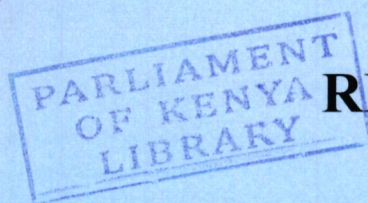


REPUBLIC OF KENYA

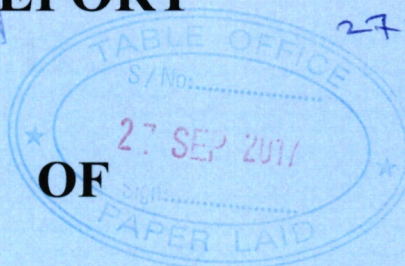


OFFICE OF THE AUDITOR-GENERAL

PAPER LAID BY THE  
LEADER OF THE  
MAJORITY PARTY BY  
HON. BENJAMIN  
WACHUKI CM  
27.9.2017



REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
RAILWAY DEVELOPMENT LEVY FUND

FOR THE YEAR ENDED  
30 JUNE 2015

THE NATIONAL TREASURY



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
18 MAR 2016  
**RECEIVED**



**Republic of Kenya**

**National Treasury**

**Financial Statements for the Railway  
Development Levy Fund Holding Account**

**For the Financial Year ended 30<sup>th</sup> June 2015**

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## **1. Overview of the Railway Development Levy Fund (Holding Account)**

The Railway Development Levy Fund is established under section 117A of the Customs and Excise Act. The Fund consists of the proceeds of the railway development levy charged under the section, grants or donations made to the Fund and any income generated from the proceeds of the Fund. The objective and purpose of the fund is to provide funds for the construction of the standard gauge railway network in order to facilitate transportation of goods and people.

The Railway Development Levy Fund Holding Account is held at The Central Bank of Kenya and maintained by the National Treasury. The Funds are transferred to the Railway Development Fund operations account administered by the Principal Secretary responsible for matters relating to transport based on the Advisory Committee approval. The management of the Fund is overseen by the Advisory Committee established under the Customs and Excise (Railway Development Levy Fund) regulations, 2013.

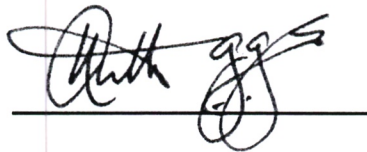
In line with section 81 of Public Financial Management Act 2012, the National Treasury is required to not later than three months after the end of each financial year, prepare and submit to the Auditor-General financial statements for that year in respect of the holding account. This report therefore covers the operations of the Railway Development Levy Fund Holding account for the financial year ended 30<sup>th</sup> June 2015.

## 2. Statement of Responsibilities

The Principal Secretary to the National Treasury accepts responsibility for the financial statements of the Railway Development Levy Fund Holding Account, which has been prepared using the cash basis as prescribed by the Public Sector Accounting Standards Board (PSASB). The Railway Development Levy Fund Holding Account financial statements have been extracted from the accounting records maintained by National Treasury, and the information provided is accurate and complete in all material respects.

In my opinion as the Principal Secretary at the National Treasury, the Railway Development Levy Fund Holding Account financial statements as set out on page 3 to 8 give a true and fair view of the Fund for the period ended 30<sup>th</sup> June 2015.

Signature: \_\_\_\_\_



Name: **Dr. Kamau Thugge, CBS**  
**Principal Secretary/The National Treasury**

Date: \_\_\_\_\_

30/9/15

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON RAILWAY DEVELOPMENT LEVY FUND FOR THE YEAR ENDED 30 JUNE 2015 – THE NATIONAL TREASURY

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Railway Development Levy Fund set out on pages 3 to 8, which comprise the statement of assets as at 30 June 2015, and the statement of receipts and payments and statement of cash flows 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.

#### **Management's Responsibility for the Financial Statements**

The Accounting Officer – The National Treasury is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer 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, 2015.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

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*Report of the Auditor-General on the Financial Statements of Railway Development Levy Fund for the year ended 30 June 2015 – The National Treasury*

the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse opinion.

## **Basis for Adverse Opinion**

### **1. Accuracy of Financial Statements**

For the financial year 2013/2014, the National Treasury did not prepare and submit for audit the financial statements for the Railway Development Levy Fund even though the bank statements indicate that National Treasury received Kshs.19,455,107,763 and disbursed Kshs.6,627,645,067.00 during the year ended 30 June 2014. In the absence of the financial statements and relevant disclosures, the source and accuracy of the balances brought forward from 2013/2014 financial year and comparative balances for the financial year 2013/2014 reflected in the financial statements for 2014/2015 could not be confirmed. Consequently, the accuracy of the statement of assets as at 30 June 2016 cannot be confirmed.

