REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF THE EASTERN AFRICAN REGIONAL TRANSPORT, TRADE AND FACILITATION PROJECT (IDA CREDIT NO. 5638)

FOR ONE MONTH ENDED 30 JUNE 2018

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE EASTERN AFRICAN REGIONAL TRANSPORT, TRADE AND FACILITATION PROJECT (IDA CREDIT NO. 5638) FOR ONE MONTH ENDED 30 JUNE 2018

REPORT ON THE EARTTDFP PROJECT (IDA CREDIT NO. 5638KE)

Opinion

I have audited the accompanying financial reports as set out on page 1 which comprise the financial report (summary statement of receipts and expenditure) for one month ended 30 June 2018 and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial report present fairly, in all material respects, the financial position of East Africa Regional Transport and Trade DFP Project (IDA Credit No. 5638) as at 30 June 2018 for month then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the IDA Credit No. 5638KE dated 20 July 2015

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Project in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial reports in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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.

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 reports 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.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the financing agreement IDA Credit No. 5638KE, I report based on my audit, that:

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. in my opinion, adequate accounting records have been kept by the Authority, so far as appears from the examination of those records; and,

iii. The financial reports are in agreement with the accounting records and returns.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial reports in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial reports that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial reports, management is responsible for assessing the ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the cash basis of accounting unless the project either intends to liquidate or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial reports 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 reports described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial reports are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial reports 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. Misreports 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 reports.

In addition to the audit of the financial reports, 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 reports 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 reports and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misreports caused by error or fraud in amounts that would be material in relation to the financial reports 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 misreports 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 reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the project's ability to continue as a going concern or 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 reports or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the project to cease to continue as a going concern or to sustain its services;

- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the project to express an opinion on the financial reports; and

- 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.

FCPA Edward R. O. Ouko, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

10 April 2019

MINISTRY:	FINANCE
IMPLEMENTING AGENCY	KENYA REVENUE AUTHORITY
PROJECT NAME:	EASTERN AFRICA REGIONAL TRANSPORT,TRADE & DEVELOPMENT FACILITATION PROJECT
IDA CREDIT:	No. 5638KE
REPORT:	Interim Financial Report (IFR)
THIS SHEDULE:	Summary statement of receipts and expenditure
PERIOD OF REPORT:	Year ended 30th June 2018
CURRENCY:	Kenya shilling

		PREVIOUS CUMULATIVE TOTALS		CURRENT PERIOD		CUMULATIVE	
		IDA	Total	IDA	Total	IDA	Total
	RECEIPTS	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
1	IDA CREDITS	44,150,400.00	44,150,400.00			44,150,400.00	44,150,400.00
1	IDA FUNDS	-	-		-	-	-
2	DIRECT PAYMENT (IDA)	-	-	-	-	-	-
4	INTEREST RECEIPTS	-	-	-	-	-	-
	Total receipts	**44,150,400.00**	**44,150,400.00**	-	-	44,150,400.00	44,150,400.00
	Payment for Projects						
1	Category 1(b) Goods	-	-	-	-	-	-
2	Category 2(a) works	-	-		-	-	-
3	Category 3(b) Consultancy	-	-		-	-	-
4	**Category 6 [b] Operating Costs**	-	-	-	-	-	-
	Training Costs	-	-	-	-	-	-
	Bank charges	9,960.83	9,960.83	-	-	9,960.83	9,960.83
	Total Payments	**9,960.83**	**9,960.83**	-	-	**9,960.83**	**9,960.83**
	Opening cash balances						
	Excess of receipts over payments	44,140,439.17	44,140,439.17	-	-	44,140,439.17	44,140,439.17
	Net available cash	**44,140,439.17**	**44,140,439.17**	-	-	**44,140,439.17**	**44,140,439.17**

Closing Cash Balances	
IDA Special Account	USD 438,000.00
IDA Project Account	KSH 44,150,400.00
IDA Direct Payments	-

J. K. Njiraini, CBS
Commissioner General ....

E.K. Muchai
Head of Finance - ICPAK Member No. 2728 ....

AMB. DR. Francis K. Muthaura, MBS , EGH
Chairman ....

MINISTRY:	FINANCE
IMPLEMENTING AGENCY	KENYA REVENUE AUTHORITY
PROJECT NAME:	EASTERN AFRICA REGIONAL TRANSPORT,TRADE & DEVELOPMENT FACILITATION PI
IDA CREDIT:	No. 5638KE
REPORT:	Interim Financial Report (IFR)
THIS SHEDULE:	Bank Reconciliation Statement
Bank and Branch	National Bank of Kenya Ltd - Times Tower Nairobi
Account No.	01020014867900
PERIOD OF REPORT:	Year ending 30th June 2018
CURRENCY:	Kenya shilling

		Note.	Kshs	Kshs
08/05/2018	Balance b/fwd			44,150,400.00
	Receipts	1	2,576,219,633.40	
	Interest		-	2,576,219,633.40
	Total Receipts			2,620,370,033.40
Less:				
	Bank charges as at 30/06/2018		9,960.83	
	Payments as at 30/06/2018		-	9,960.83
Add:	Unpresented cheque			-
30/06/2018	Balance as per bank statement			2,620,360,072.57

KENYA REVENUE AUTHORITY
PROJECT A/C 01020014867900

		Kshs	Kshs
30/06/2018	**Balance per Bank Statements**		2,620,360,072.57
	Add		
30/06/2018	Receipts in cash book not yet credited by Bank	-	
30/06/2018	Payments in Bank statement and not in the cash book	-	-
	Deduct:		
30/06/2018	Cheques not debited by Bank (Unpresented cheques]	-	
30/06/2018	Receipts in bank statement not in the cash book	-	-
Balance per Cash Book			2,620,360,072.57

Notes:

1.0 The receipts for the period include an amount of Kshs. 2,576,219,633, recurrent Income for the Authority that was erronously remitted to EARTTFP Account. A correction of the error was done in July 2018.

J. K. Njiraini, CBS
Commissioner General ....

E.K. Muchai
Head of Finance - ICPAK Member No. 2728 ....

AMB. DR. Francis K. Muthaura, MBS , EGH
Chairman ....