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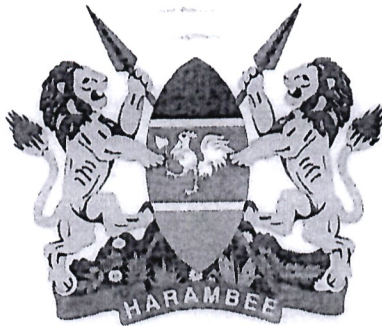
THE AUDITOR-GENERAL

ON

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

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

STATE DEPARTMENT FOR TRANSPORT



RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)

Reports and Financial Statements

For the year ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Railway Development Levy Fund was set up on 5th July 2013, by Gazette Supplement No. 99. The regulations may be sited as customs and exercise (Railway Development Levy Fund) Regulations 2013. The Fund consists of:

1. The proceeds of Railway Development Levy charges under Section 117A of the customs and excise Act
2. Grants or donations made to the fund and
3. Any income generated from the proceeds of the fund

Proceeds from foreign borrowings (A.I.A)

The key objective and purpose of the Fund shall be to provide funds for the construction of the Standard Gauge Railway network in order to facilitate the transportation of goods.

b) Principal Activities

The principal activity/mandate of the Fund is to provide funds for the construction of the Standard Gauge Railway network in order to facilitate the transportation of goods.

c) Fund Administration Committee

The officer administering the Fund is the Principal Secretary responsible for matters relating to transport.

| Names | Title designation | Key qualification | Responsibilities |
|---------------------|--|--------------------------|--|
| Dr. Julius Muia | Principal Secretary – National Treasury | Qualified | In charge of National Treasury (Chairperson) |
| Mr. Solomon Kitungu | Principal Secretary-Transport | Qualified | In charge of Transport |
| Prof. Paul Maringa | Principal Secretary-Infrastructure | Qualified | In charge of infrastructure |
| Mr. Philip Mainga | Managing Director-Kenya Railways Corporation | Qualified | Kenya Railways Corporation |

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d) Key Management

| Ref | Position | Name |
|-----|-----------------------------|---------------------|
| 1 | Fund Manager/ Administrator | Mr. Solomon Kitungu |
| 2 | Fund Co ordinator | Dr. Duncan G Hunda |
| 3 | Fund Accountant | Priscilla Karanja |

e) Fiduciary Oversight arrangements

The Fiduciary oversight during the year rested with the Budget Implementation Committee, the Public Accounts Committee of the National Assembly and the Development Partners.

f) Registered Offices

The fund headquarters offices are:
Transcom Building
P.O. BOX 30007-00100
Upper hill
Nairobi, Kenya

g) Fund Contacts

The following are the fund contacts
Telephone: (254) 20 338111
E-mail: ps@transport.go.ke
Website: www.transport.go.ke

h) Fund Bankers

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

i) Independent Auditors

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

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j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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2. FUND ADMINISTRATION COMMITTEE

| Names | Title designation | Key qualification | Responsibilities |
|------------------------|---|--------------------------|---|
| Dr. Julius Muia | Principal Secretary – National Treasury | Qualified | In charge of National Treasury (Chairperson) |
| Mr. Solomon Kitungu | Principal Secretary- Transport | Qualified | In charge of Transport |
| Prof. Paul Maringa | Principal Secretary- Infrastructure | Qualified | In charge of infrastructure |
| Mr. Philip Mainga | Managing Director- Kenya Railways Corporation | Qualified | Kenya Railways Corporation |

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)**Reports and Financial Statements****For the year ended June 30, 2021.****3. STATEMENT OF PERFORMANCE AGAINST FUND'S PREDETERMINED OBJECTIVES**

Most of the set targets as shown in the table below were achieved especially in Supply and Installation of facilities, locomotives, rolling stock, scanner and land acquisition, construction of Nairobi ICD & Access roads, Naivasha ICD. However, realization of set targets for the implementation of the SGR Unified Security System and was affected by delays in procurement process.

| Programme | Key Output | Key Performance Indicators | PLANNED TARGET | ACHIEVED TARGET | Remarks |
|--------------------------------------|--------------------------------------|--|----------------|-----------------|---|
| | | | 2020/21 | 2020/21 | |
| RAILWAY DEVELOPMENT LEVY FUND | | | | | |
| | DELIVERY OF THE SGR PHASE 1 PROJECT | Supply and Installation of facilities. Locomotives and Rolling stock | 100 | 100 | There were supply changes to the supply of RMG cranes and Reach stackers but this was achieved during the year and items inspected and accepted. However, payment is due. |
| | | No. Payment for ICD Embakasi Scanners | 6 | 6 | Six (6) Scanners were installed in Mombasa and Nairobi ICD to help scan containers. Payments were made during the year |
| | | Acquisition of East Africa Portland Land | 100 | 100 | This was achieved as KR acquired EAPCC 900 Acres of Land for enhancing conventional cargo freight from Mombasa. KR is still paying Portland in quarterly instalments and transfer of title deeds to KRC will be completed upon full payment |
| | | % Survey and Tilting of SGR Phase 1 Land | 100 | 50 | KR Professional Consultant are still undertaking titling of the SGR Phase 1 Corridor to issue KR with documents of title. |
| | | % Completion of Nairobi ICD & Access Roads | 100 | 100 | The ICD and Access Roads are complete |
| | DELIVERY OF THE SGR PHASE 2A PROJECT | | | | |

