



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY PAPERS LAID		DAY: WED
DATE:	08 MAY 2019	
TABLED BY:	The Deputy Whip Hon. Benjamin Wadhvani	
CLERK-AT THE-TABLE:	M. Mado	

REPORT

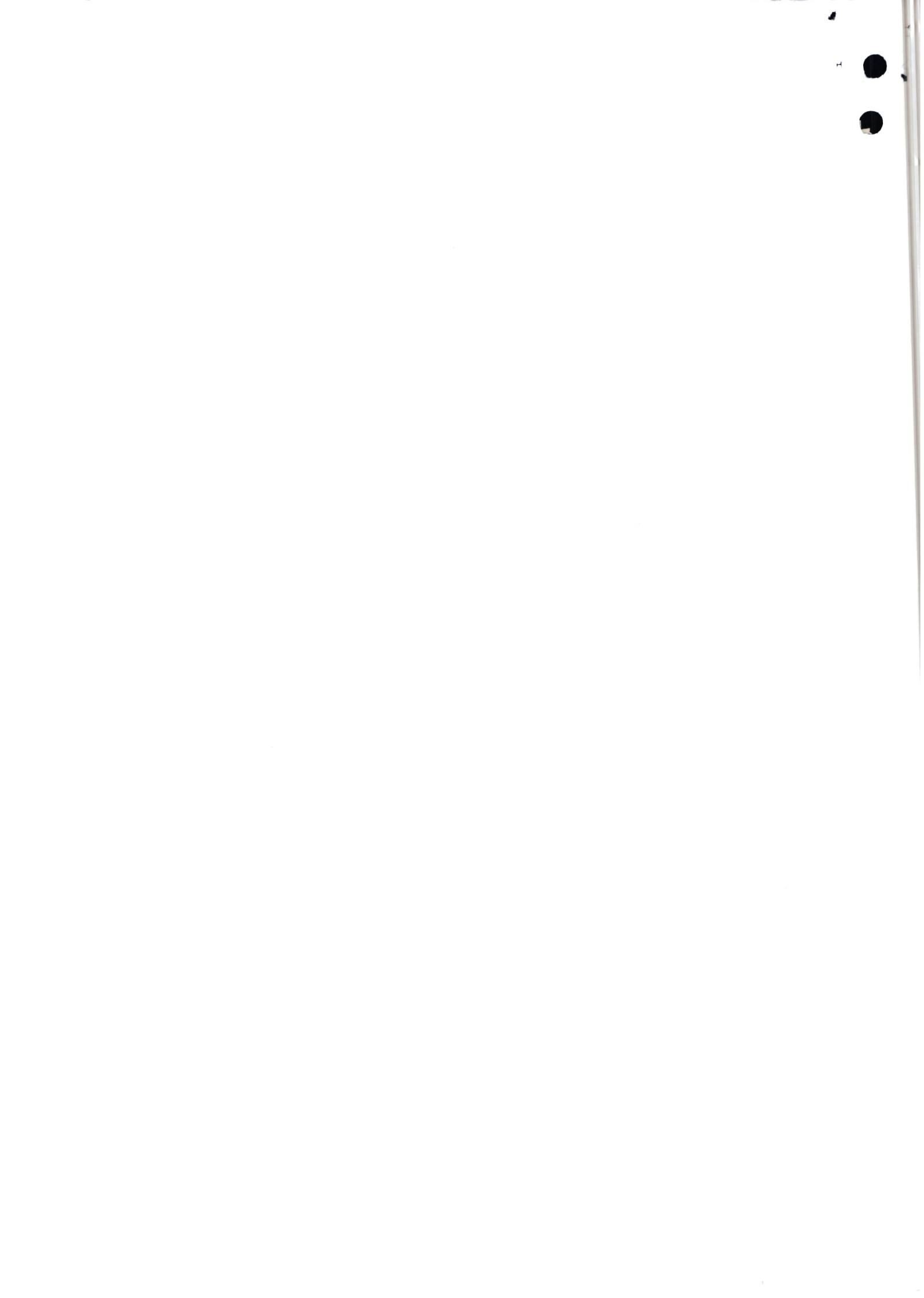
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
RAILWAY DEVELOPMENT LEVY FUND
(OPERATIONS ACCOUNT)**