### **2. Unexplained Variation between Receipts Balances Reflected in Financial Statements and Kenya Revenue Authority Records**

The statement of receipts and payments for the year ended 30 June 2015 reflects total receipts totaling Kshs.18,740,340,683.85 received from the Kenya Revenue Authority of during the year under review, while records maintained at the Kenya Revenue Authority show a total amount of Kshs.18,939,957,462.00 as having been collected and transferred to the National Treasury during the period. The resultant difference of Kshs.199,616,778.15 between the two sets of records has not been explained.

### **3. Unsupported Transfers**

The statement of receipts and payments also reflects transfers to the State Department of Transport of Kshs.19,252,240,845.45 made during the year under review. However, minutes of the meeting of Railway Development Levy Fund Advisory Committee that approved the transfers were not made available for audit review. Similarly, letters by the National Land Commission that requested for release of Kshs.4,950,522,154.55 to compensate land owners and evidence of the Commission's decisions to delegate disbursement of the payments to the Kenya Railways Corporation were not availed for audit review.

As a result, it has not been possible to confirm the propriety of the expenditures incurred thereof.


### **4. Closure of Bank Account No. 1000196971 at the Central Bank of Kenya**

On 2 October 2014, the National Treasury closed Central Bank Account No. 1000196971 which had a balance of Kshs.6,542,671,447.00 by then with a description of online

account closure. The instructions to close the account did not indicate the account to which the balance of Kshs.6,542,671,447.00 was transferred. As a result, it has not been possible to confirm the destination of the balance.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of the Railway Development Levy Fund as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.



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

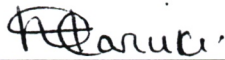
**Nairobi**


**21 July 2017**

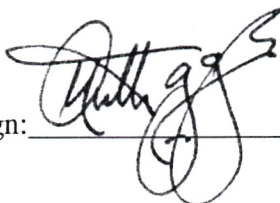
3. Receipts and Payment Statements for the year ended 30 June 2015

		Period to 30th June 2015	Period to 30th June 2014
	Notes	Kshs	Kshs
<b>Receipts</b>			
Receipts from the Kenya Revenue Authority	7.2	18,740,340,683.85	19,455,107,763.00
<b>Total Receipts</b>		<b>18,740,340,683.85</b>	<b>19,455,107,763.00</b>
Transfers to State Department of Transport	7.3	19,252,240,845.45	6,627,645,067.00
<b>Total transfers</b>		<b>19,252,240,845.45</b>	<b>6,720,681,661.00</b>
<b>Surplus/Deficit</b>		<b>(511,900,161.60)</b>	<b>12,827,462,696.00</b>

Pages 4 to 8 form an integral part of these financial statements. This statement has been prepared, reviewed and approved by the following:

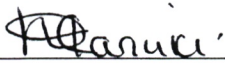
Prepared by: Lucy N. Kariuki Sign:  Date: 30/9/2015


Approved by: Bernard Ndungu Sign:  Date: 30/09/2015


Principal Secretary: Dr. Kamau Thugge, CBS Sign:  Date: 30/9/15

4. Statement of Assets

	Note	As at 30 <sup>th</sup> June 2015 Kshs	As at 30 <sup>th</sup> June 2014 Kshs
<b>Financial Assets</b>			
<b>Cash And Cash Equivalents</b>			
Bank Balances		12,315,562,534.40	12,827,462,696.00
<b>Total Cash And Cash Equivalent</b>		<b>12,315,562,534.40</b>	<b>12,827,462,696.00</b>
<b>Accounts Receivables</b>			
Outstanding Imprests		-	-
<b>Total Financial Assets</b>		<b>12,315,562,534.40</b>	<b>12,827,462,696.00</b>
<b>Financial Liabilities</b>			
Accounts Payables – Deposits And Retentions		-	-
<b>Net Financial Assets</b>		<b>12,315,562,534.40</b>	<b>12,827,462,696.00</b>
<b>Represented By</b>			
<b>Fund Balance B/Fwd</b>		<b>12,827,462,696.00</b>	-
Surplus/Deficit For The Year		(511,900,161.60)	12,827,462,696.00
<b>Net Financial Position</b>		<b>12,315,562,534.40</b>	<b>12,827,462,696.00</b>