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| | | | | |
|--|--|-----|-----|--|
| | % Completion of Land Acquisition | 100 | 100 | This was achieved as KR acquired the whole corridor and availed vacant possession to the Contractor |
| | % Completion of Civil Works | 100 | 100 | This was achieved as the Project was completed by the Contractor and commissioned in October 2019 |
| | % Implementaion of the SGR Unified Security System | 50 | 0 | This was not achieved as the procurement process was on-going |
| | Purchase of Security Vehicles | 13 | 7 | The Corporation purchased 7 Double Cab pickups to monitor the SGR Corridor |
| | Payment of Escrow Deposits as per Escrow Agreement | 100 | 0 | Government was granted an immunity period by Exim Bank of China until December 2021 when deposit requirement will resume |
| | | | | |
| | CSR Activity | | | |
| | Kimuka Water Project in Ngong Area | | | Already commissioned and handed over to the community |
| | | | | |

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4. MANAGEMENT TEAM

As per The Customs and Excise (Railway Development Levy Fund) Regulations, 2013, there is an Advisory Committee that oversee the management of the Fund. The Committee consist of;

- (a) the Principal Secretary responsible for matters relating to finance who is the chairperson;
- (b) the Principal Secretary responsible for, matters relating to transport;
- (c) the Principal Secretary responsible for matters' relating to infrastructure; and
- (d) the Managing director of the Kenya Railways Corporation appointed under section 5 of the Kenya Railways Corporation Act, Cap. 397.

The functions of the Advisory Committee are as follows;

- (a) to review and approve the annual work programmes and cost estimates; and
- (b) to oversee the management of the Fund and advise the Cabinet Secretary generally on the operations of the Fund.

The members who served during the FY2020/21 are:

| Names | Title designation | Key qualification | Responsibilities |
|---------------------|--|--------------------------|--|
| Dr. Julius Muia | Principal Secretary – National Treasury | Qualified | In charge of National Treasury (Chairperson) |
| Mr. Solomon Kitungu | Principal Secretary-Transport | Qualified | In charge of Transport |
| Prof. Paul Maringa | Principal Secretary-Infrastructure | Qualified | In charge of infrastructure |
| Mr. Philip Mainga | Managing Director-Kenya Railways Corporation | Qualified | Kenya Railways Corporation |

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5. REPORT OF THE FUND ADMINISTRATOR

Economic Overview

A year and a half since the onset of the COVID-19 pandemic, the global economy is poised to stage its most robust post-recession recovery in 80 years in 2021. But the rebound is expected to be uneven across countries, as major economies look set to register strong growth even as many developing economies lag. Global growth is expected to accelerate to 5.6% this year, largely on the strength in major economies such as the United States and China. While growth for almost every region of the world has been revised upward for 2021, many continue to grapple with the effects of the COVID-19 pandemic and what is likely to be its long shadow. Despite this year's pickup, the level of global GDP in 2021 is expected to be 3.2% below pre-pandemic projections, and per capita GDP among many emerging market and developing economies is anticipated to remain below pre-COVID-19 peaks for an extended period. As the pandemic continues to flare, it will shape the path of global economic activity.

The Kenyan economy, however, recorded reduced activities due to restrictions placed by Governments and private decisions. The uncertainty in the post-pandemic landscape and policies has slowed investment, and concerns on the viability of the global value chains and the course of the pandemic have weighed on international trade and tourism.

Impact of COVID-19 on Rail Transport in Kenya

The impact of COVID-19 in the rail sector has been mainly two fold. On freight volumes, the performance has largely been affected by the general slump in the world economy arising from suppressed production and consumption. Maritime operations have been affected due to limited availability of cargo at the port of Mombasa due to closure of major Ports in China, USA and Europe as well as restrictions in crossing borders in the regional markets. Further, the levels of efficiencies in operations have been negatively affected as a result of the various containment measures including material alteration in working hours. Despite the effects of the pandemic being experienced in the year 2020-2021, the Railway sector rallied to perform better than the previous year improving total tonnages of freight cargo hauled by 25% from 4 million tons in 2019-2020 to 5 million tons owing to the increased movement of conventional cargo.

Review of the Fund's Performance

The Holding Account received Kshs. 29.10 billion during the financial year 2020/2021 comparing Kshs.23.52 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 30th June 2021, Kshs 24.05 billion was transferred from the Holding Account to the Railway Development Levy Fund. This compares to Kshs18.98 billion transferred during the previous financial year.

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As at 30th June 2021, the Holding Account had a cumulative balance of Kshs 15.00 billion compared to the balance Kshs. 9.96 billion as at 30th June 2020. The fund is held in the holding bank account at Central Bank of Kenya.

SGR Phase 1 ; Mombasa-Nairobi Section

The project was commissioned on 31st May, 2017 by H.E The President Uhuru Kenyatta upon completion. It was in two components, the first Component, Civil works is 100% complete, save for the access roads from the Embakasi Inland Container Depot (ICD) and relocation of public institutions affected by the project which are still on-going.

The second component of Phase One was the supply and installation of facilities, locomotives and rolling stock for the Mombasa - Nairobi Standard Gauge Railway Project. The Communication, Signaling and Electricity (CSE) works are also 100% complete. It is currently operational with three (3) pairs of passenger services running from both directions (up and down) and eight (8) pairs of freight trains.