**FOR THE YEAR ENDED
30 JUNE 2018**





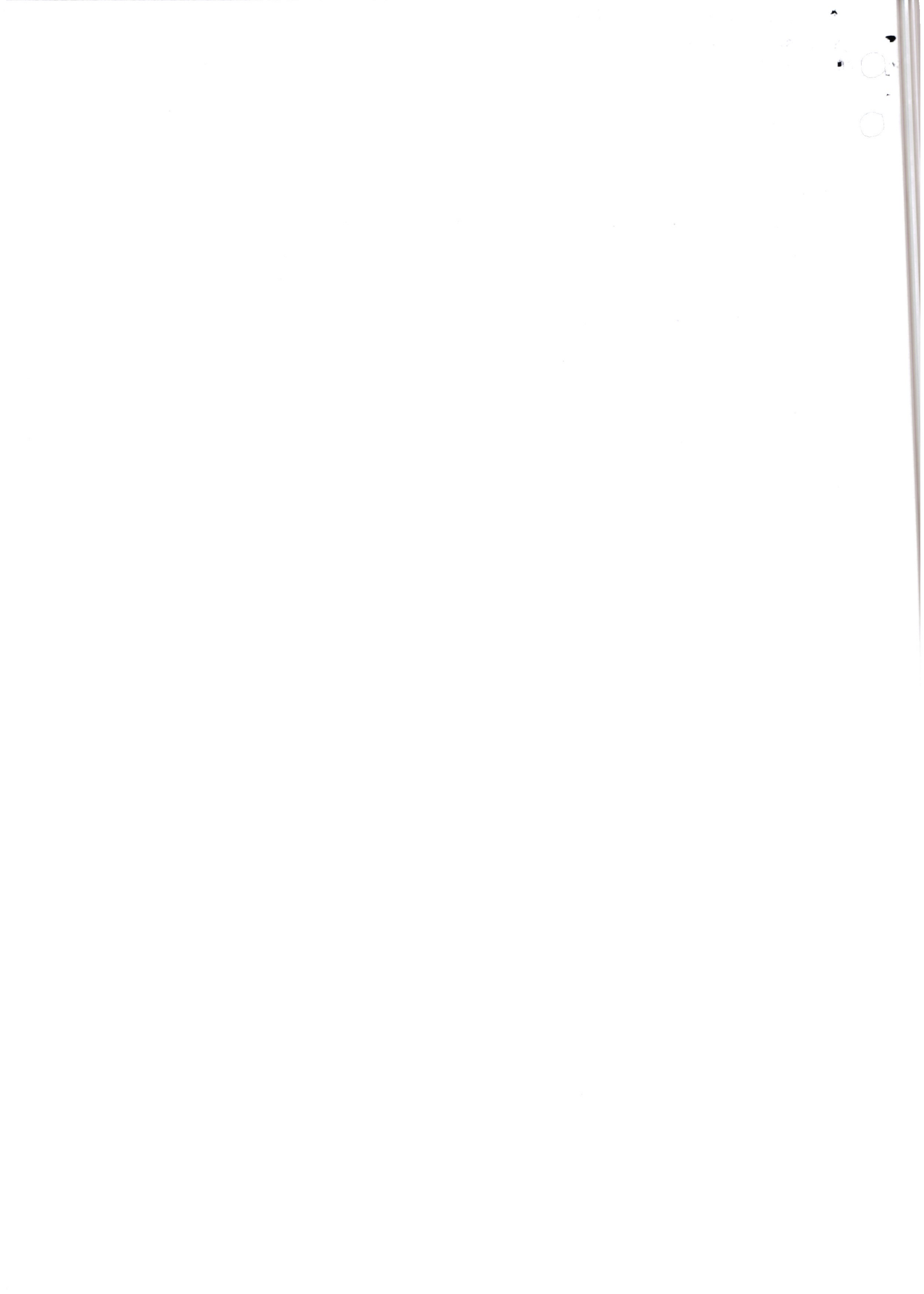
RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

