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**THE AUDITOR-GENERAL**

**ON**

**KENYA TRADE NETWORK AGENCY**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

KENYA TRADE NETWORK AGENCY

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*Your G2B trading partner*

**KENYA TRADE NETWORK AGENCY (KENTRADE)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDING  
30TH JUNE 2019**

**Prepared in accordance with the accrual Basis of Accounting method under the  
International Public Sector Accounting Standards.**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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**KENYA TRADE NETWORK AGENCY**  
**Annual Reports and Financial Statements**  
**For The Year Ended June 30, 2019**

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#### LIST OF ABBREVIATIONS

A I A	-	Appropriation in Aid
CEO	-	Chief Executive Officer-KenTrade
GOK	-	Government of Kenya
ICT	-	Information Communication Technology
IDF	-	Import Declaration Form
ICF	-	Investment Climate Facility for Africa (Development Partners)
ICMS	-	Integrated Customs Management System
IPSAS	-	International Public Sector Accounting Standards
KENTRADE	-	Kenya Trade Network agency
KRA	-	Kenya Revenue Authority
KWATOS	-	Kilindini Waterfront Automated Terminal Operating Systems for KPA
KPA	-	Kenya Ports Authority
KNESWS	-	Kenya National Electronic Single Window System
MMS	-	Manifests Management Systems
NSSF	-	National Social Security Fund
PFM	-	Public Finance Management
SIMBA	-	Customs Management Systems for KRA
SWS	-	Single Window Systems (otherwise referred to as the TradeNet system)

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#### KEY ENTITY INFORMATION AND MANAGEMENT

##### a. Background information

The Kenya Trade Network Agency (KenTrade) is established under the Legal Notice No.6 of 2011 and the State Corporations Act, Cap. 446 of the Laws of Kenya.

##### b. Principal Activities

The principal role of KenTrade is to establish and manage a National Electronic Single Window System (TradeNet System) and facilitate trade.

The National Electronic Single Window System shall serve as a single entry point for parties involved in trade and transport to:

- Lodge documents electronically, for processing and approval; and
- Make payments electronically for fees, levies, duties and taxes due to the Government, on goods imported or exported.

##### Our vision

“To be a global leader in trade facilitation through innovative e-commerce solutions”

##### Mission statement

“To facilitate trade by simplifying and harmonizing business processes through effective and efficient management of the TradeNet System and provision of related services for Kenya’s global competitiveness.”

##### c. Key Management

The Agency’s day-to-day management is under the following key officers:

- The Board of Directors
- The Chief Executive Officer
- Heads of Directorates (Directors)
- Heads of Departments (Managers)

##### d. Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

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	<b>Name</b>	<b>Position</b>
1	Amos Wangora	Chief Executive Officer
2	Rose Ronoh	Director Trade Facilitation
3	Ann Waweru	Director IT Infrastructure, Innovation & Information Security
4	Hellen Wasike	Ag. Director Corporate Services (DCS)
5	David Ngarama	Ag. Director Strategy, Compliance and Business Development
6	Bernard Milewa	Corporation Secretary and Legal Affairs Manager
7	Paul Mwaura	Manager, Internal Audit
8	Joanne Kweyu	Manager, Supply Chain

**e. Fiduciary Oversight Arrangements**

The following are the Board committees and members who provided fiduciary oversight over the financial year. The CEO is a member of every committee except the Audit and Risk Committee.

**i. Audit & Risk Committee**

- |    |                          |  |
|----|--------------------------|--|
| 1. | Mr. Ernest Kamau         | Chairman                               |
| 2. | Mr. Joseph Ngugi         | Member (Alternate Director CS NT)      |
| 3. | Mr. Christopher Koisikir | Member                                 |
| 4. | Mr. George Wanjau        | Member (Alternate Director PS MOTIHUD) |

**ii. Finance & General Purposes Committee**

- |    |                          |                                      |
|----|--------------------------|--------------------------------------|
| 1. | Ms. Wambui Namu          | Chairman                             |
| 2. | Mr. Joseph Ngugi         | Member (Alternate Director to CS NT) |
| 3. | Mr. Christopher Koisikir | Member                               |
| 4. | Mr. Ernest Kamau         | Member                               |

**iii. Human Resource and Compliance Committee**

- |    |                          |                                       |
|----|--------------------------|---------------------------------------|
| 1. | Mr. Christopher Koisikir | Chairman                              |
| 2. | Mr. Ernest Kamau         | Member                                |
| 3. | Mr. Gilbert Langat       | Member                                |
| 4. | Mr. Samuel Chemisto      | Member (Alternate Director to PS SDT) |

**iv. Strategy and Business Committee**

- |    |                    |   |
|----|--------------------|---|
| 1. | Mr. Gilbert Langat | Chairman                                  |
| 2. | Ms. Wambui Namu    | Member                                    |
| 3. | Mr. George Wanjau  | Member (Alternate Director to PS MOTIHUD) |
| 4. | Mr Samuel Chemisto | Member (Alternate Director to PS SDT)     |

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**f. Entity Headquarters**

Embankment Plaza, First Floor,  
Longonot Road, UpperHill  
P.O. Box 36943 – 00200  
Nairobi

**g. Entity Contacts**

Telephone: (254) 20 464 5000  
E-mail: [info@Kentrade.go.ke](mailto:info@Kentrade.go.ke)  
Website: [www.Kentrade.go.ke](http://www.Kentrade.go.ke)

**h. Entity Bankers**

Equity Bank Limited.  
Equity Centre Branch  
P.O. Box 75104 – 00200  
Nairobi

Co-operative Bank of Kenya Limited  
KUSCO Centre Branch  
P.O. Box 48231 – 00100  
Nairobi

KCB Bank Limited  
Upperhill Branch/KICC Branch  
P.O. Box 48400 – 00100  
Nairobi

**i. Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084, 00100  
Nairobi, Kenya

**j. Principal Legal Adviser**

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

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#### THE BOARD OF DIRECTORS

##### **Mr. Suleiman Said Shahbal** **Chairman**



Mr Shahbal has a Master of Business Administration from the University of Illinois at Urbana and has over 20 years' experience in Banking. Mr. Shahbal previously worked with Bank Muscat, the largest investment and commercial bank in Oman, where he served as Deputy General Manager of International Operations. Prior to Bank Muscat, Mr. Shahbal served as Vice President of Citibank in the Middle East and Europe.

Mr Shahbal served as the Chairman of Gulf African Bank (Kenya) until September 2012. He served as a Director of Dalma Energy LLC until June 21, 2016. Mr. Shahbal is a Member of Investment Committee at Mid-East Division of The Novati Group.

##### **Mr. Gilbert Langat** **Member**



Mr. Langat has an Executive MBA from Copenhagen Business School, Inoorero University and a Bachelor of Arts from Moi University, Eldoret. He also has a Certificate in Corporate Governance from International Centre for Leadership and Development (ICLAD). He has worked as a Trainer of Trainers, Freight logistics and management at KRA Training, Mombasa.

Mr. Langat currently serves as the Chief Executive Officer at Shippers Council of Eastern Africa. He has been a Board Member, Kenya National Highway Authority (KeNHA), Member Railway Consultative Committee, Member Chief Executives Forum, National Business Agenda, Board of Governors, and Railways Training Institute.

##### **Ms. Wambui Namu** **Member**



Ms. Wambui Namu holds an MSc in Management (MBA) from Arthur D. Little Management Education Institute, Cambridge, Massachusetts, USA and BSc in Business Administration from Lincoln University, Oxford, Pennsylvania, USA. She worked for the Ministry of Finance and planning prior to joining the Kenya Revenue Authority as a seasoned tax administrator where she rose through the ranks to become the Commissioner of Customs Services.

She has extensive experience in international trade matters as well as taxation policies and practices. She has also engaged in tax advisory services, capacity building and

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management consultancy for various national and international institutions such as the World Customs Organization (WCO), Kenya Institute of Management (KIM), Worldwide Inc., Kenya Trade Network Agency (KENTRADE), DHL Global Forwarding, PricewaterhouseCoopers as well as bulk commodity traders and importers of heavy commercial machinery. Ms. Namu has received National/State Honors [Head of State Commendation (HSC) & Moran of the Burning Spear (MBS) recognitions by His Excellency the President of the Republic of Kenya in 2009 and 2010 respectively for significant contribution in domestic revenue mobilization in the context of the wider state building efforts. She has served as a Board Director at the Export Processing Zone Authority.

#### **Mr. Ernest Kamau Muchina** **Member**



Mr. Kamau studied Business Administration and media services at The Kenya Polytechnic. He has a wealth of knowledge in management, coordination and communication of project activities and output, including planning and budgeting to realize the organization's objectives. He is currently the Chief executive at Real Capital Insurance. Mr. Kamau previously worked as the Unit manager and the Agency manager at AAR Health Services. He also worked as the operations director at Medigen Insurance. Mr. Kamau has a passion for humanitarian activities and community mobilization; he has been a Rotarian from 1996 to date.

#### **Mr. Koisikir M. Christopher** **Member**



Mr. Koisikir is a graduate teacher by profession. He is a holder of a BSc degree in mathematics and Biology from Kampala University, Uganda and a degree holder of Education, Planning, Administration, and Management from Mount Kenya University. Mr. Koisikir has a wealth of knowledge of how various government entities operate having worked with the government in various capacities over the years. He worked as a Principal Clerk Assistant at the Kajiado County Assembly between the years 2014-2017. He was also a presiding officer for the Electoral Commission in 2005 and for IEBC during the 2013 elections. He has served as a head teacher for over 9 years. Mr. Koisikir has a passion for community mobilization having assisted to start six Primary Schools at Meto Location and Established and registered Meto Secondary in conjunction with other community members.

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#### **Mr. Joseph Zacharia Ngugi**

**Alternate Member for the Cabinet Secretary, The National Treasury & Planning**



Mr. Ngugi has a Master of Arts- Economics from the University of Nairobi and Bachelor of Arts in Economics & Sociology from Egerton University. He also has a Certificate in Agricultural Credit and Agricultural Co-operative from Agricultural Co-operative College, South Korea, Certificate in Fiscal Decentralization and Financial Management of Regional and Local Government from Harvard University, USA.

He is currently the Deputy Director Micro and Fiscal Affairs. He has served as a Principal Economist at The National Treasury. He also worked with the Ministry of Planning and National Development. He has served as a Member of the Board of Trustees of the Coffee Development Fund (Alternate to Principal Secretary for the National Treasury).

#### **Amos Wangora**

**Chief Executive Officer**



Amos Wangora is currently the Chief Executive Officer of the Kenya Trade Network Agency having been appointed to that position on October 1, 2016. He has served as the General Manager Operations and Project Director for the Kenya National Electronic Single Window System implementation (Kenya TradeNet System) with responsibility for the system implementation and operationalization. He holds a Master's degree in Maritime Affairs specializing in Port and Shipping Management from the World Maritime University (Sweden). He is also a Fellow of the Institute of Chartered Shipbrokers (UK) and a Certified Information Systems Auditor (CISA).

He has over twenty years work experience in the Trade and Logistics sector with specialization in Maritime affairs and Project Management in Port, Customs and Trade sector automation. He has vast experience in the designing, development and implementation of ICT interventions for Trade and Transport facilitation.

#### **Mr. Bernard Milewa**

**Corporation Secretary & Legal Affairs Manager**



Mr. Bernard Milewa is an advocate of the High Court of Kenya. He holds a Bachelors degree in law from Moi University and an MBA (Strategic Management) from the University of Nairobi. He is also a member of the Chartered Institute of Arbitrators and is a Certified Public Secretary of Kenya, CPS (K). Mr. Milewa has 12 years legal experience and previously served in a similar capacity at the Kenya Literature Bureau as well as a Legal Officer at the Postal Corporation of Kenya. Mr. Milewa joined the Agency in January 2018.

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#### MANAGEMENT TEAM

**Amos Wangora**  
**Chief Executive Officer**



Amos Wangora is currently the Chief Executive Officer of the Kenya Trade Network Agency, having been appointed to that position on October 1<sup>st</sup>, 2016. He previously served as the General Manager Operations and Project Director for the Kenya National Electronic Single Window System implementation (Kenya TradeNet System) with responsibility for the system implementation and operationalization. He holds a Master's degree in Maritime Affairs specializing in Port and Shipping Management from the World Maritime University (Sweden). He is also a Fellow of the Institute of Chartered Shipbrokers (UK) and a Certified Information Systems Auditor (CISA).