SGR Phase 2A; Nairobi – Naivasha Section

The SGR Phase 2A is an extension of the Mombasa – Nairobi. The Project was commissioned in October 2019 by H.E The President Uhuru and is under operations with both freight and passenger service.

Relocation of Schools and Public Utilities.

The relocation had an estimated cost of Kshs. 1.8 Billion. The construction of the Mombasa – Nairobi Standard Gauge Railway Project (Phase 1 SGR) affected a total of 25 public institutions: 12 primary schools, 8 secondary schools, one special school, one health center, one forest station, one prison building and one building for meat training institute. The summary of the progress: -

- i. Twenty two (22) Contracts have been awarded and signed.
- ii. Fifteen (15) of the Twenty two (22) projects have been substantially completed and handed over to the managements of the respective institutions.
- iii. Six (6) out of the 22 projects are ongoing, at various stages of construction.
- iv. Works in Mwamdudu Secondary School did not start as the contractor could not be given possession of site. This is due to land ownership dispute that arose just before the scheduled site handover date. KR has been following up with relevant agencies to have this issue resolved.

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- v. Procurement process for three (3) institutions has been initiated. These are Voi Prisons, Kenya Forest Service, Kibwezi and Kenya Meat Training College.

SGR Phase 1 - Land acquisition.

The corridor has been acquired 100% but payments are 72% complete. A total of Ksh.21 Billion out of the total amount advised by NLC of Kshs. 28.9 Billion towards Phase 1 for compensation of Project Affected Persons (PAPs) has been transferred to National Land Commission (NLC). RDLF Committee will continue to facilitate payments through NLC based on a replenishment basis. The Government acquired 900 acres from East Africa Portland Cement Co. Ltd at Athi River earmarked for development of bulk terminal and transshipment facilities. The purchase price was Kshs. 5.2 Billion, so far Kshs. 3.95 Billion has been paid and the remainder Kshs. 1.25 Billion is expected to be paid in FY2021/22 at Kshs. 250 Million per quarter. There is also the cadastral survey, vesting and registration of corridor, spatial master plans development and monumentation along the Phase 1 corridor which is on-going. This has entailed field work survey, referencing acquired data and submission to Director of survey data for checking and authentication.

SGR Phase 2A Land acquisition

A total of Ksh.17.7 Billion has been paid out from the fund to National Land Commission (NLC) out of the total amount advised by NLC of Kshs. 20.2 Billion towards Phase 2 for compensation of Project Affected Persons (PAPs), leaving a balance of Kshs. 2.5 Billion which relates to land with ownership disputes. The SGR Phase 2A Project affected 2 Public Institutions which are to be relocated with an estimated cost of Kshs. 77 Million.

Standard Gauge Railways Operations

The operations of the Standard Gauge Railway (SGR) for Mombasa - Nairobi and Nairobi - Naivasha sections were launched in May 2017 and October 2019 respectively. However, pre-operations cost that required Government funding were not availed and this has led to huge pending bills to the operator. The purpose of the RDLF fund was recently amended to include funding of Standard Gauge Railway operations. It is in view of this and to ensure continuity of the SGR operations without interruption that the Fund supports the operations and Maintenance of SGR. Kenya Railways is in the process of taking over SGR operations with effect from 1st June, 2022. The total payment to the SGR Operator out of the RDLF was Kshs 18,602,586,015.00 as of 30th June 2021.

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The Funds Future Outlook

Having funded the major infrastructure that is the SGR Phase 1 and 2A, and as the Government seeks for financing of SGR Phase 2B and 2C to Kisumu and Malaba, the fund will focus on the Optimizing the Operations and maintenance of SGR, funding the Complementary infrastructure such as linkages and access to SGR, and acquisition of additional assets for effective operationalization of SGR.

Conclusion

The global economy and geopolitical context continue to be uncertain in the wake of the COVID-19 pandemic. The outlook for the transport sector is promising as the world adapts to the pandemic including global mass vaccination and normalization of various containment measures. The leading economies have stabilized leading to growing normalcy especially in the freight and logistics activities.

The railway sector is expected to play a key role in the post Covid -19 recovery strategy through the provision of cost effective, efficient and safe mode of mass transport across the East Africa region and therefore the Funds will continue to be utilized with the aim of reducing the cost of doing business and improving railway transportation competitiveness.



Dr. (Eng) Joseph K Njoroge(CBS)

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6. CORPORATE GOVERNANCE STATEMENT

The Railway Development Levy Fund ("the fund") was established under the Customs and Excise (Railway Development Levy Fund) Regulations, 2013 published vide Legal Notice No. 118 of 5th July, 2013. The regulations were made pursuant to the enactment of the Finance Act, 2013 which introduced Section 117A to the Customs and Excise Act (CAP. 472).

According to Regulations, there is established a committee to be known as the Advisory Committee which consist of-

- the Principal Secretary responsible for matters relating to finance who shall be the chairperson;
- the Principal Secretary responsible for matters relating to transport;
- the Principal Secretary responsible for matters relating to infrastructure; and
- the managing director of the Kenya Railways Corporation appointed under section 5 of the Kenya Railways Corporation Act.