IMPLEMENTED BY STATE DEPARTMENT FOR TRANSPORT

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

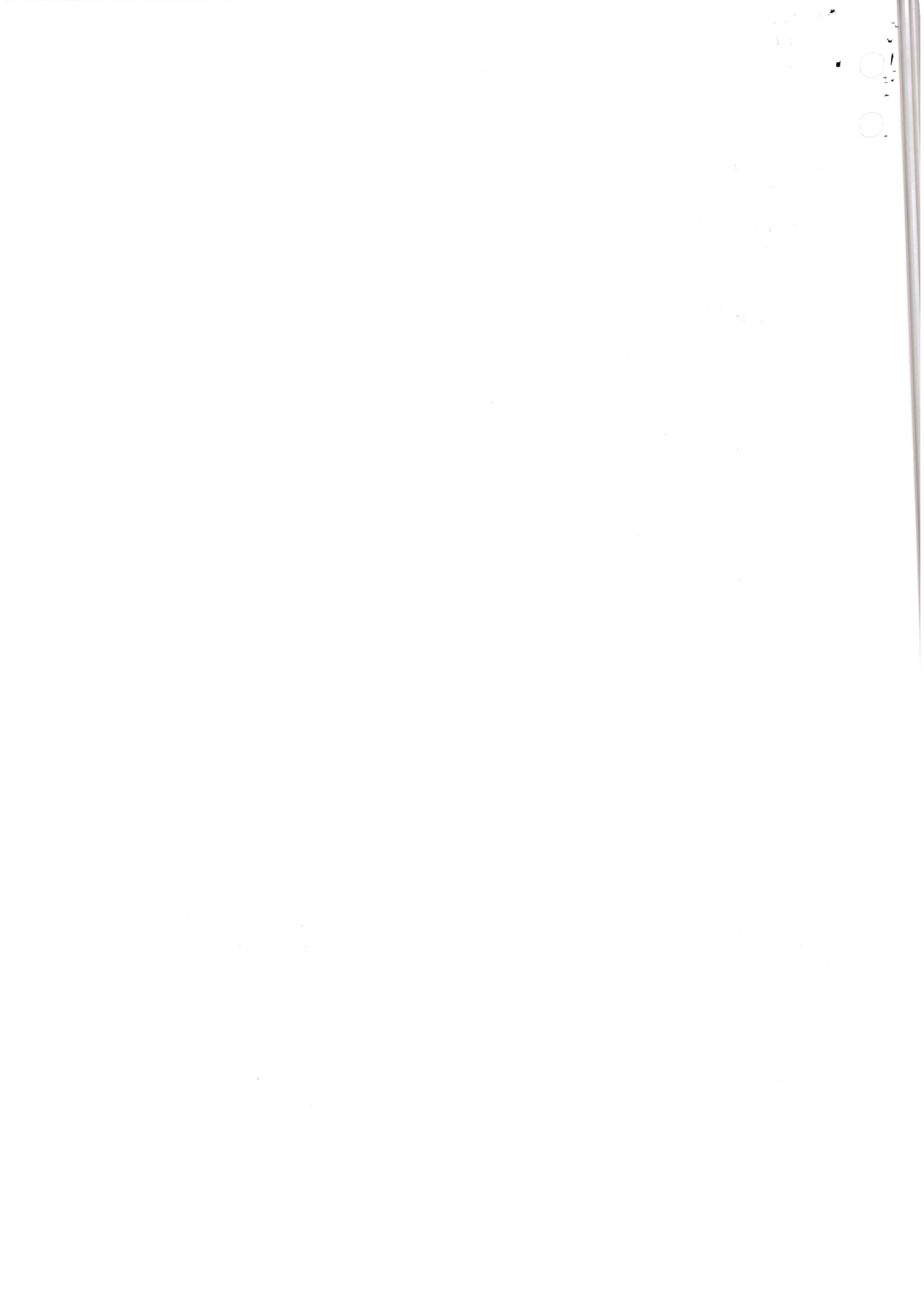
**Prepared in accordance with the Cash Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)**



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1. FUND INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The fund's official name is Railway Development Levy Fund

Objective: 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.

Address: The fund headquarters offices are:

Transcom Building
P.O. BOX 30007-00100
Upper hill
Nairobi, Kenya

Contacts: The following are the fund contacts

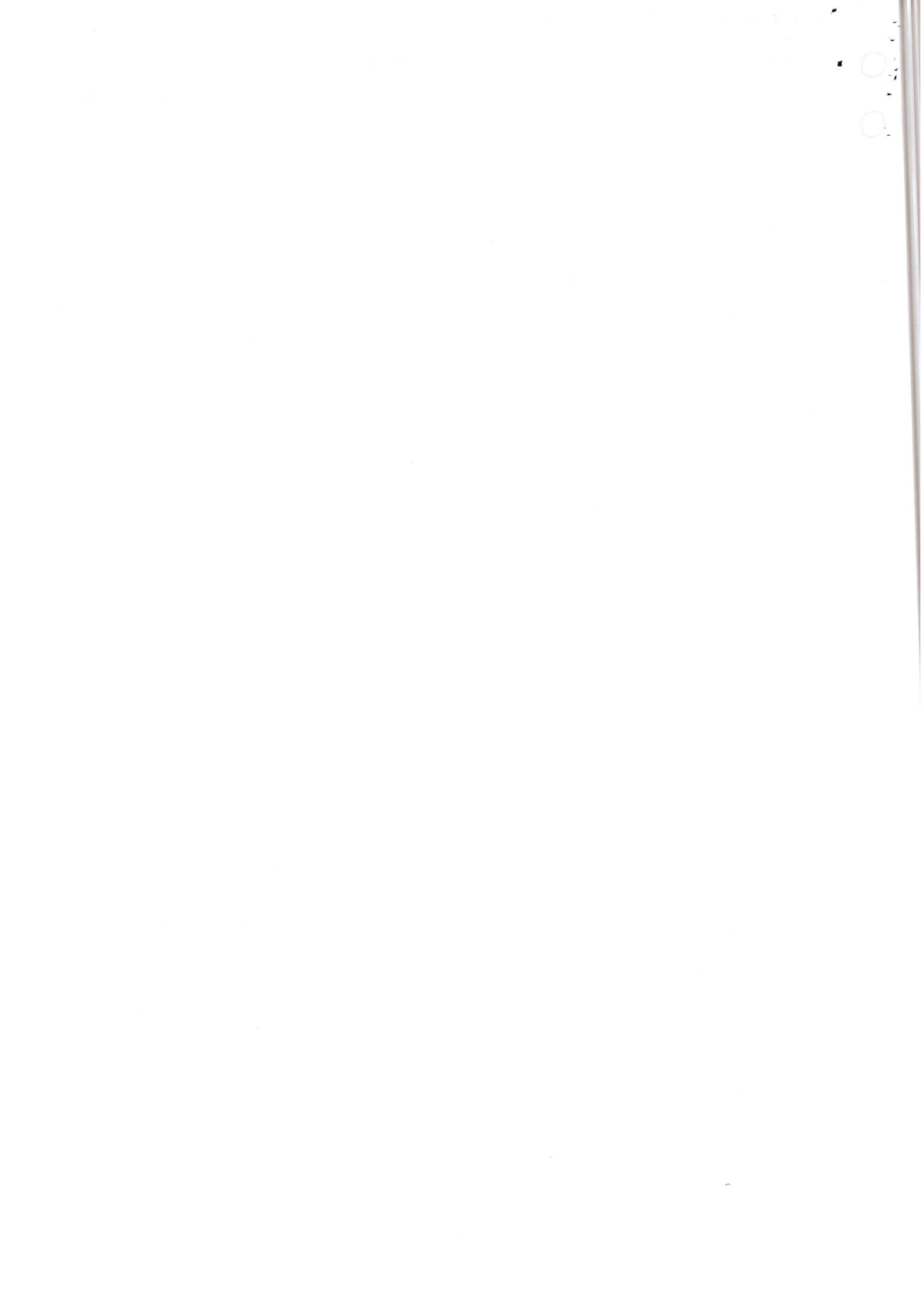
Telephone: (254) 20 338111
E-mail: ps@transport.go.ke
Website: www.transport.go.ke