He has over twenty years work experience in the Trade and Logistics sector with specialization in Maritime affairs and Project Management in Port, Customs and Trade sector automation. He has vast experience in the designing, development and implementation of ICT interventions for Trade and Transport facilitation.

**Mr. David Ngarama**  
**Ag. Director, Strategy, Compliance and Business Development**



Mr. Ngarama is a holder of a Master of Science degree in Economics from the University of Zimbabwe and a Bachelor of Arts degree in Economics (Honour's) from the University of Nairobi.

Prior to his appointment as a Manager, Strategy and Planning, he served as a Transaction Manager at the Privatization Commission, a parastatal under the National Treasury. He previously served as a Principal Economist in the Office of the Deputy Prime Minister and Minister for Finance where he doubled as a Technical Assistant to the Deputy Prime Minister.

Mr. Ngarama has over nineteen years' experience in public sector operations and has worked as a Senior Economist at the Ministries of Planning, Finance, International Trade and Industry. In addition, he has wide exposure in regional trade and integration matters and has represented Kenya in many trade negotiations within and outside the Common Market for East and Southern Africa (COMESA) Region and EAC.

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**Ms. Hellen N. Wasike**

**Ag. Director Corporate Services**



Ms. Wasike is a holder of Master of Science in Human Resource Management from Jomo Kenyatta University of Agriculture & Technology and Bachelor of Arts in Public Administration & French from University of Nairobi. She is also a Certified Public Secretary of Kenya and has acquired Foundation Diploma in Purchasing & Supply Management. Further, she has attended several courses such as Integrity Assurance Officers Course and Facilities Management Course.

Before joining KENTRADE in 2012, Ms. Wasike worked for several public sector organizations including Agency for Development Education & Communication, Jomo Kenyatta University of Science & Technology, Coffee Development Fund and Kenya Vision 2030 Delivery Secretariat serving in various capacities.

**Ms. Rose Ronoh**

**Director Trade Facilitation**



Ms. Ronoh is currently a candidate for Doctor of Philosophy in Business Management (Strategic Management Specialization) at Moi University. She holds Masters in Business Administration, (Strategic Management Option) from Moi University and Bachelor of Science in International Business (Marketing Option) from United States International University (USIU). Rose has also acquired Executive Diploma in Marketing from Marketing Society of Kenya and Professional Qualifications in Prince 2 (Project Management). She has also attended several courses and seminars in Customer Service Excellence, Project Management, Monitoring and Evaluation, Change Management, Entrepreneurship, Budgeting and Financial Management.

She has a wealth of experience in Customer Service, Marketing Management, Strategic Communication, Strategic Management, Stakeholder Engagement and Change Management both in Public and Private Sector. Rose has previously worked as a Corporate Communications Manager at The Catholic University of Eastern Africa, Regional Marketing and Communications Officer at Kenya Power & Lighting Company Ltd and a Brand Manager at The Standard Group. She is a Member of the Marketing Society of Kenya and was a 2014 Finalist of the Rising Star Awards.

**Anne Waweru**

**Director IT Infrastructure Innovation & Information Security**



Anne joined the Agency in June 2019 as Director IT Infrastructure, Innovations & Information Security. She has extensive experience in the ICT profession mainly from the private sector. Before joining the Agency, she

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worked as Business Manager, ICT at Eagle Africa Insurance Brokers. Prior to this she was the Assistant Divisional Director, ICT at Eagle Africa.

She holds an MSc in Management Information Systems from the University of Nairobi and Bachelor of Education (Science) degree from Kenyatta University. She has certification in ITIL Foundation in IT Service Management, is a Certified Information Systems Auditor and a member of Information Systems Audit and Control Association and the Institute of Internal Auditors. She has done various other courses in the field of IT Management & Security.

#### **Mr. Bernard Milewa**

##### **Corporation Secretary & Legal Affairs Manager**



Mr. Bernard Milewa is an advocate of the High Court of Kenya. He holds a Bachelors degree in law from Moi University and an MBA (Strategic Management) from the University of Nairobi. He is also a member of the Chartered Institute of Arbitrators and is a Certified Public Secretary of Kenya, CPS (K). Mr. Milewa has 12 years legal experience and previously served in a similar capacity at the Kenya Literature Bureau as well as a Legal Officer at the Postal Corporation of Kenya.

Mr. Milewa joined the Agency in January 2018.

#### **Mr. Paul Mwaura**

##### **Manager, Internal Audit**



Mr. Mwaura joined the Agency in June 2019 as Manager Internal Audit. He has extensive experience in the audit profession both in public and private sectors. Before joining the Agency, he worked as Manager, Audit & Risk Management at the National Transport and Safety Authority. Prior to this he was the Head of Audit at Kenya Investment Authority, an investment promotion agency.

He holds an MSc in Finance & Investments, an MBA in Accounting, and a Bachelor of Commerce Accounting degree all from the University of Nairobi. He is a Certified Public Accountant of Kenya, a Certified Information Systems Auditor and a member of the Institute of Certified Public Accountants of Kenya, Information Systems Audit and Control Association and the Institute of Internal Auditors.

#### **Ms. Joanne Kweyu**

##### **Manager, Supply Chain**



With over 20 years' experience in Supply Chain Management, Ms. Kweyu oversees the procurement function at KenTrade. Prior to joining KenTrade, she worked as a procurement professional in the Ministries of Public Health and Sanitation, Lands, Agriculture, Office of the President and the National Treasury.

Ms. Kweyu is a member of the Chartered Institute of Purchasing and Supply

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Management (London) and the Kenya Institute of Supply Management (KISM). She holds an Executive MBA from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Commerce degree in Business Administration from the University of Nairobi. She has also attended the Senior Management course at the Kenya School of Government from which she graduated with a Distinction.

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#### CHAIRMAN'S STATEMENT

It gives me great pleasure to present the Kenya Trade Network Agency (KenTrade) Annual Financial Report for the year ended June 30, 2019.

The role of KenTrade in transforming the trading environment and in particular the trade and logistics industry continues to be felt across the board. This can be attested to the findings of a 2018 impact assessment study of the TradeNet System conducted by the IFC-World Bank. The report observed that implementation of the Single Window System has resulted in streamlined import and export processes and procedures (including payment of fees), transparency in the processes and effective information sharing. The report further stated that the system has facilitated a reliable and dependable platform on which stakeholders involved in international trade collaborate. The assessment further revealed that automation of processes and procedures through the TradeNet System has resulted in reduction of delays, improved convenience and substantial cost savings in trade logistics estimated at US\$25.36 million (KShs. 2.5 billion); reduction by almost 50% in the average number of process steps involved in processing clients applications; automation of over 87% of trade facilitation processes and procedures in all relevant government agencies; faster clearance and release of cargo due to the removal of potential to falsify documents; improved compliance; improved governance, accountability and transparency; reduction in time and number of processing pre-import documents among other benefits.

Through the TradeNet System the Agency also continued to contribute to the realisation of the Big 4 Agenda that include; manufacturing, housing, food security and affordable healthcare. This was achieved mainly through the role of enabler that the TradeNet System plays in the import and export processing of commodities for all the four sectors. In the manufacturing sector for example the ease of importing raw materials or exporting finished products is critical in ensuring the sector is competitive. The TradeNet System therefore continued to play a critical role in improving the business environment as evidenced by the improved ease of doing business index for the country which improved to position 61 globally, up from position 80, the previous year. The success of the four pillars is directly linked to the efficiency in import and export clearance by various regulatory agencies whose processes have been streamlined through the TradeNet System.

Following the mid-term review of the Strategic Plan 2015-2020 in 2017/2018, the Board further reviewed the Strategic Plan during the year to ensure alignment with the Medium Term Plan (MTP) III, which was launched in December 2018, the Sustainable Development Goals (SDG) and the "Big Four". Implementation of the revised plan continued as planned. One key activity that the Agency is implementing that is in line with Medium Term Plan (MTP) III, in addition to upgrading the TradeNet System include Implementing the Maritime Single Window which will ensure that the country complies with the Convention on Facilitation of International Maritime Traffic (FAL Convention). The Convention's main objectives are to prevent unnecessary delays in maritime traffic, to aid co-operation between Governments, and to secure the highest practicable degree of uniformity in

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formalities and other procedures. During the year, the Agency secured funding from TradeMark East Africa to implement this Project.

In an endeavour to ensure that the Agency achieves financial sustainability, the tariff structure that was proposed in 2017/2018 was reviewed during the year and a new tariff proposal submitted to The National Treasury for approval. This is aimed at ensuring that the Agency is sustainable in its operations. Approval and implementation of the tariff structure is expected to raise close to Kshs.800 million annually.

During the Financial Year, the Agency launched, in partnership with the World Compliance Technology a Watch-list system, the iScreen System. The iScreen System enables subscribed users to check the credibility of international traders before engaging them and committing their resources. The watch-list Screening Solution incorporates up to 150 global governmental watch-lists giving subscribed customers' confidence in knowing exactly who they are working with. It is expected that over time subscriptions for this service will generate additional resources to support the Agency activities. This initiative is in line with the Agency's commitment to come up with Value Add services.

The Agency has been able to achieve all the above due to the continued support we received from all our stakeholders and I would like to thank all the institutions and individuals who have continued to support the Agency in discharging its mandate and in particular the Board Members who continued to dedicate their precious time in shaping the strategy and direction of KenTrade. I also wish to express my sincere appreciation to the stakeholders, especially The National Treasury for all the support extended to KenTrade.



**Mr. Suleiman Shahbal**  
**CHAIRMAN**

# **KENYA TRADE NETWORK AGENCY**

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#### **REPORT OF THE CHIEF EXECUTIVE OFFICER**

Kenya Trade Network Agency (KENTRADE) is a State Corporation under the National Treasury established through an Executive Order and gazetted via Legal Notice No. 6 of 2010 which became effective on 28th January 2011. The Kenya Trade Network Agency (KENTRADE) was created to operationalize and manage the Kenya National Electronic Single Window System (KNESWS) also known as Kenya Trade Net System. The System enables parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements.

#### **Operations**

Having successfully rolled out all modules of the Kenya TradeNet System, the Agency in FY 2018/2019 embarked on bringing on board more Partner Government Agencies (PGAs) and finalising integration of the System with the new Kenya Revenue Authority (KRA) Integrated Customs Management System (iCMS). The Agency is also working with the Communications Authority (CA) and Kenya Civil Aviation Authority (KCAA) to bring them on board the Kenya TradeNet System. The Agency is further working on integrating with the new Agriculture and Food Authority (AFA) system which consolidates the 8 AFA directorates processes into one system.

In FY 2018/2019, Kentrade rolled out the System in Loitokotok and Moyale borders. As at the end of the 2018/2019 FY, the number of stakeholder institutions involved stood at 42 including 36 Partner Government Agencies (PGAs) while the number of users has increased from 10,854 in July 2018 to 11,931 as at end of 2018/2019.

#### **PGAs Performance**

Analysis of the time taken to approve various permits shows that in 2018, the average number of days taken to process documents was 4.0 which compares to 4.2 days average in 2017. This indicates a reduction in average time of document processing by PGAs. The Agency's goal is to keep pushing for further reduction through the Service Level Agreements signed under a Memorandum of Cooperation (MoC) with the PGAs.

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To improve efficiency in the process of duty remission, KenTrade and National Treasury (NT) has been working together to automate the duty remission process. The solution is ready for deployment to operations.

#### **Maritime Single Window System**

The Agency is also involved in the implementation of the Maritime Single Window (MSW). The MSW is anchored on the Facilitation of International Maritime Organization (IMO) (FAL Convention). The Government of Kenya acceded to the Convention on January 9, 2007. The purpose of the FAL Convention is to facilitate maritime transport by reducing paper work and simplifying formalities and procedures associated with maritime trade. KenTrade is working with other key stakeholders to implement the FAL Convention recommendation of implementing a Maritime Single Window System. The Maritime Single Window Implementation project is a joint project spearheaded by KenTrade and the regulator Kenya Maritime Authority. The project entails the automation of the mandatory IMO FAL forms for clearance procedures using the E-Maritime services module in TradeNet.