The functions of the Advisory Committee are-

- (a) to review and approve the annual work programmes and cost estimates; and
- (b) to oversee the management of the Fund and advise the Cabinet Secretary generally on the operations of the Fund.

The expenditure of the Fund shall be on the basis of, and limited to, the annual work programmes and cost estimates which shall be submitted to the Advisory Committee for approval before the beginning of the financial year to which they relate.

Any revision of the approved expenditure or expenditure outside the work programme and cost estimates shall not be implemented or incurred unless they have been approved by the Advisory Committee.

All receipts, savings and accruals of the Fund and the balance of the Fund at the close of each financial year, shall be retained for the purpose for which the Fund is established.

The existing government financial and procurement regulations shall apply in the administration of the Fund.

The officer administering the Fund is responsible for supervising and controlling the administration of the Fund. The National Treasury and the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works monitors the application of the Railway Development Levy Fund resources including resources approved for operations of the standard gauge railway line.

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7. MANAGEMENT DISCUSSION AND ANALYSIS

The Railway Development Levy Fund was established in July 2013 to cater for Standard Gauge Railway construction and recently its purpose was amended to add the operations. Below is a summary of the fund as at 30th June, 2021;

FUND STATUS IN FY2020/21

The Holding Account received Kshs. 29.10 billion during the financial year 2020/2021 comparing Kshs.23.52 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 30th June 2021, Kshs 24.05 billion was transferred from the Holding Account to the Railway Development Levy Fund. This compares to Kshs18.98 billion transferred during the previous financial year.

As at 30th June 2021, the Holding Account had a cumulative balance of Kshs 15.00 billion compared to the balance Kshs. 9.96 billion as at 30th June 2020. The fund is held in the holding bank account at Central Bank of Kenya.,

The objective and purpose of the Fund is to provide funds for the construction of a standard gauge railways network and its operations in order to facilitate the transportation of goods. All the payments done during the year were towards this objective.

The Fund complied with statutory requirements pertaining to the transactions undertaken.

The Fund's Commitments are made after confirming availability of funds hence not likely to have material arrears.

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

From inception, the Standard Gauge Railway (SGR) Project has integrated the idea of building a community of shared future into the construction and operation process by improving the railway industrial chain, building a long-lasting high-quality railway that provides safe, comfortable and efficient passenger and freight transportation, thus fulfilling the development needs in Kenya.

The SGR line currently traverses 13 counties all comprising a diverse population owing to the various communities living along the route. These communities have created a hospitable environment most especially for the on-site construction team which has been working diligently to ensure that all phases of the SGR Project are completed in record time. Therefore, there was need to take keen interest on the welfare and needs of the community.

KR through the Contractor implemented a number of social and economic development activities in close cooperation with the designated site section and branch offices throughout the SGR corridor. In Phase 2A of the Project, these activities have been encompassed under the **CCCC Initiative: 'Imarika na SGR'** campaign whose main objective is to ensure that the SGR Project not only brings forth a revolutionary means of transport but also provides a platform for addressing the needs and interests of the general public.

Opportunity

The Contractor offices are located on-site in remote areas therefore the personnel get a first -hand account of the daily experiences of the local communities. Through these experiences, the personnel are able to identify potential development activities, with the help of the residents, that can be carried out to ensure that the standards of living are raised hence promoting a cordial relationship between the contractor and the community with whom they share resources.

Some of the predominant issues encountered include, but are not limited to:

1. Inadequate water supply
2. Lack of suitable access/feeder roads
3. Dilapidated housing and learning institutions
4. Severe drought and food shortage

Research

KR and the Contractor built reliable liaison mechanisms with all local governments and opinion leaders forming committees that are used to disseminate information from the contractor to the community and vice versa. These committees are predominantly made up of representatives from the diverse local communities which include Chiefs, Councils of Elders, School Chairmen, School Boards of Management, the clergy, a select number of youth among others.

Some of the research findings are also submitted by reporters and correspondents from the media who are based within the locality who have daily interaction with the residents. Since the media in Kenya is used as a voice for public opinion, the community addresses the issues they would wish to be looked into and the media acts as a channel to transmit these messages to the contractor. Apart from ideas related to community development activities, the media also helps the Section Offices avert crises by alerting the management in case of issues that are deemed to cause issues in the long-run if not addressed.

The committees make suggestions on the most viable development projects that should be carried out within their locality then technical personnel from the Section Offices carry out preliminary investigations on the proposed activity to ensure that it is not only feasible but also beneficial to the general community and not only a select minority.

The process involves both primary and secondary research carried out in the communities because the personnel rely on both existing information about the locality as well as carrying out further investigations to get first-hand account of the situation on the ground which could have changed in the recent times due to a number of factors. All these factors to be considered generally also determine the approach taken during the planning and execution phase.

Planning & Selection Criteria

In order to ensure uniformity and balance in the implementation process, there is a set general criterion used when selecting development projects to be undertaken. The criteria is as follows:

Each Section Office is allocated a certain amount of annual funding to cater for community development activities aside from the funding received for the project works. To ensure that the budget is not depleted before the objective has been achieved or the needs are addressed fully, there is a set general criterion used when selecting development projects to be undertaken. The criteria are as follows:

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1. Proximity to the intended SGR route

Most of our SOCIAL WELFARE development projects are carried out in areas that are in close proximity to the intended SGR route. This ensures that the positive construction impact of the SGR Project is felt by the residents in terms of the benefits brought about by the presence of the infrastructure project in their community. This prioritization also ensures that the SGR bordering communities are the greatest beneficiaries of any development activities initiated by the contractor.