1.2 Fund Information

Fund Start Date:	The fund start date is December 2013
Fund End Date:	The fund end date is December 2022
Fund Manager:	The fund manager is Eng. Maxwell Mengich
Fund Sponsor:	The fund sponsor is Government of Kenya

1.3 Fund Overview

Line Ministry/State Department of the Fund	The fund is under the supervision of the State Department for Transport.
Fund number	-
Strategic goals of the Fund	The 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.
Achievement of strategic goals	The fund management aims to achieve the goals through funding development of SGR.
Other important background information of the fund	Railway Development Levy Fund was set up on 5 th 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:



	<ol style="list-style-type: none"> 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 4. Proceeds from foreign borrowings (A.I.A)
Current situation that the fund was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ol style="list-style-type: none"> (i) Ease transportation of people and goods (ii) Economic development
Fund duration	The fund started on 1st December 2013 and is expected to run until 31 December 2022

1.4 Bankers

The following are the bankers for the current year:

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

1.5 Auditors

The project is audited by the:

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

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Dr. Kamau Thuge	Principal Secretary – National Treasury	Qualified	In charge of Finance (Chairperson)
Esther Koimett, CBS	Principal Secretary-Transport	Qualified	In charge of Transport
Mr. Julias Korir	Principal Secretary-Infrastructure	Qualified	In charge of infrastructure
Mr. Philip Mainga	Ag. Managing Director- Kenya Railways Corporation	Qualified	Kenya Railways Corporation



Railway Development Levy Fund (RDLF)
Reports and Financial Statements
For the financial year ended June 30, 2018

1.7 Funding summary

The Fund is for duration of 9 years from 2013 to 2022 with an approved budget for Mombasa-Nairobi of US\$ 3.27B equivalent to KShs 327B for Nairobi-Naivasha is USD 1.43B equivalent to KShs 143B as highlighted in the table below:

Below is the funding summary

Source of funds	Donor Commitment-		Amount received to date- 30-06-2018)		Undrawn balance to date (30 06 2018)	
	Donor currency US \$	KShs	Donor currency	KShs	Donor currency US \$	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Peoples Republic of China- Mombasa - Nairobi	2.78B	278B	-	172B	-	106B
Nairobi-Naivasha	1.22B	122B		6.5B		115.5B
(ii) Counterpart funds						
Government of Kenya Mombasa-Nairobi	0.49B	49B	-	45B	-	4B
Nairobi-Naivasha	0.21B	21B		7B		14B
Total	4.70B	470B	-	230.5B	-	239.5B

Note:

The project also received Kshs. Five Billion during this financial year for operations and maintenance. This is reflected in the Departments main Account Financial Statement since the funds were received through the normal budgetary process not RDLF.

1.8 Summary of Overall Fund Performance:

For Mombasa Nairobi.

- Budget performance against actual amounts for current year and for cumulative to-date is 91%
- Completion level of Track and Railway stations is 100%
- Civil works is 98%
- Completion level of facilities and rolling stock is 100%

For Nairobi Naivasha

- Civil works is 80%



1.9 Summary of Fund Compliance:

- The program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed.
- There is no significant case of non-compliance with applicable laws and regulations and essential external financing agreements/covenants were reported during the year.