#### **System Upgrade**

The Kenya TradeNet System has been in use for more than five years. In line with the best practices and changing business and technological environment, KenTrade is in the process of upgrading the current platform into a more robust and efficient one. This project is expected to start in the 2019/2020 Financial Year and will be concluded in 18 months after commencement. The Agency continues to monitor the operations of the Kenya TradeNet system with a view to attaining and maintaining a consistent system uptime of 99.98%.

To improve the visibility of KenTrade's products and services to citizens and its stakeholders, the Agency developed and rolled out a mobile application in the FY2018/2019. Mobile applications are becoming increasingly popular due to the ubiquity and popularity of smartphones among end-users. The KenTrade Mobile app will provide an easier way of communication and engagement between KenTrade and the Business community. The Agency also updated its ICT and Information Security Policies to reinforce governance and incorporate new developments on cybersecurity legislations.

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#### Customer Satisfaction Level

The Customer Satisfaction Survey is a bi-annual exercise the Agency undertakes to ensure customer strategy aligns with the customer-based initiatives undertaken to address their concerns by adopting market models and trends. The survey was conducted in the third-quarter 2018/19. The report highlighted the upward growth of the Customer Satisfaction Index from the 78% to **81.7%**. The index is an indicator that customers are highly satisfied with the service offered by the Agency regarding issue resolution and turn-around time.

#### Finances

From a financial perspective, KenTrade received from the National Treasury **Kshs 610,660,000/=** being **Kshs 310,660,000** for Recurrent Expenditure and **Kshs 300,000,000/=** for Development Expenditure. The Agency was able to generate **Kshs 11,466,441/=** from other sources that included **Kshs 690,655/=** from training fees, **Kshs 92,635/=** from miscellaneous income and **Kshs 10,683,151/=** as interest earned on short term deposits in the Agency's bank accounts. The Agency realized an operating deficit of **Kshs (329,909,333/=)**, mainly due to non-cash items of depreciation and amortisation of the software and systems running in the Agency, including the Trade Net system. The Agency had **Kshs 43,078,353/=** in current liabilities against a current asset base of **Kshs 131,238,012/=**. The total Asset base of the Agency (including the current assets) during the period was **Kshs 963,231,195/=**.

The Agency is seeking sustainability by implementing a charging model for Kenya TradeNet services. This will enable the Agency sustain its operations and engage in research and innovation to develop new offerings for its growing client and stakeholder base. As these reports show, the Agency is a going concern even as it seeks to address some of the challenges highlighted herein. KenTrade is on the right track to continue providing the trade sector with reliable trade facilitation through the TradeNet System. The Government has indicated its continued support for the Agency and its critical mandate to the highest levels. Stakeholders have also demonstrated their full cooperation and support while the Agency continues to justify the confidence and hopes of all these actors in the industry.

**KENYA TRADE NETWORK AGENCY**  
**Annual Reports and Financial Statements**  
**For The Year Ended June 30, 2019**

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In this regard, I wish to extend our gratitude to the Chairman and the entire Board of Directors for their wise and prudent leadership in the operations of the Agency. I wish to thank all the Partner Government Agencies working with KenTrade as well as the private sector players in the trade and logistics industry. I wish to thank in particular, The National Treasury as our parent ministry, without whose support the Agency would not deliver on its mandate. I greatly appreciate the Management and staff of the Agency who go to great lengths to ensure effective service delivery and that customer needs are not only met but exceeded. Their dedication and diligence is commendable.

Thank you,

  
**Amos S. Wangora**  
**CHIEF EXECUTIVE OFFICER**

# KENYA TRADE NETWORK AGENCY

## Reports and Financial Statements

### For The Year Ended June 30, 2019

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#### **CORPORATE GOVERNANCE STATEMENT**

The Kenya Trade Network Agency (KenTrade) recognizes Corporate Governance as key to the success of its business operations and is unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings in respect of its customers/shareholders and relevant stakeholders. At KenTrade, the purpose of corporate governance is to support value creation and accountable management and thus contributes to the long term success.

The Agency's Corporate Governance framework provides a framework for monitoring and ensuring statutory compliance, fosters a culture of values, rewards the highest ethical standards and personal integrity. KenTrade strives to ensure that the principles of good Corporate Governance are applied by the Board of Directors in their dealings in respect and on behalf of KenTrade to enable them provide strategic guidance, leadership and effective management oversight.

#### **Functions of the Board of Directors**

The Board of KenTrade is committed to the principles of Good Corporate Governance as stipulated in the Mwongozo Code of Governance for State Corporations and ensures attainment of the Agency's mandate through:

1. Determining the business strategies and plans that underpin the Corporate strategy and provide strategic advice to Management
2. Reviewing the financial statements and overseeing compliance with applicable audit, accounting and reporting requirements
3. Monitoring and evaluating Corporate Performance
4. Regularly reviewing systems, processes, procedures and policies to ensure the effectiveness of internal control
5. Monitoring compliance with legal and regulatory requirements and ethical standards and policies
6. Establishing a sound system of risk oversight, Management and internal controls
7. Ensuring that the rights of stakeholders that are protected by law are respected
8. Ensuring that a comprehensive system of policies and procedures is operative
9. Ensuring ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, and the institution's own governing documents and Codes of Ethics

# **KENYA TRADE NETWORK AGENCY**

## **Annual Reports and Financial Statements**

### **For The Year Ended June 30, 2019**

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#### **CORPORATE GOVERNANCE STATEMENT (Continued)**

The Agency is run through the general direction of the Board of Directors, which is responsible for:

1. The administration, management and development of the Agency
2. Administering the assets and funds of the Agency in such manner and for such purposes as shall promote the best interests of the Agency
3. Committing to the underlying principles of good governance

#### **Board Structure and Processes**

The Board of Directors of the Agency consists of:

- A non- executive Chairman
- The Principal Secretary, the National Treasury & Planning or his alternate
- The Principal Secretary, Ministry of Foreign Affairs and International Trade or his alternate
- The Principal Secretary, Ministry of Transport and Infrastructure or his alternate
- A representative from the Shippers Council of East Africa
- Three other members, not being public officers, appointed by the Cabinet Secretary - the National Treasury by virtue of their knowledge and experience in matters relating to:
  - Trade logistics;
  - Information communication technology; or
  - Finance and administration.
- Chief Executive Officer

The Cabinet Secretary National Treasury appoints the Board and the Chair of Board appointed by the President.

#### **Board Meetings**

The Board Meets quarterly or as necessary, in accordance with the Business requirements, the Board Work-Plan and Calendar as prepared in the beginning of the year. The Board held 9 meetings in the financial year 2018/2019 and the attendance was as follows:

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**CORPORATE GOVERNANCE STATEMENT (Continued)**

No.	MEMBERS PRESENT	ATTENDANCE
1.	Mr. Suleiman Shahbal- Chairman	8
2.	Ms. Wambui Namu- Director	7
3	Mr. Christopher Koisikir- Director	9
4	Mr. Ernest Kamau- Director	6
6	George Wanjau Alt Director- Rep PS State Department of Transport	3
7	Gilbert Langat Director – Representing Shippers Council of East Africa	6
8.	Samuel .K. Chemisto Director- Representing PS Ministry of Trade	3
9	Joseph Ngugi- Alt- Director Representing Cabinet Secretary National Treasury	1
10.	Amos Wangora- Chief Executive Officer	9

**Board Diversity**

The Board reflects a diversity of talent and experience. The Agency ensures that it provides the necessary resources and expertise to the Board of Directors to assist them in their decision-making processes and as such, they are regularly consulted on key policy matters.

The Board is exposed to seminars and workshops on corporate governance issues to enhance their knowledge and skills. They also attend trainings and inductions, especially for newly appointed directors, in respect of the Agency's operations.

The Board is governed by the Board Charter which ensures conformity with best corporate governance practices. Evaluation of the Board Members is carried out annually as dictated by the Charter and governance policies.

To assist in its operations, the Agency has established four standing committees of the Board as follows:

# **KENYA TRADE NETWORK AGENCY**

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#### **CORPORATE GOVERNANCE STATEMENT (Continued)**

##### **i. AUDIT AND RISK COMMITTEE**

The main function of the Audit Committee is to oversee The Internal Audit, Risk Management and Governance systems within the Agency.

##### **ii. STRATEGY AND BUSINESS COMMITTEE**

The main function of the Strategy and Business Committee is to monitor the strategic direction and core business activities/operations of the Agency to ensure achievement of its objectives.

##### **iii. FINANCE AND GENERAL PURPOSES COMMITTEE**

The Finance and General purpose Committee deals with finance and procurement matters collectively and general affairs of the Agency. The Committee reviews financial statements of the Agency and oversees compliance with applicable accounting and reporting requirements.

##### **iv. HUMAN RESOURCE AND COMPLIANCE COMMITTEE**

The main function of the Human Resource and Compliance Committee is to oversee Human Resource related matters and policies, including other administrative issues.

#### **Conduct of Business Operations**

The Agency's business operations are carried out within an established framework anchored on the KenTrade Strategic Plan. The Strategic Plan helps the Agency position itself strategically in its operational environment by aligning itself effectively to the changes taking place within its environment. It clearly sets out a coherent, systematic and sustainable road map to drive the Agency's operational initiatives.

The following are some legislations that the Agency complies with; KenTrade Legal Notice no. 11 of 2010, The Constitution of Kenya 2010, Public Procurement and Asset Disposal Act, 2015, Employment Act, State Corporations Act, Computer Misuse and Cybercrime Act, Kenya Information and Communication Act.

The Board has approved the National Electronic Single Window System Bill, 2019 which is currently at the drafting stage at the Attorney General's Office.

# KENYA TRADE NETWORK AGENCY

## Annual Reports and Financial Statements

### For The Year Ended June 30, 2019

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#### MANAGEMENT DISCUSSION AND ANALYSIS

In the year under review, the Agency continued its principal business of running the Kenya National Electronic Single Window System (Kenya TradeNet System) and trade facilitation. The Agency has substantially completed the development of all the twenty (20) modules of the Kenya TradeNet system. However, due to redesign of business processes and introduction of the new Integrated Customs Management System (ICMS) by the Kenya Revenue Authority, integration work is ongoing with system changes to ensure connectivity between the TradeNet and the customs' system. The Agency is currently working with the Kenya National Bureau of Statistics to provide trade statistics which is one of its key functions.

In terms of finances, the Agency still overwhelmingly relies on the support of the National Government. However, the Agency has developed a business model with a tariff structure to gradually reduce this reliance and generate more revenue. This is awaiting National Treasury approval before implementation. During the year, **610,660,000/=** was provided by the Exchequer representing **Kshs 300,000,000/=** for development and **Kshs 310,660,000** for recurrent expenditure. **Kshs 11,466,441/=** was generated from other sources, primarily interest income from call accounts, training fees for single window users and other miscellaneous sources. In comparative terms, GOK funding was **98.2%** while other sources accounted for about **1.8%**.

**Chart I. Sources of Funding**



# KENYA TRADE NETWORK AGENCY

## Annual Reports and Financial Statements

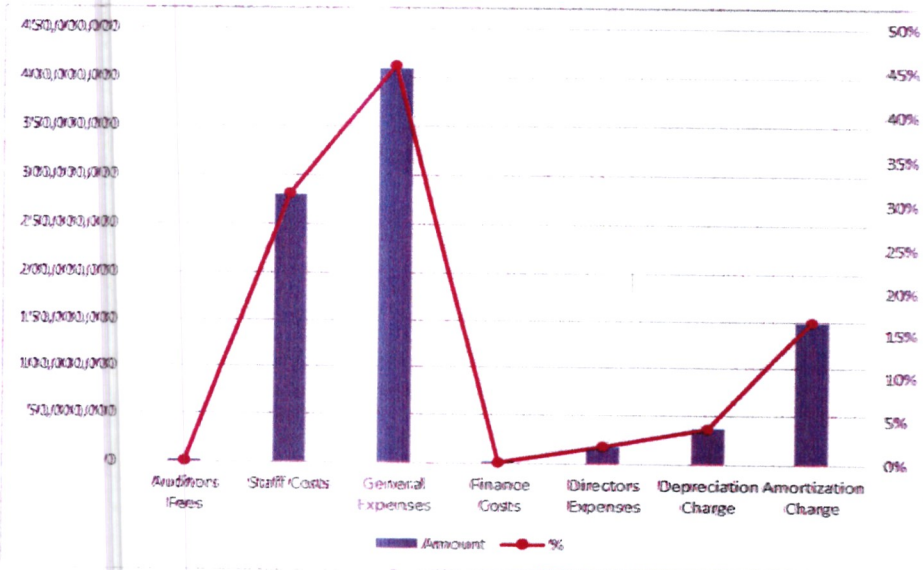
### For The Year Ended June 30, 2019

#### MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

In terms of expenditure, the Agency spent **Kshs 889,867,697/=** with **Kshs 703,930,567/=** being direct cash items and the balance of **Kshs 185,937,130/=** being provisions for depreciation and amortization.