2. Expertise

Before undertaking a development project, it is important to understand the industry and scope of works during the construction and operation phases so as not to fall short of the expectations. If the type of work recommended is not within our pool of expertise, the Contractor reaches out to locally established professionals in that particular field for further assistance in the planning and implementation phases.

3. Overall cost

The Contractor also makes sure that the development activity must be attainable within the available budget. This is achieved through doing preliminary groundwork and research about the cost and resources to be used from suppliers and service providers, then coming up with an estimated budget. More often than not, most of these community development activities do not exceed the available budget since most of the machinery, labor and raw materials are readily available on site.

4. Feasibility

A comprehensive feasibility study is also done at the particular area where the development project is to be effected. This includes but is not limited to the time taken to undertake the project as well as the manpower and machinery needed, the overall environmental conditions of the area so as to make sure that the activity does not cause any environmental hazards, as well as ensuring that the community set to benefit is in agreement that the activity should be carried out and in that particular area. During this stage, KR also makes sure that if a piece of land is required, then the necessary land acquisition processes are followed diligently to ensure that the exercise is carried out smoothly.

5. Benefit to the community

KR and the Contractor are committed to being guardians of the community where all activities carried out by any of the site offices have a direct positive impact on the wider Kenyan communities. Thus, when carrying out any development activities, it is of great importance to embark on a project that will not only

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benefit a select group of people but an integrated community. Therefore, most of the community development activities are implemented in central locations where the general public can easily gain access to the services offered. This also shows the community that the company has their best interests at heart and that we are willing to work with all of them and share the benefits that come with the SGR Project construction.

Scope

The social welfare activities implemented under the “Imarika na SGR” campaign largely address issues affecting a majority of the communities living along the SGR Phase 2A corridor. While some of the few community development projects targeting a small population are not mentioned, below is table containing details of the most predominant social welfare activities that were successfully carried out in light with this campaign:

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| Intervention | Background | Benefits |
|------------------------|---|--|
| 1. Water supply | Provision of water for communities facing water shortage | As from July 2018, Emali Model Hospital has been one of the beneficiaries whose operations have resumed to full swing after Section 7 donated 210,000 liter tanks with a water boozzer regularly filling the tanks with water. |
| | | The residents in Emali are also beneficiaries with Section 7 setting up a 10,000-liter tank in the shopping center where residents get free clean water for their daily use. |
| | | Section 7 stepped in to offer a temporary solution to the water crisis facing residents in Emali as a result of the mismanagement of the body responsible for the provision of water to the community. |
| | | Section 2 are in the process of constructing two water reservoirs with a total capacity of 1600 cubic meters in Kimuka area, Kajiado County to collect spring water whose source is the SGR Ngong tunnel. Kimuka has been facing a severe water shortage in the recent days with residents having to find alternative means to acquire this basic necessity. Once tapped in the reservoirs, the County Government of Kajiado is expected to implement the distribution of this water to its residents. |
| | | From the beginning of the SGR Phase 2A construction, Section 2, Section 3 and Section 4 have established a common water collection point for the community where residents get supplied with clean water on a regular basis from a water boozzer. |
| | | On various occasions since the construction of the SGR Phase 2A began, Section 3 and Section 4 have also drilled boreholes in Mai Mahiu and Namuncha where the residents fetch clean water for the daily use. |
| | | In May 2018, Section 4 dug a temporary water trough supplied by rain water for the pastoralists in the community to serve the cattle. |
| 2. Road repairs | Repairing dilapidated access roads that are commonly used by the communities | Throughout the construction of the SGR Phase 2A, Section 1, Section 3, Section 4 and Section 5 have carried out a number of road repairs within the community. These activities also include dust reduction by regularly sprinkling water on the roads to curb respiratory health related issues in the community. |
| 3. Bridge construction | Construction of all-weather bridges that are used by motor vehicles and the community | In April 2018, Section 1 constructed a modern all-weather bridge that motor vehicles and the community use in place of a pre-existing bridge which highly impassable during the rainy season. |
| 4. School renovations | Construct new classrooms and renovation of pre-existing classrooms in select schools | In 2016, Section 6 constructed 3 classrooms and an administration block for Ereteti Primary School in Suswa. |
| | | In the early stages of construction of the SGR Phase 2A in 2016, Section 4 constructed 3 classrooms for AIC Kiet Christian Academy in Mai Mahiu-Narok Road. |

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For the year ended June 30, 2021.