Prepared by: Lucy N. Kariuki Sign:  Date: 30/9/2015

Approved by: Bernard Ndungu Sign:  Date: 30/09/2015

Principal Secretary: Dr.Kamau Thugge, CBS Sign:  Date: 30/9/15

**Statement of Cash Flow**

		<b>Period to 30<sup>th</sup> June 2015</b>	<b>Period to 30<sup>th</sup> June 2014</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Receipts for Operating Income</b>			
Receipts from The Kenya Revenue Authority	7.2	18,740,340,683.85	19,455,107,763.00
<b>Payments</b>			
Transfer to State Department of Transport	7.3	19,252,240,845.45	<b>6,627,645,067.00</b>
<b>Net Cash Flow from Operating Activities</b>		<b>(511,900,161.60)</b>	<b>12,827,462,696.00</b>
<b>Cash flow from Investing Activities</b>		-	-
<b>Cash flow from Borrowing Activities</b>		-	-
<b>Cash and cash equivalent at the beginning of the year</b>		<b>12,827,462,696.00</b>	-
<b>Net Decrease in Cash and Cash Equivalent</b>		<b>(511,900,161.60)</b>	<b>12,827,462,696.00</b>
<b>Cash and Cash Equivalent at the end of the Year</b>		<b>12,315,562,534.40</b>	<b>12,827,462,696.00</b>

**5. Summary of Budget versus Actual Performance for the year ended 30th June 2015**

The following statement summarizes the outturn against budget:

	<b>Original Estimates</b>	<b>Revised Estimates</b>	<b>Total Actual 30<sup>th</sup> June 2015</b>	<b>% Realiz ed</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Receipts</b>				
Railway Development Levy (RDL)	22,921,781,663	22,921,781,663	18,740,340,683.85	82%
<b>Sub-total</b>	<b>22,921,781,663</b>	<b>22,921,781,663</b>	<b>18,740,340,683.85</b>	<b>82%</b>
<b>Transfers</b>				
Transfer to State Department of Transport			19,252,240,845.45	N/A
<b>Total Transfers</b>			<b>19,252,240,845.45</b>	

## 7 Significant Accounting Policies

### 7.1 Accounting Policies

#### a) Basis of preparation

The financial statements of Railway Development Levy Fund Holding Account have been prepared in accordance with the cash basis of International Public Sector Accounting Standard (IPSAS) as prescribed by the Public Sector Accounting Standard Board (PSASB) in Kenya.

#### b) Reporting entity

This report relates to financial operations of the Railway Development Levy Fund Holding Account maintained at Central Bank of Kenya. The reporting entity is the National Treasury.

#### c) Revenues

The Fund shall consist of the proceeds of the railway development levy charged under section 117A of the Customs and Excise Act, grants or donations made to the fund and any income generated from the proceeds of the Fund.

#### d) Expenditure and transfers

The expenditure of the Fund shall be on the basis of, and limited to, the annual work programmes and cost estimates which shall be submitted to the advisory Committee for approval before the beginning of the financial year which they relate. All receipts, saving and accruals of the Fund and the balance of the Fund at the close of each financial year shall be retained for the purpose for which the fund is established.

#### e) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances, un-surrendered imprests and short term deposits in money market instruments.

#### f) Presentation Currency

The financial statements are reported in Kenya Shillings, being the currency of legal tender in Kenya.

### 7.2 Income and Non Income Receipts

The following is an analysis of the receipts received into the Fund from The Kenya Revenue Authority:

Description	Period to	Period to
	30-Jun-15	30-Jun-14
	Kshs	Kshs
1 <sup>st</sup> Quarter	5,124,690,956.85	-
2 <sup>nd</sup> Quarter	4,778,420,013.00	-
3 <sup>rd</sup> Quarter	4,330,574,374.00	14,348,377,411.00
4 <sup>th</sup> Quarter	4,506,655,340.00	5,106,730,352.00
<b>Total Receipts</b>	<b>18,740,340,683.85</b>	<b>19,455,107,763.00</b>

### 7.3 Transfers from the Fund

The National Treasury transferred the funds from the holding account after the approval from Railway Development Levy Fund Advisory Committee on various dates. The State Department of Transport confirmed that the funds were received and an analysis of the same has been provided as follows:

Date	Details	Date	Amount KShs
24.09.2014	AG.13/079 VOL1 (34) DD	23.09.2014	6,192,671,447.00
01.10.2014	AG.13/079 VOL1 (33) DD	29.09.2014	350,000,000.00
09.10.2014	AG.13/079 VOL1 (41) DD	09.10.2014	50,300,000.00
03.11.2014	AG.13/079 VOL1 (41) DD	31.10.2014	4,950,522,154.55
11.11.2014	AG.13/079 VOL1 (52) DD	10.11.2014	758,128,879.90
28.11.2014	AG.13/079 VOL1 (64) DD	26.11.2014	1,514,856,000.00
09.12.2014	AG.13/079 VOL1 (67) DD	08.12.2014	13,943,999.00
07.01.2015	AG.13/079 VOL1 (71) DD	06.01.2015	5,421,818,365.00
	<b>Total Transfers</b>		<b>19,252,240,845.45</b>