As indicated on the chart below, Staff Costs (Salaries and Wages) account for 31.3% of the total expenditure. General expenses include various expense lines, with the biggest item being computer expense (repairs, internet, licenses and other recurrent items such as vendor maintenance and support for the single window and other systems) at **Kshs 312,089,434/=**. On its own, this would account for 35.3% of the total expenditure and hence the largest item. This is because the Agency's main business is ICT driven.

**Chart 2. Expenditure Comparison**



In terms of assets, the Agency has a total asset base of **Kshs 963,231,195/=**. This compares favorably with total liabilities of **Kshs 43,078,353/=**. The assets are made up of **Kshs 131,238,012/=** in current assets. Cash and cash equivalents of **Kshs 81,047,333/=** were available for use at the end of the year. These amounts are mainly funds set aside to pay for maintenance contracts for the Tradenet System and other software systems operated by the Agency in its business functions.

#### MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

## **KENYA TRADE NETWORK AGENCY**

### **Annual Reports and Financial Statements**

### **For The Year Ended June 30, 2019**

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Non-current assets of Kshs **831,993,184/=**, made up of Kshs **49,267,178/=** in property plant and equipment and Kshs **782,726,006/=** in intangible assets making up the larger portion of the Agency's assets.

The key concern around the TradeNet system is to maintain its system uptime, ensure it is in line with improved business processes as the Agency seeks to improve such processes as part of trade facilitation, and generating/mobilizing funds to upgrade the TradeNet System. This upgrade is required in due time due to technological changes that will definitely make current technology obsolete.

The Agency is a state corporation wholly owned by the National Government, which enables it to offer service to stakeholders at highly subsidized rates. It is expected that even as it seeks to raise revenue, the charges levied will be a small fraction of the savings that stakeholders currently gain from reduced costs and efficiency provided by the TradeNet system. Initiatives like the Marine Cargo Insurance (MCI) directive also open up possible business avenues for the Agency in future.

New business opportunities are being sought and the Agency is keen on encouraging research, innovation and creativity among its staff members to help in realizing the dream of sustainability through provision of value add services.

The Financial statements for year 2018/2019 show that the Agency has a sound operations base but there is need for continued and increased government support. This support includes not only adequate funding, but also required approvals of the tariff structure and the legal framework to ensure the stability of the Agency in the current operating environment. KenTrade Management is committed to running an organization that complies with all applicable laws, is an empowering employer and is a dependable business partner for all who rely on our services.

  
**Amos S. Mangora,**  
**Chief Executive Officer**

# KENYA TRADE NETWORK AGENCY

## Annual Reports and Financial Statements

### For The Year Ended June 30, 2019

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

As outlined in the KenTrade Strategic Plan 2015-2020, the Agency acknowledges the importance of giving back to the society. To this end, the Agency has put in place a robust Corporate Social Responsibility (CSR) framework to guide the implementation of CSR activities. Through the CSR and Environment Sustainability Committee, the Agency has continued to participate and implement programs aimed at reaching the underprivileged in society, creating strong stakeholder relationships and meeting its corporate citizenship obligations. In the 2018/2019 financial year, the Agency engaged in the following activities:

#### **a) Donated bins at the Namanga One Stop Border Post (OSBP)**

In order to ensure that stakeholders at the Namanga Border Post and its environs handle garbage responsibly, the Agency procured garbage bins. The bins were handed over to KRA customs Department who oversee the operations of the border post during a border visit on June 26, 2019. During the visit, three branded bins were donated to improve the environment within the precincts of Namanga border post.



**KENYA TRADE NETWORK AGENCY**  
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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)**

**b) Ensured over 75% survival of trees planted in Ndabibi School and the Nairobi National Park**

As a follow-up to assess the progress of previously planted trees, the Agency embarked on assessing the survival rate of trees planted in Ndabibi secondary school in Naivasha. To this end, the CSR & Environment Sustainability Committee members visited Ndabibi Secondary School on May 17, 2019. The assessment revealed that 80% of the trees that were initially planted survived. This is mainly due to that fact that students were assigned duties to water and take care of them. Some of the photos taken during the assessment are attached herein.



**c) Partnered with Nairobi Green Line in conservation of wildlife by planting trees in the Nairobi National Park**

The Agency in liaison with the Kenya Wildlife Services (KWS) Nairobi Greenline organized a tree-planting event at the Nairobi National Park. The event which was attended by KenTrade staff and their respective family members was held on December 7, 2018. During the tree planting event, a total of 300 trees were planted.

The activity goes a long way to ensure environmental conservation by providing oxygen, improving air quality, climate amelioration, conserving water, preserving soil, and supporting wildlife.

## KENYA TRADE NETWORK AGENCY Annual Reports and Financial Statements For The Year Ended June 30, 2019

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The above photos highlight the activities undertaken during the tree planting event.

### **d) Partnership in the 40<sup>th</sup> Rotary Sunshine Rally**

Following the request from Rotary Club for the Agency's partnership during their 40<sup>th</sup> Rotary Sunshine Rally held on February 16, 2019, the Agency through the Corporate Social Responsibility (CSR) Committee undertook to support the rally.

More specifically, our contribution was towards facilitating creativity activity items by sponsoring the acquisition of writing material. This initiative is consistent with the Agency's CSR institutional focus of supporting and engaging stakeholders in educational and skill enhancement. Additionally, this shall go a long way towards supporting children with special needs.

Our contribution was towards contributing Ksh. 35,000/- (Kenya Shilling thirty Five Thousand Only) to cater for the costs of supporting the creativity activity item of buying 7,000 pieces of pencils as highlighted in the request.

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The Agency was awarded a certificate of appreciation by the Rotary.



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**For The Year Ended June 30, 2019**

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**REPORT OF THE DIRECTORS**

The Directors hereby submit their Report together with the Audited Financial Statements for the year ended June 30, 2019, which outline the state of the Agency's affairs.

**Principal activities**

The principal activities of the entity are to:

- i. Establish and manage a National Electronic Single Window System and facilitate trade.
- ii. The National Electronic Single Window System once fully operational shall serve as a single entry point for parties involved in trade and transport to:-
  - Lodge documents electronically, for processing and approval; and
  - Make payments electronically for fees, levies, duties and taxes due to the Government, on goods imported or exported.

**Results**

The results of the Agency for the year ended June 30, 2019 are set out on page 1 to 43.

**Directors**

The members of the Board of Directors who served during the year are shown on page v in accordance with the provisions of the Agency's Legal Notice No.6 of 2011.

**Auditors**

The Auditor General is responsible for the statutory audit of the Agency in accordance with Section 35 of the Public Audit Act 2015.

By Order of the Board

  
Mr. Bernard Milewa

**CORPORATION SECRETARY AND LEGAL AFFAIRS MANAGER**

Date:.....16/12/2021.....

# KENYA TRADE NETWORK AGENCY

## Annual Reports and Financial Statements

### For The Year Ended June 30, 2019

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, Cap 446, require the Directors to prepare financial statements in respect of the Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Directors are also required to ensure that the Agency keeps proper accounting records, which disclose with reasonable accuracy the financial position of the Agency. The Directors are also responsible for safeguarding the assets of the Agency.

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safe-guarding the assets of the Agency;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

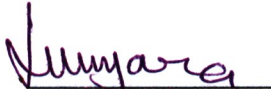
The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that these financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2019, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

#### Approval of the financial statements

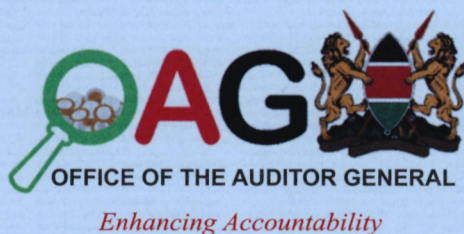
The Agency's financial statements were approved by the Board on 16/12/2021 and signed on its behalf by

  
CHIEF EXECUTIVE OFFICER

  
CHAIRMAN

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA TRADE NETWORK AGENCY FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Trade Network Agency set out on pages 1 to 45 which comprise the statement of financial position as at 30 June, 2019, and statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of actual and budget 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, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Trade Network Agency as at 30 June, 2019, 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 Kenya Trade Network Agency Order 2010 and the Public Finance Management Act, 2012.

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

##### **Material Uncertainty Related to Going Concern**

The statement of financial performance reflects a loss amounting to Kshs.329,909,333 denoting an increase of Kshs.151,069,908 over the loss of Kshs.178,839,425 recorded during the previous financial year 2017/2018. The loss increased the accumulated deficit to Kshs.1,045,842,915 as at 30 June, 2019 from Kshs.549,552,705 recorded during the previous year. Similarly, the net assets declined to Kshs.920,152,842 from Kshs.1,359,417,943 recorded during the previous year.

No disclosures have been made in the notes to the financial statements indicating the threat to going concern and the measures Management intends to take to avert the declining financial performance as required by the standards.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Trade Network Agency 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 qualified 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 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 the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Agency's ability to continue to sustain its 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 Agency 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.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Agency monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

#### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the

internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Agency'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 Agency 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 Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu

**AUDITOR-GENERAL**

**Nairobi**

**08 November, 2021**

KENYA TRADE NETWORK AGENCY  
Reports and Financial Statements  
For The Year Ended June 30, 2019

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2019**

REVENUE FROM NON- EXCHANGE TRANSACTION	Notes	2018/2019	2017/2018
		kshs.	kshs.
Government Grants	8	551,926,634	569,581,387
		<b>551,926,634</b>	<b>569,581,387</b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Interest on deposits	9	10,683,151	21,255,716
Other Incomes	10	783,290	2,863,583
		<b>11,466,441</b>	<b>24,119,299</b>
<b>Total Revenue</b>		<b>563,393,075</b>	<b>593,700,686</b>
<b>EXPENSES</b>			
Auditors Fees	11	696,000	696,000
Staff Costs	12	279,819,986	262,718,438
General Expenses	13	405,055,239	357,927,768
Finance Costs	14	657,549	614,258
Directors expenses	15	17,700,752	14,418,279
Depreciation & amortization charge	16	185,937,130	129,990,863
		<b>889,866,656</b>	<b>766,365,606</b>
Other gains/(losses)			
Forex Losses	17	1,040	-
Loss on disposal of assets	18	-	-
<b>Deficit before tax</b>		<b>(326,474,621)</b>	<b>(172,664,920)</b>
Taxation	19	(3,434,712)	(6,174,505)
<b>Deficit for the year</b>		<b>(329,909,333)</b>	<b>(178,839,425)</b>

The notes set out on pages 13 to 42 form an integral part of the Financial Statements

**KENYA TRADE NETWORK AGENCY**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2019**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Notes	2018/2019	2017/2018
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	20	81,047,333	217,128,322
Receivables from exchange transactions	21	48,903,626	208,729,857
Receivables from non-exchange transactions	22	-	-
Inventories	23	1,287,053	1,808,810
		<b>131,238,012</b>	<b>427,666,989</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	24	49,267,178	81,357,157
Intangible Assets	25	782,726,005	924,335,629
		<b>831,993,183</b>	<b>1,005,692,786</b>
<b>Total Assets</b>		<b>963,231,195</b>	<b>1,433,359,775</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other payables from exchange transactions	26	37,795,578	69,514,651
Provisions	26	3,450,536	1,618,846
Taxation	19	1,832,239	2,808,335
		<b>43,078,353</b>	<b>73,941,832</b>
<b>Non- Current Liabilities</b>			
<b>Total Liabilities</b>		<b>43,078,353</b>	<b>73,941,832</b>
<b>Net Assets</b>		<b>920,152,842</b>	<b>1,359,417,943</b>
Capital Reserves		1,866,150,885	1,807,417,519
Donor Grants		90,814,872	92,523,129
Revaluation Reserves		9,030,000	9,030,000
Accumulated Deficits/Surplus		(1,045,842,915)	(549,552,705)
<b>Owners Equity</b>		<b>920,152,842</b>	<b>1,359,417,943</b>
<b>Total net Assets and Liabilities</b>		<b>963,231,195</b>	<b>1,433,359,775</b>