| | | |
|-------------------------------------|---|--|
| 5. Housing | Provision of alternative housing for settlers living along the SGR Phase 2A corridor | In April 2018, Section 2 and Section 4 provided modern housing units as an alternative to the manyattas for settlers living along the SGR corridor route. |
| 6. Donations | Donation of food, stationery, sporting equipment etc. to needy members of the community and schools | During the construction of the SGR Phase 2A, Section 3 has regularly donated food water and sporting equipment to Namuncha Primary School. |
| | | Section 2 donated food, water and stationery to Oloitip Primary School. |
| | | In July 2018, Section 6 donated stationery and sporting material to Ereteti Primary School |
| | | In June 2018, the SGR Head Office donated stationery to pupils from AIC Kitet Christian Academy. |
| 7. Rescue activities | Providing emergency transport and evacuation services when need arises | In July 2018, Section 3 provided transport for pupils from Namuncha Primary School whose bus was submerged in water on their way back to school from an educational trip. |
| | | In March 2018, Section 4 provided emergency response and prompt repair services to the B3 Mai Mahiu road that developed a crack during the rainy season causing a traffic snarl up along the busy highway. |
| 8. Building and equipping libraries | Section 1 is in the process of building a community shared library in Embulbul Primary School | In August 2018, Section 1 began constructing a community shared library that they will full equip with books and furniture before handing it over to Embulbul Primary School for administration. Once complete, the library is expected to serve the students in the Primary and Secondary sections as well as the general adult population in the surrounding environs. |

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)
Reports and Financial Statements
For the year ended June 30, 2021.

9. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. 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 fund; (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 fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

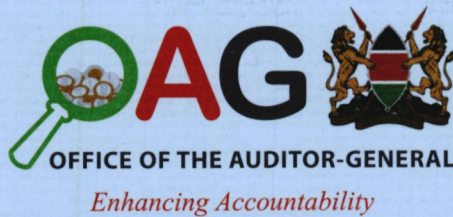
Approval of the financial statements

The Fund's financial statements were approved by the Fund Administrator on 20th December 2021 and signed:

Dr. (Eng) Joseph K Njoroge (CBS)
Fund Administrator

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 RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT) 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, gazette 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 Railway Development Levy Fund (Holding Account) set out on pages 23 to 37, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

Report of the Auditor-General on Railway Development Levy Fund (Holding Account) for the year ended 30 June, 2021 – State Department for Transport

of budget and actual amounts 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 the Railway Development Levy Fund (Holding Account) as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Customs and Excise (Railway Development Levy Fund) Regulations, 2013 and the Public Finance Management Act, 2012.

Basis for Opinion

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

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 governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 Fund's financial reporting process, reviewing the effectiveness of how the Management 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 review 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 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 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.


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 March, 2022

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)

Reports and Financial Statements

For the year ended June 30, 2021.

11. FINANCIAL STATEMENTS

11.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

| | Note | 2020/2021 | 2019/2020 |
|---|------|-----------------------|-----------------------|
| | | KShs | KShs |
| Revenue | | | |
| Receipts from Kenya Revenue Authority | 12.1 | 29,103,516,287 | 23,528,463,126 |
| Total Revenue | | 29,103,516,287 | 23,528,463,126 |
| | | | |
| Expenses | | | |
| Transfer to Railway Development Levy Fund (Operation account) | 12.2 | 24,055,500,825 | 18,980,686,810 |
| Total expenses | | 24,055,500,825 | 18,980,686,810 |
| | | | |
| Surplus/(deficit) for the period | | 5,048,015,462 | 4,547,776,315 |

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 20th December 2021 and signed by:

Administrator of the Fund
Dr. (Eng) Joseph K Njoroge (CBS)


Fund Accountant,
Priscilla Karanja (CPA)
ICPAK Member No


RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)
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For the year ended June 30, 2021

11.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Note | 2020/2021 | 2019/2020 |
|---|------|-----------------------|----------------------|
| | | KShs | KShs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 12.3 | 15,008,197,936 | 9,960,182,474 |
| Total assets | | 15,008,197,936 | 9,960,182,474 |
| Revolving Fund | | 9,960,182,474 | 5,412,406,159 |
| Accumulated surplus | | 5,048,015,462 | 4,547,776,315 |
| Total net assets and liabilities | | 15,008,197,936 | 9,960,182,474 |

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 20th December 2021 and signed by:


 Administrator of the Fund
 Dr. (Eng) Joseph K Njoroge(CBS)



 Fund Accountant
 Priscilla Karanja (CPA)
 ICPAK Member No.


RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)
Reports and Financial Statements
For the year ended June 30, 2021

11.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

| | Revolving Fund | Revaluati on Reserve KShs | Accumula ted surplus KShs | Total KShs |
|-----------------------------------|-----------------------|------------------------------------|------------------------------------|-----------------------|
| Balance as at 1 July 2019 | 5,412,406,159 | - | - | 5,412,406,159 |
| Surplus/(deficit) for the period | 4,547,776,315 | - | - | 4,547,776,315 |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2020 | 9,960,182,474 | - | - | 9,960,182,474 |
| Balance as at 1 July 2020 | 9,960,182,474 | - | - | 9,960,182,474 |
| Surplus/(deficit) for the period | 5,048,015,462 | - | - | 5,048,015,462 |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2021 | 15,008,197,936 | - | - | 15,008,197,936 |

The entity financial statements were approved on 20th December 2021 and signed by:


 Administrator of the Fund
 Dr. (Eng) Joseph K Njoroge(CBS)

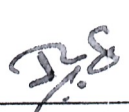

 Fund Accountant
 Priscilla Karanja (CPA)
 ICPAK Member No.