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund are 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 Project for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund accept responsibility for the Fund's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

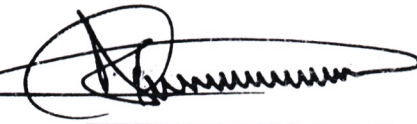
The Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2018, and of the Fund's financial position as at that date. The Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund financial statements as well as the adequacy of the systems of internal financial control.


The Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund confirm that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Fund funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund on _____ 2018 and signed by them.


Principal Secretary
Name


Fund Coordinator
Name *Dr. Hunda*


Head of Accounting Unit:
Name: *Jackline*
ICPAK Member Number:

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT) FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Railway Development Levy Fund (Operations Account) set out on pages 1 to 17 which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, the statement of cash flows and the statement of comparison of budget and actual amount for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with 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, the financial position of Railway Development Levy Fund (Operations Account) as at 30 June 2018, 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 Legal Notice No. 118 of 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 Railway Development Levy Fund in accordance with ISSAI 30 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 audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements. I have determined that there are no other Key Audit Matters to communicate in my report.

Report of the Auditor-General on the Financial Statements of Railway Development Levy Fund (Operations Account) for the year ended 30 June 2018

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 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, I confirm that based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue sustaining services, disclosing as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations of the Fund, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

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

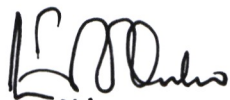
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. 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 consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial

statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi


12 March 2019


4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED
 30TH JUNE 2018

	Note	2017/18		2016/17		Cumulative to-date
		Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs	
RECEIPTS						
Transfer from Government entities	8.3	21,921,879,583		23,299,550,338		237,116,807,881
Loan from external development partners	8.4	-	63,818,171,228	-	108,184,916,184	172,003,087,412
TOTAL RECEIPTS		21,921,879,583	63,818,171,228	23,299,550,338	108,184,916,184	409,119,895,293
PAYMENTS						
Purchase of goods and services	8.5	100,000,000	-	-	-	100,001,350
Acquisition of non-financial assets	8.6	19,244,457,948	63,818,171,228	20,735,539,508	108,184,916,184	279,161,078,076
Transfers to other government entities	8.7	2,560,049,619	-	2,557,800,000	-	30,597,515,001
TOTAL PAYMENTS		21,904,507,567	63,818,171,228	23,293,339,508	108,184,916,184	309,858,594,427
SURPLUS/(DEFICIT)		17,372,016	-	6,210,830	-	99,261,300,866

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


 Principal Secretary
 Name: _____

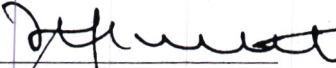

 Fund Coordinator
 Name: Dr. Hunda

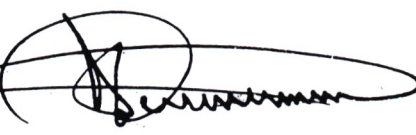

 Head of Accounting Unit
 Name: JACKLINE
 ICPAK Member Number: _____


5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2018

	Note	2017/18	2016/17
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.8	32,169,374	14,797,357
Total Cash and Cash Equivalents		32,169,374	14,797,357
TOTAL FINANCIAL ASSETS		32,169,374	14,797,357
REPRESENTED BY			
Fund balance b/fwd	8.9	14,797,357	8,586,528
Surplus/(Deficit) for the year		17,372,016	6,210,830
NET FINANCIAL POSITION		32,169,374	14,797,358

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2018 and signed by:


 Principal Secretary
 Date

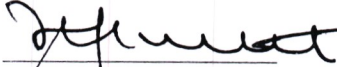

 Fund Coordinator
 Date



 Head of Accounting Unit
 Date
 ICPAK Member Number:


6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2018

		2017/18	2016/17
	Note	KShs	KShs
Receipts for operating activities			
Transfer from Government entities	8.3	21,921,879,583	23,299,550,338
		-	-
		21,921,879,583	23,299,550,338
Payments for operating activities			
Purchase of goods and services	8.5	-100,000,000	-
Transfers to other government entities	8.7	- 2,560,049,619	- 2,557,800,000
		-2,660,049,619	-2,557,800,000
Net cash flow from operating activities		19,261,829,964	20,741,750,338
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8.6	-19,244,457,948	-20,735,539,508
Net cash flows from Investing Activities		(19,244,457,948)	(20,735,539,508)
CASHFLOW FROM BORROWING ACTIVITIES			
		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT			
		17,372,016	6,210,830
Cash and cash equivalent at BEGINNING of the year		14,797,358	8,586,528
Cash and cash equivalent at END of the year		32,169,374	14,797,358

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 _____ 2018 and signed by:


 Principal Secretary
 Date


 Fund Coordinator
 Date


 Head of Accounting Unit
 Date
 ICPAK Member No:

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	21,169,000,000	-	21,169,000,000	21,921,879,583	- 752,879,583	104 %
Proceeds from wings	54,015,000,000	10,485,000,000	64,500,000,000	63,818,171,228	681,828,772	99%
Total Receipts	75,184,000,000	10,485,000,000	85,669,000,000	85,740,050,811	681,828,772	100%
Payments						
Purchase of goods and services	100,000,000	-	100,000,000	100,000,000	-	100 %
Acquisition of non-financial assets	72,523,950,381	10,485,000,000	83,008,950,381	83,062,629,175	- 53,678,794	100%
Transfers to other government entities	2,560,049,619	-	2,560,049,619	2,560,049,619	-	100%
Total Payments	75,184,000,000	10,485,000,000	85,669,000,000	85,722,678,794	- 53,678,794	100%

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

Principal Secretary
Date

Fund Coordinator
Date

Head of Accounting Unit
Date
ICPAK Member No:



8. NOTES TO THE FINANCIAL STATEMENTS

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

8.1. Basis of Preparation

8.1.1. Statement of compliance and basis of preparation

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

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

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

8.1.2. Reporting entity

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

8.1.3. Reporting currency

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

8.2. Significant Accounting Policies

a) Recognition of receipts

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

• Transfers from the Exchequer

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

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• Other receipts

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

b) Recognition of payments

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

• Compensation of employees

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

• Use of goods and services

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

• Interest on borrowing

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- **Acquisition of fixed assets**

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

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

c) In-kind donations

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

d) Cash and cash equivalents

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

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

For the purposes of these financial statements, Imprests and advances to authorized 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 Imprests payments are recognized as payments when fully accounted for by the Imprests or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

f) 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.

g) 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.

h) 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 63,818,171,228 being loan disbursements were received in form of direct payments from third parties.



SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Fund 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.

j) 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.

k) 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, 2018.

l) 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)

8.3. RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding and other receipts from government as follows:

	2017/18 Kshs.	2016/17 Kshs.	Cumulative to-date (Kshs.)
Counterpart funding through State Department for Transport.			
Counterpart funds Quarter 1	1,393,731,976	6,410,724,640	24,709,217,376
Counterpart funds Quarter 2	9,731,300,763	11,801,490,553	38,233,793,334
Counterpart funds Quarter 3	1,344,199,042	3,855,833,769	5,200,032,811
Counterpart funds Quarter 4	9,452,647,802	1,231,501,376	10,684,149,178
	21,921,879,583	23,299,550,338	78,827,192,699
Other transfers from government entities			
	=	=	=
Appropriations-in-Aid	63,818,171,228	108,184,916,184	222,107,786,411
Total	<u>85,740,050,811</u>	<u>131,484,466,522</u>	<u>300,934,979,110</u>

Appropriation in Aid of Kshs. 63,818,171,228 and Kshs. 108,184,916,184 represent direct payments for the financial years 2017/2018 and 2016/2017 respectively, made through the National Treasury.

Appropriations-In-Aid	Amount (Kshs.) 2017/2018
China Road and Bridge Corporation (K)	12,003,598,133.20
China Road and Bridge Corporation (K)	10,070,860,610.48
China Road and Bridge Corporation (K)	25,301,843,500.00
China Road and Bridge Corporation (K)	9,941,868,984.00
China Road and Bridge Corporation (K)	6,500,000,000
Total	63,818,171,227.68



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Counterpart funding through State Department for Transport.	Reference	Amount (Kshs.)/Transfer 2017/2018	Amount (Kshs.)/Quarter 2017/2018
Counterpart funds Quarter 1	AG.13/79Vol.5(14)11082017	1,393,731,976.00	1,393,731,976.00
Counterpart funds Quarter 2	AG.13/79Vol.5(15)04102017	1,515,666,248.00	
	AG.13/79Vol.5(15)04102017	1,776,952,667.00	
	AG.13/79Vol.6(02)16102017	1,202,126,259.00	
	AG.13/79Vol.6(04)18102017	5,236,555,589.10	9,731,300,763.10
Counterpart funds Quarter 3	AG.13/79Vol.6(20)11012018	844,199,041.60	
	AG.13/79Vol.7(02)27032018	500,000,000.00	1,344,199,041.60
Counterpart funds Quarter 4	AG.13/79Vol.7(13)15052018	3,088,678,909.50	
	AG.13/79Vol.7(25)06072018	6,363,698,892.70	9,452,647,802.20
Total		21,921,879,583.00	21,921,879,583.00

Note:

The project also received Kshs. Five Billion during this financial year for operations and maintenance. This is reflected in the Departments main Account Financial Statement since the funds were received through the normal budgetary process not RDLF.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2018 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	FY17/18	FY16/17
Loans Received from Bilateral Donors (Foreign Governments)						
CHINESE GOVERNMENT	-	-	21,921,879,583	63,818,171,227.68	85,740,050,810.68	131,484,466,521
Total			21,921,879,583	63,818,171,227.68	85,740,050,810.68	131,484,466,521