The Financial Statements set out on pages 1 to 42 were signed on behalf of the Board of Directors by:

**CHIEF EXECUTIVE OFFICER      MANAGER FINANCE**

**CHAIRMAN OF THE BOARD**

**NAME: Amos Wangora**

**NAME: Chrispus Mbogo**

**NAME: Suleiman Shahbal**

**ICPAK M/NO: 7470**

Sign..... Date: 16/12/2019 Sign..... Date: 16/12/2019 Sign..... Date: 16/12/2019

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**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>CAPITAL RESERVE</b>	<b>DONOR GRANTS</b>	<b>REVALUATION RESERVE</b>	<b>ACCUMULATED SURPLUS/DEFICI T</b>	<b>TOTAL</b>
Balance as at 1st July 2017	1,817,998,906	93,445,936	9,030,000	(370,835,703)	1,549,639,139
Additional Grants - GOK	225,000,000	-	-	-	225,000,000
Amortized Grants - ICF	-	(922,807)	-	-	(922,807)
Prior year	-	-	-	122,423	122,423
Realignment during the year	(235,581,387)				(235,581,387)
Deficit for the year	-	-	-	(178,839,425)	(178,839,425)
<b>Balance as at 30th June 2018</b>	<b>1,807,417,519</b>	<b>92,523,129</b>	<b>9,030,000</b>	<b>(549,552,705)</b>	<b>1,359,417,943</b>
<b>Balance as at 1 July 2018</b>	<b>1,807,417,519</b>	<b>92,523,129</b>	<b>9,030,000</b>	<b>(549,552,705)</b>	<b>1,359,417,943</b>
Additional Grants - GOK	300,000,000	-	-	-	300,000,000
Amortized Grants - ICF	-	(1,708,257)	-	-	(1,708,257)
Prior year	-	-	-	(166,380,876)	(166,380,876)
Realignment during the year	(241,266,634)	-	-	-	(241,266,634)
Deficit for the year	-	-	-	(329,909,334)	(329,909,334)
<b>Balance as at 30th June 2019</b>	<b>1,866,150,885</b>	<b>90,814,872</b>	<b>9,030,000</b>	<b>(1,045,842,915)</b>	<b>920,152,842</b>

The Capital reserve is the Cumulative cost of Development Funds contributed by the Government of Kenya to the Agency in order to attain the Agency's Mandate as per Legal Notice No.6 of January 28, 2011.

Included in the Statement of changes in net assets is an amortised grant amounting to **Kshs. 90,814,872=** contributed by ICF towards development and support of Single Window systems Implementation. This grant was negotiated between the government of Kenya and the donor, the Registered Trustees of the Investment Climate Facility for Africa Trust (ICF). The Grant is amortized annually with the equivalent of depreciation charge for the Assets financed by the Grant. The Depreciation charge for the year adjusted against the grant is **Kshs 1,708,257/=**.

The revaluation reserve of **Kshs 9,030,000** represents an increase in value of assets that underwent a revaluation exercise in 2014/2015 financial year.

The prior year adjustment of **Kshs 166,380,876** relates to the following:

- I. Being VAT receivable from KRA of **Kshs 166,158,245** that has been written off
- II. Understatement of payables by **Kshs 510,372,30**
- III. Stale cheques that led to overstatement of expenses by **Ksh952,781.57**
- IV. Insurance claim for Staff involved in an accident initially captured as income of **Kshs 604,540**

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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018/2019 Kshs.	2017/2018 Kshs.
<b>Cashflows generated from operations</b>			
Net surplus/ Deficit for the year		(326,474,621)	(172,664,921)
Adjustments:			
For items not involving movement of cash			
Depreciation	24	39,016,124	24,477,667
Amortisation	16	148,629,263	106,436,004
Loss on disposal	18	-	-
<b>Operating surplus before working capital</b>		<b>(138,829,234)</b>	<b>(41,751,250)</b>
<b>Working capital adjustments:</b>			
Decrease/(Increase) in inventories		521,758	(490,459)
Decrease/(Increase) in accounts receivable		159,826,230	(51,189,445)
(Decrease)/Increase in creditors and accruals		(29,887,383)	54,152,020
Working Capital prior year Adjustment		(166,380,876)	122,423
Tax paid	19	(4,410,808)	(7,724,621)
<b>Working Capital changes</b>		<b>(40,331,079)</b>	<b>(5,130,082)</b>
<b>Total cash generated from operations</b>		<b>(179,160,313)</b>	<b>(46,881,332)</b>
<b>Investing Activities</b>			
Purchase of Fixed Assets	24	(6,926,146)	(21,143,282)
Purchase of intangible assets	25	(7,019,639)	(131,806,882)
Proceeds from disposed assets		-	-
<b>Net cashflows from investing activities</b>		<b>(13,945,785)</b>	<b>(152,950,164)</b>
<b>Financing Activities</b>			
(Decrease)/Increase in development grants		58,733,366	(10,581,386)
Amortized ICF Grants		(1,708,257)	(922,807)
Decrease in Deferred grants		-	-
<b>Net cash in financing activities</b>		<b>57,025,109</b>	<b>(11,504,193)</b>
Net increase/decrease in cash and cash equivalents		(136,080,989)	(211,335,689)
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
At start of the year		217,128,322	428,464,011
<b>At end of the year</b>	<b>20</b>	<b>81,047,333</b>	<b>217,128,322</b>

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

Recurrent Budget Item	Original Budget	Reallocation	A-I-A	Final Budget	Actual on	Performance	Performance
	2018/2019				Comparable	Difference	Difference in %
Revenue	Kshs				Kshs	Kshs	%
Government Grant	317,000,000	-6,340,000	-	310,660,000	310,660,000	-	-
Training Fees	500,000	0		500,000	690,655	190,655	38
Miscellaneous Income	6,000,000	-5,940,000	-	60,000	92,635,000	32,635	54.39
Interest Income	15,000,000	-5,000,000		10,000,000	10,683,150	683,150	6.83
Donor Funding	310,000,000	-310,000,000		-	-	-	-
Cash Reserves	141,000,000	0		141,000,000	109,186,241		
<b>Total Revenue</b>	<b>789,500,000</b>	<b>(327,280,000)</b>	<b>0</b>	<b>462,220,000</b>	<b>431,312,681</b>	<b>906,440</b>	<b>(6.6)</b>
<b>Expenditure</b>							
Staff costs	260,000,000			260,000,000	246,958,318	13,041,681.17	5.02
Entertainment	200,000	-		200,000	171,700	28,300.00	14.15
Pension Support Expenses	0			0	-	-	-
CTC Expenses	200,000			200,000	25,960	174,040.00	87.02
International Travel	8,000,000			8,000,000	7,536,529	463,470.62	5.79
Local Travel	4,000,000	4,500,000		8,500,000	8,774,175	(274,175)	(3.23)
Training Expenses	7,700,000			7,700,000	6,506,962	1,193,038.00	15.49
Subscriptions	600,000	-		600,000	557,567	42,432.60	7.07
Corporate Subscriptions	900,000			900,000	715,950	184,050.00	20.45
Office Rent	31,700,000	-900,000		30,800,000	28,512,631	2,287,368.69	7.43
Repairs and Maintenance	2,300,000	-1,000,000		1,300,000	1,283,538	16,462.00	1.27
Printing and Stationery	2,700,000	-500,000		2,200,000	2,531,910	(331,910.38)	(15.09)

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Recurrent Budget Item	Original Budget	Reallocation	A-I-A	Final Budget	Actual on Comparable basis	Performance Difference	Performance Difference in %
Staff Welfare	7,000,000			7,000,000	7,278,517	(278,517.28)	(3.98)
Club Membership	1,000,000			1,000,000	880,000	120,000.00	12.00
Legal	8,000,000	-5,500,000		2,500,000	1,936,507	563,492.31	22.54
ISO Expenses	1,000,000		-	1,000,000	991,800	8,200.00	0.82
Risk Management	100,000			100,000	-	100,000.00	100.00
Change Management	1,000,000	-250,000		750,000	724,300	25,700.00	3.43
Consultancy Fees	5,300,000	-800,000		4,500,000	4,053,421	446,578.10	9.92
Fuel	1,500,000	-		1,500,000	1,180,009	319,990.86	21.33
Motor Vehicle Repairs & Maintenance	1,500,000			1,500,000	1,342,974	(58,738.04)	(3.92)
Motor Vehicle Insurance	1,500,000	-300,000		1,200,000	1,085,637	114,362.45	9.53
Cleaning	2,000,000	-500,000		1,500,000	1,530,445	(30,445.21)	(2.03)
Security	2,000,000	-500,000		1,500,000	1,992,000	(492,000.00)	(32.80)
Publicity & Advert	8,000,000	2,000,000		10,000,000	6,571,428	3,428,571.45	34.29
Telephone expenses	1,000,000	550,000		1,550,000	1,564,735	(14,735.28)	(0.95)
Postage	150,000	0		150,000	79,390	70,610.00	47.07
Internet	13,000,000	-4,800,000		8,200,000	9,069,724	(1,059,819.55)	(12.92)
Computer Repairs & Maintenance	3,000,000	-500,000		2,500,000	2,300,819	199,181.00	7.97
ICT recurrent Expenses	98,080,132	-1,250,000		96,830,132	106,067,103	(9,236,970)	(9.5)
Licences	74,480,926	17,724,000		92,204,926	85,226,658	6,978,267.95	7.57
Maintenance of Single window base software	0	-0		0			
Utilities	3,200,000	-500,000		2,700,000	3,261,544	(561,544.02)	(20.80)
Board Expenses	9,000,000	6,750,000		15,750,000	17,700,751	(1,950,751.92)	(12.39)
Insurance General	5,000,000	-3,500,000		1,500,000	985,014	514,986.00	34.33

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Recurrent Budget Item	Original Budget	Reallocation	A-I-A	Final Budget	Actual on Comparable basis	Performance Difference	Performance Difference in %
Bank Charges	700,000			700,000	657,549	42,450.79	6.07
stakeholders' seminars	3,500,000	500,000		4,000,000	3,971,907	28,092.05	0.45
Conference & Workshops	3,500,000	500,000	-	4,000,000	4,080,903	(80,903.05)	(2.02)
Audit fees	700,000			700,000	696,000	4,000.00	0.57
Corp Social Responsibility	600,000			600,000	490,676	109,324.00	18.22
Research & Development	500,000	-500,000		-	-	-	-
Newspapers and Periodicals	350,000			350,000	205,200	144,800.00	41.37
DSTV Subscription	88,942			88,942	86,900	2,042.00	2.30
Staff Medical	23,000,000	1,000,000		24,000,000	24,917,138	(917,138.00)	(3.82)
Corporation Tax	5,000,000	-2,000,000		3,000,000	2,808,335	191,665.00	6.39
Monitoring & Evaluation	0			0			
Forex Exchange loss	0	0	0	0	1,040	(1,040)	(100)
	<b>603,050,000</b>	<b>10,224,000</b>	<b>-</b>	<b>613,274,000</b>	<b>597,313,772</b>	<b>15,960,228.21</b>	<b>2.01</b>

Development Budget Item	Original Budget	Reallocation	A-I-A	Final Budget	Actual on Comparable basis	Performance Difference	Performance Difference in %
Development Grant	300,000,000	0	0	300,000,000	300,000,000	0	0
<b>Total</b>							
<b>Expenditure</b>							
Acquisition of Office Space	-	18,776,000		18,776,000	-	18,776,000	100
Motor vehicles	-	-		-	-	-	-