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)
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11.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020/2021 KShs | 2019/2020 KShs |
|---|------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Receipts from Kenya Revenue Authority | 12.1 | 29,103,516,287 | 23,528,463,126 |
| Total Receipts | | 29,103,516,287 | 23,528,463,126 |
| Payments | | | |
| Transfer to Railway Development Levy Fund (Operation account) | 12.2 | 24,055,500,825 | 18,980,686,811 |
| Total Payments | | 24,055,500,825 | 18,980,686,811 |
| Net cash flows from operating activities | | 5,048,015,462 | 4,547,776,315 |
| Cash flows from investing activities | | | |
| Net cash flows used in investing activities | | - | - |
| Cash flows from financing activities | | | |
| Net cash flows used in financing activities | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | 5,048,015,462 | 4,547,776,315 |
| Cash and cash equivalents at 1 JULY 2020 | 12.3 | 9,960,182,474 | 5,412,406,159 |
| Cash and cash equivalents at 30 JUNE 2021 | 12.3 | 15,008,197,936 | 9,960,182,474 |

The entity financial statements were approved on 20th December 2021 and signed by:


 Administrator of the Fund
 Dr. (Eng) Joseph K Njoroge (CBS)


 Fund Accountant
 Priscilla Karanja (CPA)
 ICPAK Member No.

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)
Reports and Financial Statements
For the year ended June 30, 2021

11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

| Receipts/Transfers Item | Original Estimates Kshs | Adjustments Kshs | Revised Estimates Kshs | Total Actual 30th June 2021 Kshs | Difference Kshs | Dev. % |
|--|----------------------------|-----------------------|---------------------------|--|----------------------|-----------|
| Opening Balance | 9,960,182,474 | - | 9,960,182,474 | 9,960,182,474 | - | |
| Receipts | | | | | | |
| Railway Development Levy Fund | 29,103,516,287 | - | 29,103,516,287 | 29,103,516,287 | - | |
| Total Receipts | 39,063,698,761 | | 39,063,698,761 | 39,063,698,761 | | |
| Transfers | | | | | | |
| Transfers to State Department for Transport- Mombasa- Nairobi | - | - | - | - | - | |
| Transfers to State Department for Transport- Nairobi- Naivasha | 10,816,000,000 | 22,415,313,281 | 33,231,313,281 | 24,055,500,825 | 9,175,812,456 | 0.28 |
| Total Transfers | 10,816,000,000 | 22,415,313,281 | 33,231,313,281 | 24,055,500,825 | 9,175,812,456 | |

Commentary:

A total of Kshs 29.1 billion was received into the Railway Development Levy Fund Holding Account against a budget of Kshs 29.1 billion.

A total of Kshs 24.05 billion was transferred to the Railway Development Levy Fund Operations Account for the 2020/2021 financial year as per the approval of the RDLF Advisory Committee.

The Railway Development Levy Fund Holding Account had an opening fund balance of Kshs 9.96 billion and consequently a closing balance of Kshs 15 billion at the end of the financial year 2020/2021.

11.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)
Reports and Financial Statements
For the year ended June 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

| Standard Amendments Applicable to January 2021 | Impact |
|---|---|
| <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> | <p>There was no impact of the amendment to IPSAS 13 with respect to the current financial report</p> |
| <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSSAs) was approved</p> | <p>There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021</p> |
| <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> | <p>There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.</p> |
| <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSSAs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p> | <p>There was no impact.</p> |

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)

Reports and Financial Statements
For the year ended June 30, 2021.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

| Standard | Effective date and impact |
|---|--|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were |

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)

Reports and Financial Statements

For the year ended June 30, 2021.

| Standard | Effective date and impact: |
|-----------------|--|
| | <p>inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period. The Fund did not have Interest Income for the year under review.

4. Budget information

The original budget for FY 2020/2021 was approved by Parliament. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of kshs 22,415,313,281 in the FY 2020/2021 budget following Parliamentary approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were

recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)
Reports and Financial Statements
For the year ended June 30, 2021.

2. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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.

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.

The Fund has no Contingent Asset /liability for the year under review.

3. Changes in accounting policies and estimates

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

4. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)

Reports and Financial Statements

For the year ended June 30, 2021.

period, are recognized as income or expenses in the period in which they arise. This is not applicable for the year under review.

5. Related parties

The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Fund Managers and Fund Accountant.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, Bank account balances include amounts held at the Central Bank of Kenya at the end of the financial year.

7. Comparative figures

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

8. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

9. Ultimate and Holding Entity

The entity is a Fund established by the Customs and Exercise Act Cap 472 Legal notice No. 118.

10. Currency

The financial statements are presented in Kenya Shillings (KShs).

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)
Reports and Financial Statements
For the year ended June 30, 2021.

12. NOTES TO THE FINANCIAL STATEMENTS

12.1 Receipts from Kenya Revenue Authority

| Description | 2020/2021 | 2019/2020 |
|--------------|-----------------------|-----------------------|
| | KShs | KShs |
| Quarter 1 | 6,016,930,801 | 5,677,861,830 |
| Quarter 2 | 7,084,814,721 | 5,971,655,382 |
| Quarter 3 | 7,638,962,941 | 6,478,931,943 |
| Quarter 4 | 8,362,807,824 | 5,400,013,971 |
| Total | 29,103,516,287 | 23,528,463,126 |

(The Revenue is from the proceeds of Railway Development Levy charged under Section 117A of the Customs and Exercise Act).