Note:

a) The above amounts relate to the direct payments made through the National Treasury as Appropriation in Aid during 2017/2018 financial year.

b) Kshs, 21,921,879,583 relates to amounts received from the National Treasury through the RDLF operations account in the year under audit.

c) Kshs. 131,484,466,521 is composed of direct payments of Kshs.108, 184,916,183 and KShs.23, 299,550,338 received from the National treasury through RDLF operations Account during the financial year 2016/2017



NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.5. PURCHASE OF GOODS AND SERVICES

	FY 2017/18			FY 2017/16	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Other operating payments	100,000,000	-	100,000,000	-	100,001,350
Total	100,000,000	-	100,000,000	-	100,001,350

8.6. ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2017/18			FY 2016/17	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	Khs	KShs
Construction of civil works-Rail	11,784,646,761	63,818,171,227.68	75,602,817,989	122,069,993,956	257,186,374,789
Acquisition of land	5,027,333,095	-	5,027,333,095	4,973,882,039	16,354,237,895
Consultancy supervision	2,432,478,092	-	2,432,478,092	1,876,579,696	5,620,465,392
Total	<u>19,244,457,948</u>	<u>63,818,171,227.68</u>	<u>83,062,629,176</u>	<u>128,920,455,691</u>	<u>279,161,078,076</u>

Transfers to National Government entities	Cumulative to brought forward Kshs	During the year Kshs	Cumulative to date Kshs
Construction of civil works-Rail	181,583,556,800	75,602,817,989	257,186,374,789
Acquisition of land	11,326,904,800	5,027,333,095	16,354,237,895
Consultancy Supervision	3,187,987,300	2,432,478,092	5,620,465,392
Total	<u>196,098,448,900</u>	<u>83,062,629,176</u>	<u>279,161,078,076.00</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.7. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2018, we transferred funds to reporting government entities as shown below:

	FY 2017/18			FY 2016/17	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Kenya Wildlife Services	-	-	-		2,469,000,000
KRC Escrow Account	2,560,049,619		2,560,049,619	2,557,800,000	10,718,969,618
National Land Commission			-		1,864,516,110
KRC Land Compensation			-		14,396,394,588
Kenya Forest Services			-		203,006,300
Kenya Power			-		945,628,385
Total	<u>2,560,049,619</u>	<u>-</u>	<u>2,560,049,619</u>	<u>2,557,800,000</u>	<u>30,597,515,001</u>

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. The confirmations are attached in the appendices.

Note:

The cumulative balances brought forward are:

Transfers to National Government entities	Cumulative to brought forward Kshs	During the year Kshs	Cumulative to date Kshs
Kenya Wildlife Services	2,469,000,000	-	2,469,000,000
KRC Escrow Account	8,158,919,999	2,560,049,619	10,718,969,618
National Land Commission	1,864,516,110	-	1,864,516,110
KRC Land Compensation	14,396,394,588	-	14,396,394,588
Kenya Forest Services	203,006,300	-	203,006,300
Kenya Power	945,628,385	-	945,628,385
Total	<u>28,037,465,382</u>	<u>2,560,049,619</u>	<u>30,597,515,001</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.8. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2017/18	2016/17
	KShs	KShs
Bank accounts (Note 8.13A)	32,169,374	14,797,357
Cash in hand (Note 8. 13B)	-	-
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
Total	<u>32,169,374</u>	<u>14,797,357</u>

The project has only one fund account spread within the project implementation area and one number of foreign currency designated account managed by the National Treasury as listed below:

8.8 A Bank Accounts

Project Bank Accounts

	2017/18	2016/17
	KShs	KShs
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No1000215879]	32,169,373.74	14,797,357.49
Total local currency balances	<u>32,169,373.74</u>	<u>14,797,357.49</u>
Total bank account balances	<u>32,169,373.74</u>	<u>14,797,357.49</u>

Note:

RDLF Operations Account holds only one project Account operated by this department.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.9. FUND BALANCE BROUGHT FORWARD

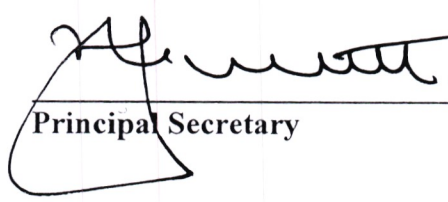
	2017/18	2016/17
	KShs	KShs
Bank accounts	14,797,357	8,586,528
Total	14,797,357	8,586,528



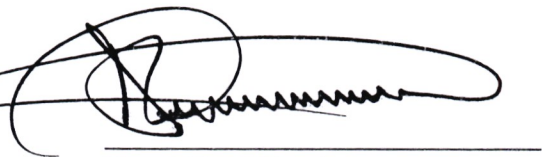
9. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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