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Development Budget Item	Original Budget	Reallocation	A-I-A	Final Budget	Actual on Comparable basis	Performance Difference	Performance Difference in %
Furniture and Fittings	500,000			500,000	475,100.66	24,899.34	4.98
Office Equipment	500,000	-	-	500,000	481,400	18,600	3.72
Office Partitions	700,000	-700,000		-	-	-	-
Computer Hardware	10,000,000	-7,000,000	-	3,000,000	5,969,645.51	2,969,645.51	-98.9
Secondary Site for Disaster Recovery	-			-	-	-	-
Single Window Base Software	115,000,000	-2,200,000		112,800,000	109,425,130	3,374,870	2.29
system software	17,750,000	-14,000,000		3,750,000	7,019,639	(3,269,639)	-87.19
Support S/W-Upgrade of Single Window	30,000,000	-13,600,000		16,400,000	-	16,400,000	100
Logistics Coordination Platform	300,000,000	-300,000,000		-	-	-	-
System Change Request	2,000,000	-1,000,000		1,000,000	-	1,000,000	100
Staff Loans	10,000,000			10,000,000	10,627,995.50	-627,995.50	-6.28
Product devt and marketing	0			0	0	0	0
<b>Total</b>	<b>486,450,000</b>	<b>319,724,000</b>	<b>-</b>	<b>166,726,000</b>	<b>133,998,910</b>	<b>32,727,089</b>	<b>19.63</b>
<b>Total Budget</b>	<b>1,089,500,000</b>	<b>-309,500,000</b>	<b>0</b>	<b>780,000,000</b>	<b>731,312,682</b>	<b>48,687,317</b>	<b>6.24</b>

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**Variance Explanations for the Recurrent Vote**

Item	Performance Difference 2018/2019 (Ksh)	Variance Explanations
Training Fees	190,655	The Agency achieved a positive variance of 38% (Kshs 190,655) as the Agency received more training requests from prospective users than had been anticipated at the beginning of the year. This was especially due to bringing on board new PGAs and their stakeholders.
	38.14%	
Entertainment	28,300	There was reduced expenditure on this vote due to cost control measures
	14.14%	
CTC Expenses	174,040	This was due to reduced procurement evaluation meetings outside the office, due to cost control measures
	87.00%	
Training Expenses	1,193,038	This was a savings on this vote occasioned by use of more group trainings within the Agency premises due to cost control measures.
	15.49%	
Corporate Subscriptions	184,050	There were savings on this vote due to one organisational subscription that was not paid this year
	20.00%	
Printing and Stationery	(331,910)	The over expenditure was due to unexpected expenditure on this vote
	-15%	
Club Membership	120,000	The vote was unutilized by 12% (Kshs 120,000) due to the delay in approvals for recruitment, reporting of recruited senior management staff in the financial year, which affected the utilization of the Club Membership vote.
	12%	
Legal expenses	563,492	The Agency expected finalisation of the case between Mweha Enterprise Limited vs KenTrade in the High Court Civil Case No.512 of 2012. The amount claimed against KenTrade which forms the major part of the Legal expense budget was not paid as the case is yet to be heard and determined.
	23.00%	
Risk Management	100,000	Kshs.100,000 had been set aside as seed money as the organisation sought for Donor funding. The funding did not materialize.
	100%	
Motor Vehicle Running	319,990	The savings on this vote are attributed to changes in operations and cost control as well as minimal use of an ageing vehicle
	21.00%	
Security	492,000	This vote exceeded the budgetary allocation by 33% (Kshs 492,000) as the payment for June 2019 was for a quarter year starting in June 2019 and that crosses the financial year to August 2019.
	-33%	
Publicity & Advert	3,428,752	The allocation made for supplements to support other agencies who support the Agency were not entirely utilised since the requests from partner institutions were not as many as had been provisioned for. In addition, during the financial year, the requests to advertise from internal
	34.00%	

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		departments were not as many as had initially anticipated and planned for therefore the budgeted amount was not entirely utilised.
Postage expenses	70,610	Savings were due to use of email and other less costly means of communication.
	48.00%	
Internet	(869,724)	This vote had a negative variance of 10 % due to the secondary link acquisition in a bid to improve single window connectivity.
	-10.60%	
ICT Recurrent	(9,236,970)	This vote had a negative variance due to the additional excise duty that affected the ICT Recurrent vote.
	-9.5%	
Utilities	(561,544)	The vote had a negative variance of 21% as utilization of electricity exceeded the budget due to higher electricity tariffs in the financial year and increased activity in the Mombasa office with the deployment of additional staff members to the office to serve as an auxiliary contact centre.
	-21.00%	
Board Expenses	(1,950,751)	The vote had a negative variance due to more board activities for instance orientation activities for the new board and recruitment of senior management.
	-12.00%	
Insurance General	514,986	There was a saving on this vote of 34% (Kshs 514,986 ) since the Agency negotiated a favourable rate from the insurance provider.
	34.00%	
Corp Social Responsibility	109,324	The vote had a positive variance as due to cost control measures.
	18.00%	
Newspapers and periodicals	144,800	This was due to cost control measures on this vote.
	42.00%	

**Variance Explanations for the Development Votes**

<b>Capital Items</b>	<b>Performance Differences 2018/2019 Kshs.</b>	<b>Variance Explanation</b>
Acquisition of office Space	18,776,000	This vote was not utilized due to: 1.The lease offer letter was delayed by the Landlord 2. Procurement of an office-partitioning designer for the ICDs was not finalized within the year.
	100.00%	
System software	-3,269,639	This vote had a negative variance since the procurement of the system software Database monitoring & protection tool which had been budgeted in 17/18 was delayed (Procurement process started in May, and installation done in August 2018.This had to be recognised in the financial year 2018/2019 as the asset was delivered in 18/19.
	-87.00%	
Computer Hardware	-2,969,645.51 -98%	This vote had a negative variance since the delivery of the UPS for Mombasa which had been budgeted in 17/18 was

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<b>Capital Items</b>	<b>Performance Differences 2018/2019 Kshs.</b>	<b>Variance Explanation</b>
		delayed.This had to be recognised in the financial year 2018/2019 as the asset was delivered in 18/19.
Support S/W- Upgrade of Single Window	16,400,000	Procurement of upgrade of the Kenya TradeNet System was not finalized within the year.
	100.00%	
System change requests	1,000,000	This vote realised a saving as the targeted change request (Duty Remission) procurement was not finalised during the year.
	100%	

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**Reconciliation of Statement of Comparison of the Budget and the Actual Amounts**

	Original Budget	Adjustments	Final Budget	Actual
	Kshs	Kshs	Kshs	Kshs
<b>Income</b>				
Recurrent Grant				310,660,000
Realignment				241,266,634
Internally generated funds				11,466,441
<b>Total</b>				<b>563,393,075</b>
<b>Expenditure</b>				
<b>Total Expenditure</b>	1,089,500,000	309,500,000	780,000,000	731,312,682
<b>Deficit</b>	-	(17,780,000)	(17,780,000)	<b>-167,919,607</b>
Deficit as per F.S				-329,909,333
Add:				
Non-Cash Items				
Depreciation				37,307,867
Amortization				148,629,263
cost of Assets				-24,573,780
tax provision				3,434,712
Less:				
Tax paid during the year				-2,808,335
<b>Reconciled Amounts</b>				<b>-167,919,607</b>

The bigger percentage of the deficit in the Statement of Financial Performance is as a result of the **Kshs 37,307,867** and **Kshs. 148,629,263** for depreciation of Non-current Assets and Amortization of Intangible Assets respectively during the year that are non-cash. The Budget comparison figures include cost of assets of **Kshs. 24,573,780**, tax amount paid during the year of **Ksh 2,808,335** and excludes a Tax provision of **Ksh. 3,434,712**.

# KENYA TRADE NETWORK AGENCY

## Annual reports and Financial Statements

### For The Year Ended June 30, 2019

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#### NOTES TO THE FINANCIAL STATEMENTS

##### 1. GENERAL INFORMATION

The Kenya Trade Network Agency (KenTrade) is established by and derives its authority and accountability from The Kenya Trade Network Agency Order, 2010 of 28<sup>th</sup> January 2011, made under the State Corporations Act, Cap 446. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to facilitate trade through the development, operationalization and maintenance of the Kenya National Single Window System also known as the Kenya TradeNet system.

##### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entities accounting policies. The financial statements have been prepared and presented in Kenya shillings which is the fractional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PM act, the state corporations act and International public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied all the three presented

##### 3. ADOPTION OF NEW AND REVISED STANDARDS

- i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

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

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS41:</b> Financial Instruments	<p>Applicable: 1<sup>st</sup> January 2022</p> <p>The objective of IPSAS41 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. IPSAS41 provides users of financial statements with more useful information than IPSAS29, by:</p> <ul style="list-style-type: none"> <li>•Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective or which the asset is held;</li> <li>•Applying a single forward-looking expected credit loss Model that is applicable to all financial instruments Subject to impairment testing; and</li> <li>•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.</li> </ul>
<b>IPSAS42:</b> Social Benefits	<p>Applicable: 1<sup>st</sup> January 2022</p> <p>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"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit</li> <li>(c) The impact of such social benefits provided on the entity's Financial performance, financial position and cashflows.</li> </ul>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

# KENYA TRADE NETWORK AGENCY

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### For The Year Ended June 30, 2019

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### i) Revenue from non-exchange transactions

###### **Grants**

The entity recognizes grants from Government of Kenya (GoK) and ICF when the actual receipt has occurred and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably. Provision for doubtful debts is made when collection of the full amounts is no longer probable.

###### **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.

###### **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.

##### ii) Budget information

The original budget for FY 2018-2019 was approved by the National Treasury & Planning on 26<sup>th</sup> September 2018. Subsequent revisions on additional appropriations were made to the approved budget on accordance to the specific approval from the appropriate approvals. The revisions were done to the original budgets by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded revisions of Ksh 309,500,000 on the 2018-2019 budget following the Board of Directors approval on the 29<sup>th</sup> January 2019.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agency. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page II of these financial statements.

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

**iii) Taxes**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

# KENYA TRADE NETWORK AGENCY

## Annual reports and Financial Statements

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

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **iv) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on a reducing balance basis, at the following annual rates:

Computers & Peripherals	33.3%
Furniture, Fittings & Equipment	12.5%
Motor Vehicles	25%
Single Window Software (Intangible)	10%
Office partitions	12.5%
Software and Applications (intangible)	20%

The depreciation rate on Single Window software (Intangible) in the year under review is at 10%.

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

**v) Intangible assets (Single Window and Supporting software)**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

**vi) Financial instruments**

**a) Financial assets**

***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and

Receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

***Receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**vii) Provisions**

Provisions are recognized when the Agency 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 Agency 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.

**viii) Contingent liabilities**

The Agency 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.

# **KENYA TRADE NETWORK AGENCY**

## **Annual reports and Financial Statements**

### **For The Year Ended June 30, 2019**

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

##### **ix) Nature and purpose of reserves**

The Agency creates and maintains reserves in terms of specific requirements. Agency also states the reserves maintained and appropriate policies adopted. The Capital reserves arise through the investment by the GOK on capital Assets which basically facilitate the mandate of the Agency. The revenue reserves are as a result of operation through to the operating period and are fully attributable to the GOK as a sole owner of the Agency. Donor grants reserves are a recognition of sums from development partners that were used to buy capital items and are reduced gradually with the depreciation and amortization amounts of these assets each year. The revaluation reserve relates to an increase in the value of assets that were revalued in the 2014/2015 financial year.

##### **x) Changes in accounting policies and estimates**

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

##### **xi) Employee benefits**

###### **Retirement benefit plans**

The Agency provides retirement benefits for its employees and while the CEO is paid based on the gratuity method. Defined contribution plans are post-employment benefit plans under which the agency pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

The Agency operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Agency and the employees.

The Agency also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Corporation's obligation under the scheme is limited to specific monthly contributions legislated from time to time and were fixed at Sh.200 per employee.

The Agency's contributions to the defined contribution retirement benefit scheme and to the NSSF in respect of current service are charged to the statement of financial performance in the year.

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

**xii) 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 period, are recognized as income or expenses in the period in which they arise.

**xiii) Related parties**

The Agency 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 Agency, or vice versa. Members of key management are regarded as related parties and comprise the CEO, Divisional and Unit Managers, and senior managers.

**xiv) Budget Information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agency. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

The annual budget figures included in the financial statements are for the controlling entity (the Agency) and therefore exclude the budget for its donor funding from ICF. These budget figures are those approved by the donor (ICF) both at the beginning and during the year following a period of consultation with the donor.

**xv) 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 Cooperative Bank of Kenya and Equity Bank of Kenya at the end of the financial year.

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

**xvi) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Consumable
- Non consumable Inventories are valued at purchase cost using the weighted average cost method

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**xvii) Comparative figures**

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

# KENYA TRADE NETWORK AGENCY

## Annual reports and Financial Statements

### For The Year Ended June 30, 2019

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

#### 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Agency's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Agency in the financial year under consideration made the following assumptions:

- i. The Data Hosting costs were capitalized since the SWS was still under development
- ii. The recurrent expenses financed by ICF were treated as revenue with equal amount which effectively cancelled out as there was no benefit was intended to be delivered from the transaction.