12.2 Transfers to Railway Development Levy Fund (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:

| Description | FY 2020/2021 | | | FY 2019/20 |
|--------------|-----------------------|------------------|-----------------------|-----------------------|
| | Payments made by | Payments made by | Total Payments | |
| | KShs | third parties | KShs | KShs |
| Quater 1 | 10,580,230,105 | - | 10,580,230,105 | - |
| Quater 2 | - | - | - | 13,690,221,378 |
| Quater 3 | 2,282,067,556 | - | 2,282,067,556 | 959,423,086 |
| Quater 4 | 11,193,203,164 | - | 11,193,203,164 | 4,331,042,347 |
| Total | 24,055,500,825 | - | 24,055,500,825 | 18,980,686,811 |

12.3 Cash and cash equivalents

| Description | 2020/2021 | 2019/2020 |
|---|-----------------------|----------------------|
| | KShs | KShs |
| Central Bank of Kenya ,A/c No. 1000426818 | 15,008,197,936 | 9,960,182,474 |
| Total cash and cash equivalents | 15,008,197,936 | 9,960,182,474 |

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)

Reports and Financial Statements

For the year ended June 30, 2021.

Detailed analysis of the cash and cash equivalents are as follows:

| Financial institution | Account number | 2020/2021 KShs | 2019/2020 KShs |
|------------------------------|-----------------------|---------------------------|---------------------------|
| a) Current account | | | |
| Central Bank of Kenya | A/c No. 1000426818 | 15,008,197,936 | 9,960,182,474 |
| Grand total | | 15,008,197,936 | 9,960,182,474 |

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)

Reports and Financial Statements

For the year ended June 30, 2021.

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 | Status: (Resolved / Not Resolved) | Timeframe (From date when issue was raised to date resolved) |
|--|-----------------------------------|---------------------|-----------------------------------|--|
| | | | | |
| Basis for Qualified Opinion | Discrepancy in Receipts Balance | Explained | Project Coordinator/Accountant | Resolved |



 Principal Secretary



 Fund Administrator

20 Dec 2021

 Date

27/02 2021

 Date

RAILWAY DEVELOPMENT LEVY FUND (HOLDING ACCOUNT)
Reports and Financial Statements
For the year ended June 30, 2021.

RAILWAYS DEVELOPMENT LEVY FUND - HOLDING ACCOUNT F.O.30
 REPUBLIC OF KENYA
BANK RECONCILIATION

AS AT 30TH JUNE 2021

| | | | |
|---|--|--|--------------------------|
| Balance as per bank statement | | | 15,008,197,936.01 |
| Less | | | |
| Payment in Cashbook not in Bank Statement | | | |
| Receipts in bank and not cashbook | | | |
| | | | |
| Add | | | |
| Payments in bank and not cashbook | | | |
| Receipts in cashbook and not bank | | | |
| | | | |
| Balance as per cashbook | | | 15,008,197,936.01 |

I certify that I have verified the Bank balance in the cash Book with the bank Statement and that the above reconciliations correct.

I certify that I have verified the Bank balance in the cash Book with the bank Statement and that the above reconciliations correct.

Reconciled By *[Signature]*

Signature *[Signature]*

DATE..... *5/7/21*

Verified By..... *[Signature]*

Signature..... *[Signature]*

DATE..... *5/7/21*

PAYMENT IN CASH BOOK NOT IN BANK STATEMENT

| DATE | PARTICULARS | AMOUNT |
|------|-------------|--------|
| | | |
| | | |
| | | |
| | | |
| | 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 RDLF STATE 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 GATHIGIMember.

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.....CtsNIL..... 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. | 15,008,197,936.01 |
| | | | <u>15,008,197,936.01</u> |

The Bank Certificate Balances showed Sh 15,008,197,936 cts.01

Standing to the credit of the account on 12th JULY, 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 H

| Cheque No. | Drawer | Date of Cheque | Date Received | Amour |
|------------|--------|----------------|---------------|-------|
| | | | | |

GPK(L)

BANKI
KLU YA
KENYA



CENTRAL
BANK OF
KENYA

Banki Klu ya Kenya
Central Bank of Kenya
P.O. Box 10000, Nairobi, Kenya
Tel: 011 254 200 10000, 200 10001
Fax: 011 254 200 10002, 200 10003

July 16, 2021

CERTIFICATE OF BALANCES

Customer : 122552
Balance
Date: 12-Jul-21

STATE DEPARTMENT FOR TRANSPORT

| Account No | Account Name | Currency | Balance |
|------------|-------------------------------------|----------|-------------------|
| 1000209879 | DEV-STATE DEPARTMENT FOR TRANSPORT | KES | 81,571.00 |
| 1000209968 | REC-STATE DEPT. FOR TRANSPORT | KES | 1,051,371.40 |
| 1000212551 | DEP-STATE DEPT. FOR TRANSPORT | KES | 25,974,519.85 |
| 1000215879 | THE RAILWAY DEV LEVY FUND OPERATION | KES | 32,169,374.04 |
| 1000426818 | RAILWAY DEV. LEVY FUND- HOLDING ACC | KES | 15,008,197,936.01 |
| 1000484306 | HORN OF AFRICA GATEWAY DEV PR -SDOT | KES | 58,355,554.95 |

LAWRENCE RWERIA
AUTHORISED SIGNATORY
BANKING SERVICES DIVISION

JOYCE NASIEKU (Ms)
AUTHORISED SIGNATORY
BANKING SERVICES DIVISION

