- 1. 
- 2. 

BANKI  
KUU YA  
KENYA



CENTRAL  
BANK OF  
KENYA

Hale Selassie Avenue  
P.O. Box 60000 - 100200 Nairobi, Kenya  
Telephone: 2800000, Fax: 540192

July 22, 2020

## CERTIFICATE OF BALANCES

Customer: 122552

Account Name: STATE DEPARTMENT FOR TRANSPORT

Balance Date: July 3, 2020

ACCOUNT No.	ACCOUNT TITLE	AMOUNT
1000209879	DEV-STATE DEPARTMENT FOR TRANSPORT	23,565,271.30
1000209968	REC-STATE DEPT. FOR TRANSPORT	1,608.40
1000212551	DEP-STATE DEPT. FOR TRANSPORT	39,354,404.85
1000215879	THE RAILWAY DEV LEVY FUND OPERATION	32,169,374.29
1000426818	RAILWAY DEV. LEVY FUND- HOLDING ACC	9,960,182,473.91

Handwritten signature of L. K. RWERIA in black ink.

L. K. RWERIA  
AUTHORISED SIGNATORY  
BANKING SERVICES

Handwritten signature of P. S. LENKUME in black ink.

P. S. LENKUME  
AUTHORISED SIGNATORY  
BANKING SERVICES

**STATE DEPARTMENT FOR TRANSPORT  
RAILWAY DEVELOPMENT LEVY FUND-HOLDING ACCOUNT**

**TRIAL BALANCE**

	Dr	Cr
P.S-MOT-Transfers to RDLF Operations	11,038,692,754.00	
P.S-MOT-Transfers to RDLF Operations	354,722,471.00	
P.S-MOT-Transfers to RDLF Operations	2,296,806,153.00	
P.S-MOT-Transfers to RDLF Operations	209,423,086.00	
P.S-MOT-Transfers to RDLF Operations	250,000,000.00	
P.S-MOT-Transfers to RDLF Operations	250,000,000.00	
P.S-MOT-Transfers to RDLF Operations	250,000,000.00	
P.S-MOT-Transfers to RDLF Operations	2,301,474,516.80	
P.S-MOT-Transfers to RDLF Operations	1,189,379,157.00	
P.S-MOT-Transfers to RDLF Operations	840,188,673.00	
Fund Balance B/F		11,090,267,988.66
Weekly transfers		4,370,982,228.00
Transfers for the week ending 13/12/19		369,582,674.00
Transfers for the week ending 20/12/19		350,812,144.00
Transfers for the week ending 24/12/19		501,005,826.05
Transfers for the week ending 31/12/19		379,272,510.00
Receipts for the week ending 16/01/20		806,871,857.00
Receipts for the week ending 17/01/20		358,831,752.00
Receipts for the week ending 24/01/20		458,377,432.00
Receipts for the week ending 31/01/20		443,418,645.00
Understated receipts for the week ending 17/01/20		110,682,317.00
Understated receipt for the week ending 24/01/20		104,797,556.00
Understated receipt for the week ending 31/01/20		97,381,864.00
Receipts for the week ending 07/02/20		438,663,481.00
Receipts for the week ending 14/02/20		326,994,478.00
Receipts for the week ending 21/02/20		392,306,941.00
Receipts for the week ending 28/02/20		478,750,405.00
Understated receipts for the week ending 07/02/20		110,637,882.00
Understated receipts for the week ending 14/02/20		91,694,424.00
Understated receipts for the week ending 21/02/20		92,783,067.00
Understated receipts for the week ending 28/02/20		20,329,646.00
Undercast of the receipts for the week ending 28/02/20		83,584,676.00
Receipts for the week ending 06/03/20		358,294,845.00
Receipts for the week ending 13/03/20		331,319,510.00
Receipts for the week ending 20/03/20		371,789,521.00
Receipts for the week ending 31/03/20		718,900,361.00
Undercast of the receipts for the week ending 06/03/20		93,430,222.00
Undercast of the receipts for the week ending 13/03/20		75,923,566.00
Undercast of the receipts for the week ending 20/03/20		113,167,495.00
Receipts for the week ending 03/04/20		179,938,113.00
Receipts for the week ending 09/04/20		303,048,461.00
Receipts for the week ending 17/04/20		385,599,266.00
Receipts for the week ending 24/04/20		433,627,269.00

Receipts for the week ending 30/04/20		309,648,882.00
Undercast receipts for the week ending 09/04/20		180.00
Receipts for the week ending 08/05/20		478,751,948.00
Receipts for the week ending 15/05/20		328,884,980.00
Receipts for the week ending 22/05/20		353,396,252.00
Receipts for the week ending 29/05/20		330,426,442.00
Undercast receipts for the week ending 15/05/20		63,967,355.00
Receipts for the week ending 05/06/20		346,522,379.00
Receipts for the week ending 12/06/20		475,654,797.00
Receipts for the week ending 19/06/20		460,697,700.00
Receipts for the week ending 26/06/20		530,993,346.00
Receipts for the week ending 30/06/20		312,043,995.00
Receipts for the month ended June 2020		106,812,606.00
Balance c/f	9,960,182,473.91	
	<b>28,940,869,284.71</b>	<b>28,940,869,284.71</b>