#### ***Useful lives and residual values***

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

#### ***Provisions***

Provisions were raised and Management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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

**6. SUBSEQUENT EVENTS**

There are no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

**7. SEGMENT REPORTING**

The Agency does not have any reporting segments as all operations of the Agency are managed from the registered office at the Head office. The core business of the KENTRADE continues to be trade facilitation together with other mandates as stipulated in the legal notice No.6 of 2010.

**KENYA TRADE NETWORK AGENCY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. GOVERNMENT GRANTS**

	2018/2019	2017/2018
	Kshs.	Kshs.
Recurrent Grant disbursed	310,660,000	334,000,000
Realigned development grant	241,266,634	225,000,000
Roll over funds/Capital reserves	-	10,581,387
	<b>551,926,634</b>	<b>569,581,387</b>

The grants received of **Ksh 310,660,000** cater for recurrent expenses. **Kshs 241,266,634** is disbursed as development grant for maintenance of the Single window system which is recurrent in nature and hence the realignment.

**9. INTEREST ON DEPOSITS**

	2018/2019	2017/2018
	Ksh.	Ksh.
Interest income - Equity Bank Ltd	6,152,525	14,311,417
Interest income -Cooperative bank of Kenya Ltd	4,133,529	6,778,851
Interest income -KCB Mortgage and car loan	397,096	165,447
	<b>10,683,150</b>	<b>21,255,715</b>

The interest income is as a result of investments in call accounts during the times that the funds were awaiting payment.

**10. OTHER INCOMES**

	2018/2019	2017/2018
	Ksh.	Ksh.
Training fees	690,655	670,000
Miscellaneous Income	92,635	2,193,583
	<b>783,290</b>	<b>2,863,583</b>

**11. AUDIT FEES**

	2018/2019	2017/2018
	Ksh.	Ksh.
Opening balance	1,296,000	600,000
Paid in the year	(696,000)	(696,000)
Provision for the year	696,000	1,296,000
	<b>1,296,000</b>	<b>1,200,000</b>

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

**12. STAFF COSTS**

	2018/2019	2017/2018
<b>Salaries and Wages</b>	<b>Ksh.</b>	<b>Ksh.</b>
Basic Salaries	158,884,227	149,000,620
House Allowance	33,811,753	31,341,293
Wages	2,033,258	2,649,123
Other Staff Allowance	15,002,149	14,022,829
Commuter Allowance	9,778,301	9,720,314
Leave Allowance	3,019,500	3,031,663
Pension Contributions	21,952,240	21,480,759
Gratuity Expenses	2,105,210	959,760
<b>Total Salaries and Wages</b>	<b>246,586,638</b>	<b>232,206,361</b>
<b>Other Staff Costs</b>		
Staff Medical Insurance	24,917,138	19,067,222
Club Membership	880,000	1,145,000
Pension Administration Support	-	-
Training Expenses	6,506,962	9,707,112
Membership Prof Subscriptions	557,567	535,043
Fringe benefit tax	327,981	57,700
NITA Expense	43,700	-
<b>Total Other Staff Costs</b>	<b>33,233,348</b>	<b>30,512,077</b>
<b>Total Staff Costs</b>	<b>279,819,986</b>	<b>262,718,438</b>

The amount of **Kshs. 2,033,258** for wages related to payments made to Interns and casuals who were engaged during the 2018-2019 financial year.

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

**13. GENERAL EXPENSES**

	2018/2019	2017/2018
	Ksh.	Ksh.
International Travel	7,536,529	9,760,463
Local Travels	8,774,175	4,786,000
Entertainment	171,700	
Organizational Membership Subscription	715,950	802,000
Lease Expenses	28,512,631	19,958,982
Office Maintenance	1,283,538	1,267,813
Printing and Stationery	2,531,910	1,927,614
Staff Welfare	7,278,517	4,792,722
Consultancy Fees	4,053,422	14,243,862
Motor Vehicle Maintenance & Repair	1,342,974	1,031,504
Motor Vehicle Insurance	1,085,638	915,262
Postage Services	79,390	132,954
Fuel	1,180,009	1,022,419
CTC Expenses	25,960	491,980
Cleaning services	1,530,445	1,412,073
Security	1,992,000	1,736,183
Publicity & Advertisement	6,571,529	5,457,401
Telephone	1,564,735	839,930
Utilities	3,261,544	2,795,006
Internet expenses	9,069,725	8,953,873
Computer Repairs and Maintenance	2,300,819	1,132,073
ICT Recurrent expenses	106,067,102	74,358,625
Licences	85,226,658	61,477,410
Maintenance of Single window base software	109,425,130	109,526,332
Conference & Workshops	4,080,903	5,145,188
Stakeholders expenses	3,971,908	5,023,239
Insurance General	985,014	2,688,582
Corporate Social Responsibilities	490,676	596,708
Newspapers and Periodicals	205,200	314,806
Legal expenses	1,936,508	1,480,245
ISO Expenses	991,800	3,524,598
Change management	724,300	965,860
DSTV Subscriptions	86,900	-
Risk Management		9,366,062.00
	<b>405,055,238</b>	<b>357,927,768</b>

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

**14. FINANCE COSTS**

	2018/2019	2017/2018
	Ksh	ksh
Bank charges	657,549	614,258

**15. DIRECTORS EXPENSES**

	2018/2019	2017/2018
	Ksh.	Ksh.
Sitting Allowances	4,220,000	3,757,943
Honoraria	1,885,714	1,498,095
Retainer	1,800,000	1,430,000
Other Related expenses	9,795,038	7,732,241
	<b>17,700,752</b>	<b>14,418,279</b>

The amount of **Ksh.9,795,038** for other related expenses comprises of cost of travelling, medical insurance and training expenses during the year under review.

**16. DEPRECIATION AND AMORTIZATION**

	2018/2019	2017/2018
	Ksh.	Ksh.
Depreciation	37,307,867	23,554,859
Amortisation	148,629,263	106,436,004
	<b>185,937,130</b>	<b>129,990,863</b>

The Depreciation charge in the asset register of Ksh 39,016,124 has been reduced by Kshs 1,708,257 which is the depreciation of assets financed by ICF grants have been applied against the capitalized Grants in the statement of changes in Net Asset (2017/2018 Kshs 1,277,304).

**17. FOREX LOSSES**

	2018/2019	2017/2018
	Ksh.	Ksh.
Forex Losses	1,040	-

This loss arose from the difference in exchange rate between the beginning of the financial year and the end of the financial year when the dollars being held as petty cash were converted into Kenya shillings.

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

**18. LOSS ON DISPOSAL OF ASSETS**

	2018/2019	2017/2018
	Ksh.	Ksh.
Loss on Disposal	-	-

**19. TAXATION**

No provision of tax has been made on income from grants received from Government of Kenya however a tax charge of Kshs 3,434,712/= has been provided for on income from investment interest on call account with banks and other incomes generated from operations. The tax liabilities are Kshs 1,832,239 after adjusting for Withholding tax of Kshs 1,602,473 in the year.

	2018/2019	2017/2018	Total
	Kshs.	Kshs.	Kshs.
Balance b/f	2,808,335	4,358,451	7,166,786.35
Taxation Charge for the year	3,434,712	6,174,505	9,609,217
With holding Tax during the year	(1,602,473)	(3,366,170)	(4,968,643)
Tax Paid during the year	(2,808,335)	(4,358,451)	(7,166,786)
	<b>1,832,239</b>	<b>2,808,335</b>	<b>4,640,574</b>

**20. CASH AND CASH EQUIVALENTS**

	2018/2019	2017/2018
	Ksh.	Ksh.
Cash in hand	88,964	46,048
Bank	80,958,369	217,082,274
	<b>81,047,333</b>	<b>217,128,322</b>

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**20 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

		<b>2018/2019</b>	<b>2017/2018</b>
Financial Institution	Account Number	<b>Kshs</b>	<b>Kshs</b>
<b>a) Current Account</b>			
Equity- Main	0810298272422	60,213,028	4,914,287
Equity -Gratuity	0810260715303	1,936,771	193,978
Cooperative Bank	01141162178000	15,530,047	44,378,242
KCB Bank-Mortgage Account	1220622605	515,117	141,916
KCB Bank-Car Loan Account	1220944998	2,763,406	2,212,746
<b>Sub total</b>		<b>80,958,369</b>	<b>51,841,169</b>
<b>b) On Call Deposits</b>			
Equity Bank		-	155,000,000.00
KCB Bank-Mortgage Account		-	10,241,106
<b>Sub total</b>		<b>-</b>	<b>165,241,106</b>
<b>c) Others</b>			
Cash in hand		88,965	46,048
<b>Sub total</b>		<b>88,965</b>	<b>146,048</b>
<b>Grand total</b>		<b>81,047,333</b>	<b>217,128,322</b>

**21. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Prepaid Insurance	8,663,980	8,167,980
Rent Deposits	1,256,409	1,256,409
Prepaid Office Rent	33,358	33,358
staff loans receivable	33,799,971	27,623,569
Other Prepayments	4,517,435	4,572,935
Unsurrendered Staff Imprests	279,141	88,961
VAT Control	-	166,158,245
Interest receivable	-	828,400
Other receivable	353,332	-
	<b>48,903,626</b>	<b>208,729,857</b>

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**22. RECEIVABLES FROM NON -EXCHANGE TRANSACTIONS**

		<b>2018/2019</b>	<b>2017/2018</b>
		<b>Ksh.</b>	<b>Ksh.</b>
Other debtors (non-exchange transactions)		-	-
		-	-

**23. INVENTORIES**

		<b>2018/2019</b>	<b>2017/2018</b>
		<b>Ksh.</b>	<b>Ksh.</b>
Consumable Inventories		1,262,976	1,693,090
Non Consumable Inventories		24,077	115,720
<b>Total inventories at the lower of cost and net realisable value</b>		<b>1,287,053</b>	<b>1,808,810</b>

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**24. PROPERTY, PLANT AND EQUIPMENT**

	Office Partitions		Office equipment		Office Furniture		Computers & Peripherals		Motor Vehicles		Total	
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
As at 01.07.2017												
Cost/Valuation	34,511,365	12,970,777	13,193,888	23,642,250	78,590,216	23,642,250	162,908,496					
Additions	382,754	3,115,800	23,920	10,410,000	7,210,808	10,410,000	21,143,282					
Disposals	-	-	-	-	-	-	-					
<b>As at 30.06.2018</b>	<b>34,894,119</b>	<b>16,086,577</b>	<b>13,217,808</b>	<b>34,052,250</b>	<b>85,801,024</b>	<b>34,052,250</b>	<b>184,051,778</b>					
Accumulated Depreciation												
As at 01.07.2017	14,052,642	2,617,827	5,173,188	10,333,671	46,039,627	10,333,671	78,216,955					
Charge for the year	2,605,185	1,683,594	1,005,577	5,929,645	13,253,667	5,929,645	24,477,668					
Prior year adjustment	-	-	-	-	-	-	-					
On Disposal	-	-	-	-	-	-	-					
<b>As at 30.06.2018</b>	<b>16,657,827</b>	<b>4,301,421</b>	<b>6,178,765</b>	<b>16,263,316</b>	<b>59,293,294</b>	<b>16,263,316</b>	<b>102,694,623</b>					
As at 01.07.2018	34,894,119	16,086,577	13,217,808	34,052,250	85,801,024	34,052,250	184,051,778					
Cost/Valuation												
Additions	-	481,400	475,101	-	5,969,646	-	6,926,147					
Disposals												
<b>As at 30.06.2019</b>	<b>34,894,119</b>	<b>16,567,977</b>	<b>13,692,909</b>	<b>34,052,250</b>	<b>91,770,670</b>	<b>34,052,250</b>	<b>190,977,925</b>					
Accumulated Depreciation												
As at 01.07.2018	16,657,827	4,301,421	6,178,765	16,263,316	59,293,294	16,263,316	102,694,623					
Charge for the year	4,361,765	2,050,118	1,692,183	8,184,119	22,727,939	8,184,119	39,016,124					
Prior year adjustment												
On Disposal												
<b>As at 30.06.2019</b>	<b>21,019,592</b>	<b>6,351,539</b>	<b>7,870,948</b>	<b>24,447,435</b>	<b>82,021,233</b>	<b>24,447,435</b>	<b>141,710,747</b>					
Net Book value												
<b>As at 30.06.2019</b>	<b>13,874,527</b>	<b>10,216,438</b>	<b>5,821,961</b>	<b>9,604,815</b>	<b>9,749,437</b>	<b>9,604,815</b>	<b>49,267,178</b>					
<b>As at 30.06.2018</b>	<b>18,236,292</b>	<b>11,785,156</b>	<b>7,039,043</b>	<b>17,788,934</b>	<b>26,507,730</b>	<b>17,788,934</b>	<b>81,357,155</b>					

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Reconciliation of the depreciation charge for the year as reported in the Statement of Financial performance.