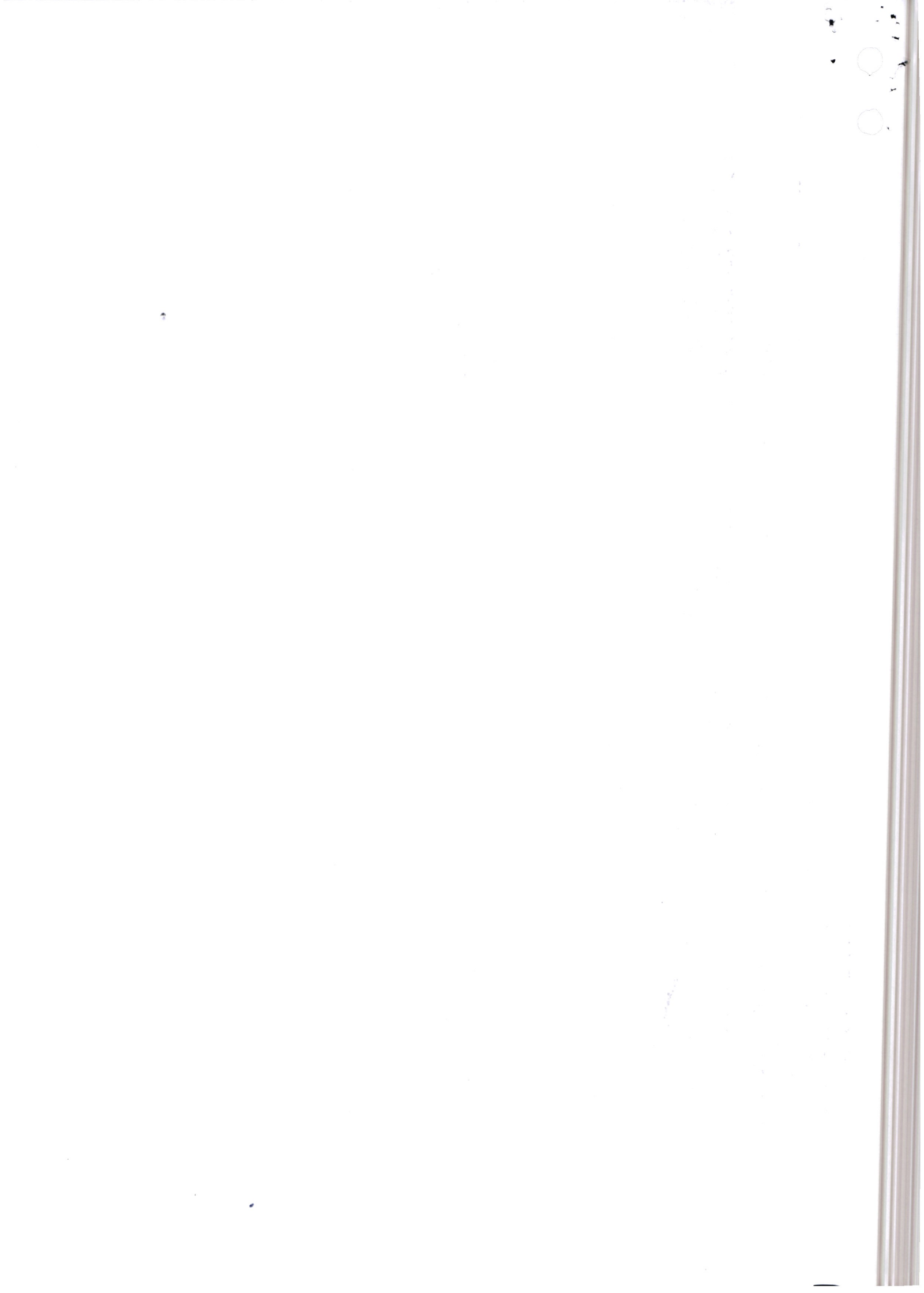
 Principal Secretary



 Fund Coordinator

 Date

 Date



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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	21,169,000,000	21,921,879,583	752,879,583	104%	N/A
Proceeds from borrowings	64,500,000,000	63,818,171,228	681,828,772	99%	N/A
Total Receipts	85,669,000,000	85,740,050,811	681,828,772	100%	N/A
Payments					
Purchase of goods and services	100,000,000	100,000,000	-	100%	N/A
Acquisition of non-financial assets	83,008,950,381	83,062,629,175	53,678,794	100%	N/A
Transfers to other government entities	2,560,049,619	2,560,049,619	-	100%	N/A
Total payments	85,669,000,000	85,722,678,794	- 53,678,794	100%	N/A

*Railway Development Levy Fund (RDLF)
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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2016/2017 (a)	Purchases/Additions in the Year (KShs) 2017/2018 (b)	Disposals in the Year (KShs) 2017/2018 (c)	Closing Cost (KShs) 2018 (d) = (a) + (b) - (c)
Land	8,229,602,530	5,027,333,095	-	13,256,935,625
Buildings and structures	125,494,497,862	73,364,761,900	-	198,859,259,762
Total	133,724,100,392	78,392,094,995		212,116,195,387



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APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Escrow Account Bank Statements.