	2018/2019	2017/2018
Depreciation Charge as per Fixed Asset movement Schedule (note 15)	39,016,124	24,132,848
Depreciation Charge attributable to Assets financed by ICF Grants	(1,708,257)	(1,277,304)
<b>Depreciation Charge for the year</b>	<b>37,307,867</b>	<b>22,855,544</b>

The Depreciation charge on assets finance by ICF grants have been applied against the capitalized Grants in the statement of changes in Net Asset for **Kshs 1,708,257 (2017/2018 Kshs 1,277,304)**.

**25. INTANGIBLE ASSETS – SOFTWARE**

<b>Cost</b>	<b>Ksh.</b>
As at 1st July 2017	1,301,284,216
Additional Development	131,806,882
<b>As at 30th June 2018</b>	<b>1,433,091,098</b>
As at 1st July 2018	1,433,091,098
Additional Development	7,019,639
<b>As at 30th June 2019</b>	<b>1,440,110,737</b>
<b>Amortisation</b>	
As at 1st July 2017	402,319,465
Amortisation	106,436,004
<b>As at 30th June 2018</b>	<b>508,755,469</b>
As at 1st July 2018	508,755,469
Amortisation	148,629,263
<b>As at 30th June 2019</b>	<b>657,384,732</b>
<b>At 30th June 2019</b>	<b>782,726,005</b>
<b>At 30th June 2018</b>	<b>924,335,629</b>

The Amount of Intangible assets comprises of the single window base and supporting software which has been incurred during the development of the software in facilitation of trade.

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**26. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

	2018/2019	2017/2018
	ksh	ksh
Trade Payables	32,529,574	42,883,534
Statutory deductions	5,266,004	4,503,117
Life Insurance payable	-	22,080,000
Other payables	-	48,000
	<b>37,795,578</b>	<b>69,514,651</b>
<b>Provisions</b>		
Provisions for Gratuity	2,058,536	322,846
Audit fees	1,392,000	1,296,000
	<b>3,450,536</b>	<b>1,618,846</b>
	<b>41,246,114</b>	<b>71,133,497</b>

**27. CONTINGENT LIABILITIES**

**At the year end the Agency had the following Contingent liability:**

	2018/2019	2017/2018
	Ksh	Ksh
Mweha Enterprises	13,858,266	13,858,266

A contingency liability of **Kshs 13,858,266** to Mweha Enterprises who were undertaking office works in year 2011/2012 is probable. This liability is not included in the financial statement since the case is still pending in court and no judgment has been entered, however the Agency is working on how to sort the matter out of court.

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**28. OPERATING LEASES**

The Agency has an uncancellable two operating leases of six years and four years for office space in the first and ground floors respectively with Embankment Investments Ltd on L.R. No. 209/12384. The rents are payable quarterly in advance.

		<b>2018/2019</b>	<b>2017/2018</b>
		<b>Ksh</b>	<b>Ksh</b>
<b>Due within the next 12 Months</b>			
Total Premises (Nairobi and Mombasa)		15,759,778	15,759,778
Parking		1,503,044	1,503,044
Service Charge		2,935,629	2,935,629
		<b>20,198,450</b>	<b>20,198,450</b>
<b>Later than 1 year and not later than 5years</b>			
Total Premises (Ground and 1st Floor)		73,311,307	73,311,307
Parking		6,245,210	6,245,210
Service Charge		11,932,787	11,932,787
		<b>91,489,304</b>	<b>91,489,304</b>
<b>Total</b>		<b>111,687,754</b>	<b>111,687,754</b>

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**29. RELATED PARTY DISCLOSURES**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to

- i) The National Government;
- ii) The National Treasury
- iii) The Board of Directors
- iv) Key management;

**Board of Directors**

**(a) Directors Expenses**

The Directors' Fees were **Kshs 17,700,752 (2017/2018: Sh. 14,418,279)**.

**(b) Remuneration of Key Management staff**

Included in the Staff Cost in Note 6 are the salaries and benefits of 14 management staff costs as follows:

	2018/2019	2017/2018
	Ksh	Ksh
Salaries and other Benefits	79,140,000	92,150,600

**30. SUBSEQUENT EVENTS**

There were no events subsequent to the financial year end that had a significant impact on the financial statements.

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**31. CASH GENERATED FROM OPERATIONS**

	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Net surplus/ Deficit for the year	(326,474,621)	(172,664,921)
Adjustments:		
For items not involving movement of cash		
Depreciation	39,016,124	24,477,667
Amortisation	148,629,263	106,436,004
Loss on disposal	-	-
<b>Operating loss/surplus before working capital</b>	<b>(138,829,234)</b>	<b>(41,751,250)</b>
<b>Working capital adjustments:</b>		
Decrease/(Increase) in inventories	521,758	(490,460)
Decrease/(Increase) in accounts receivable	159,826,231	(51,189,445)
(Decrease)/Increase in creditors and accruals	(29,887,383)	54,152,020
Working Capital prior year Adjustment	(166,380,876)	122,423
Tax paid	(4,410,808)	(7,724,621)
<b>Working Capital changes</b>	<b>(40,331,079)</b>	<b>(5,130,083)</b>
<b>Total cash generated from operations</b>	<b>(179,160,313)</b>	<b>(46,881,333)</b>

**32. FINANCIAL RISK MANAGEMENT**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers (Internal customers) with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	48,903,626	48,903,626	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>48,903,626</b>	<b>48,903,626</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	208,729,857	42,571,612	166,158,245	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>208,729,857</b>	<b>42,571,612</b>	<b>166,158,245</b>	<b>-</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Board of Directors sets the Agency's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Agency's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>				
Trade payables	18,370,931	14,156,941	1,702	32,529,574
Current portion of borrowings	-	-	-	-
Life insurance payable	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	5,266,004	-	-	5,266,004
<b>Total</b>	<b>23,636,935</b>	<b>14,156,941</b>	<b>1,702</b>	<b>37,795,578</b>
<b>At 30 June 2018</b>				
Trade payables	18,049,950	27,508,377	1,702	44,550,379
Current portion of borrowings	-	-	-	0
Life insurance payable	-	-	22,080,000	22,080,000
Deferred income	-	-	-	0
Employee benefit obligation	4,503,117	-	-	4,503,117
<b>Total</b>	<b>22,553,067</b>	<b>27,508,377</b>	<b>22,081,702</b>	<b>71,133,496</b>

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**(iii) Market risk**

The Board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Overall responsibility for managing market risk rests with the Audit and Risk Committee of the Board.

The company's Risk division is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>			
Financial assets(cash ,)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-
<b>At 30 June 2018</b>			
Financial assets(cash ,)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	<b>23,646</b>	-	<b>23,646</b>

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The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2018</b>			
Financial assets(cash ,)	23,646	-	23,646
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	<b>23,646</b>	-	<b>23,646</b>

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 563,393 (2017/2018: Kshs 569,581). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 3,085,298 (2017/2018 – Kshs 4,767,642)

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Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	9,030,000.00	9,030,000.00
Retained earnings	(1,045,842,914)	(549,552,705)
Donor Grant	90,814,872	92,523,129
Capital reserve	1,866,150,885	1,807,417,519
<b>Total funds</b>	<b>920,152,842</b>	<b>1,359,417,942</b>
Total borrowings		-
Less: cash and bank balances		-
Net debt/(excess cash and cash equivalents)		-
<b>Gearing</b>		-

**33. Currency**

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

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**APPENDIX I: 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. The accounts were not qualified on account of the issues raised as Emphasis of Matter.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p><b>Material Uncertainty Related to Going Concern-</b>                      Since inception, the Agency has been overwhelmingly relying on the support of the National Government. However, the Agency has developed a business model with a tariff structure to gradually reduce this reliance on the National Government and generate its own revenue. This is awaiting National Treasury approval before implementation.                      In the year under review and as reported in the statement of financial performance the Agency recorded a deficit of Kshs 178,839,425 (Kshs 102,211,916: 2016/17) and as per the statement of financial position,</p>	<p>The Agency's Management notes that the Auditor General's observation is correct. The Agency is currently fully funded by the National Government through its line ministry, the National Treasury. The Agency has indeed applied for approval to implement its business model that will allow it to continue providing trade facilitation services, especially through maintenance and operations of the Kenya National Electronic Single Window System (Kenya TradeNet System). Without adequate finance through budget support</p>	MF	Not resolved-	30.06.2020

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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the net assets of the Agency decreased to Kshs 1,433,359,775 from Kshs 1,570,979,068 in the year 2016/17.	and/or revenue raised, the gains and benefits brought about by the System and KenTrade's activities in general will be lost.  Adequate funding of the Agency will enable the reversal of the deficit trend, which is also partly caused by the fact that a key item of accrual accounting reporting, depreciation and amortisation cost, is not ordinarily factored into the budget or funded by actual funds transfer to the Agency.			
2.0	Kentrade has in place an Enterprise Resource Planning System (ERP) bought in the financial year 2014/2015. Further to this, Kentrade has signed a contract for one-year partner support for the maintenance of the ERP, customization of the application, preventive maintenance and installation of application updates where applicable with Kobby Technologies Limited from 10th January	The Agency has noted the observation of the Auditor-General with regard to the ERP system operational at the Agency. The Agency realized that due to incomplete set-ups in previous financial years, the accuracy and completeness of opening balances and transactions building	MF	Resolved	

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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>2018, with a contract price of Kshs 10,705,983.00. It was observed that the Agency generated financial statements using the manual systems of tabulating the trial balances and the ledgers in Excel an excel spreadsheet, despite having an ERP System in place. Use of an Excel spreadsheet to generate Financial Statements may not guarantee the internal control check normally achieved by using an Enterprise Resource Management System. This may lead to lack of integrity, accuracy, reliability, comparability and credibility of financial reports generated under the manual system.</p>	<p>up to the beginning of the financial year 2017/2018, the ERP could not be relied on to produce accurate, complete and reliable financial statements. Indeed the engagement of the current support partners M/S Kobby Limited was due to the inadequacy in support by the vendors and initial support partners, M/S Technet Ltd. The partners have continued to conduct improvements in the system in consultation with the Agency's finance and ICT departments. We believe that the 2018/2019 financial statements will be generated using the ERP system.</p>			

**CHIEF EXECUTIVE OFFICER** .....  
 DATE.....16/12/2021.....

.....**CHAIRMAN OF THE BOARD** .....  
 DATE.....16.12.2021.....

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

There were no Projects implemented by KenTrade during the financial year 2018/2019.

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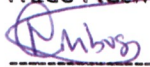
**APPENDIX III: INTER ENTITY TRANSFERS**

<b>Breakdown of Transfers from the National Treasury</b>			
<b>FY 2018/2019</b>			
a)	Recurrent Grants		
		<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>
			<b>Financial Year</b>
		17/8/2018	79,250,000
		26/10/2018	72,910,000
		5/2/2019	77,665,000
		15/5/2019	80,835,000
		<b>Total</b>	<b>310,660,000</b>
b)	Development Grants		
		<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>
			<b>Financial Year</b>
		07/11/2018	75,000,000
		07/11/2018	75,000,000
		20/02/2019	75,000,000
		20/02/2019	75,000,000
		<b>Total</b>	<b>300,000,000</b>

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager  
Kenya Trade Network Agency

Sign



Head of Accounting Unit  
The National Treasury

Sign-----

KENYA TRADE NETWORK AGENCY  
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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Total Transfers during the Year
	As per bank statement					
The National Treasury	Various	Recurrent	310,660,000	310,660,000	-	310,660,000
The National Treasury	Various	Development	300,000,000	300,000,000	-	300,000,000
<b>Total</b>			<b>610,660,000</b>	<b>610,660,000</b>	<b>-</b>	<b>610,660,000</b>

