

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**MINISTRY OF TRANSPORT AND
INFRASTRUCTURE VOTE 109**

**FOR THE YEAR ENDED
30 JUNE 2014**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF TRANSPORT AND INFRASTRUCTURE VOTE 109 FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Ministry of Transport and Infrastructure Vote-109 set out on pages 20 to 37, which comprise the Statement of Receipts and Payments; the Statement of Assets; the Statement of Cash flows and combined Summary Statement of Appropriation for Recurrent and Development together with Notes to the Financial Statements in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. 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.

Accounting Officer's Responsibility for the Financial Statements

The Accounting Officer of the Ministry of Transport and Infrastructure is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standard and Government Financial Regulations and Procedures and Public Finance Management Act, 2012 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 4 of the Public Audit Act, 2003.

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 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. 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 risk 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 the 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 the Ministry's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 audit opinion.

Basis for Adverse Opinion

1.0. ACCURACY OF FINANCIAL STATEMENTS

1.1 Statement of Receipts and Payments

- 1.1.1 Examination of the statement of receipts and payments for the year ended 30 June 2014 revealed that there were positive and negative variances between some items in the financial statements and the trial balance amounting to Kshs.18,487,277,650.71 and (33,733,343.25). In addition, there were variances between items in the financial statements and the same in ledger balances totaling to Debits of Kshs.18,429,059,056.63 and Credits of Kshs.3,337,998.85.
- 1.1.2 The statement of receipts and payments further shows a balance of Kshs.1,787,668,217.00 under use of goods and services while audited balance of goods and services under note 10 to the financial statements shows a balance of Kshs.1,807,677,993.00. The variance of Kshs.20,009,776.00 has not been explained or reconciled.
- 1.1.3 Included also in the Kshs.19,937,838,723.00 transfer to Other Government Entities under note 11, is expenditure incurred by Government Clearing Agency amounting to Kshs.49,079,203.00 which differs with the Trial Balance figure of Kshs.48,931,573.00 by Kshs.147,630.00 which has not been reconciled and/or explained.
- 1.1.4 The financial statements reflect an amount of Kshs.67,572,720,817.00 for Development vote under grants to other government agencies while the Trial Balance has a figure of Kshs.67,468,366,516.35 resulting in a variance of Kshs.104,354,300.65 which has not been explained or reconciled.
- 1.1.5 The Statement of Receipts and Payments comparative figure for 2012/2013 reflects total payments of Kshs.93,376,211,011.00 while additions of items constituting payments amount to Kshs.90,375,211,011.00. The difference of Kshs.3,001,000,000.00 has not been explained or reconciled.
- 1.1.6 Exchequer releases in the statement of receipts and payments shows a figure of Kshs.47,851,504,263.00 while additions of exchequer release (Recurrent of Kshs.2,143,817,948.00 and Development of Kshs.45,711,186,315.00 add up to

Kshs.47,855,004,263.00 The difference of Kshs.3,500,000.00 has not been explained or reconciled.

- 1.1.7 The general ledger shows an entry on 29.08.13 of Kshs.1,370,530,356.95 for proceeds from domestic borrowing. However the supporting payment voucher No.000175 has an amount of Kshs.137,530,356.95 resulting in an overstatement of Kshs.1,233,000,000.00 which has not been explained or reconciled.
- 1.1.8 The Financial statements amount of Kshs.23,049,817,874.00 under proceeds from domestic borrowing is different from the supporting summary on Appendix XI which has a balance of Kshs.23,441,555,797.00 resulting in a difference of Kshs.391,737,923.00. The amount also differs from the trial balance figure of Kshs.22,945,463,575.40 by Kshs.104,354,298.00. No explanation or reconciliation has been provided.
- 1.1.9 The financial Statements show a balance of Kshs.3,745,571,249.00 under proceeds from foreign borrowing while the trial balance shows Kshs.3,637,912,211.05 resulting in a difference of Kshs.107,659,037.95 which has not been explained or reconciled.

1.2 Statement of Assets

The Statement of Assets reflects prior year adjustment of Kshs.207,150,724 and Kshs.436,708,309 under 2012-2013 and 2013-2014 financial years respectively. No documents or details were availed to support the adjustments.

1.3 Statement of cash flows

The Statement of Cash flows had the following inaccuracies;

- 1.3.1 The net cash flows from operating activities for 2012/2013 is reflected as negative Kshs.4,438,383,622.00 instead of positive Kshs.4,438,383,622.00.
- 1.3.2 Net cash flow from investing activities for 2012/2013 is reflected as negative Kshs.4,008,544,962.00 while additions of items constituting investing activities amounts to negative Kshs.4,017,544,962.00. The difference of Kshs.9,000,000.00 has not been explained/reconciled.
- 1.3.3 Cash flow from borrowing activities for 2012/2013 reflects repayment of principal on domestic and foreign borrowing of Kshs.164,310,177.00 as cash inflow instead of cash outflow.
- 1.3.4 Net increase in cash and cash equivalent for 2013/2014 is reflected as negative Kshs.667,011,891.00 while addition of net cash flows from operating, investing and borrowing activities amount to negative Kshs.670,511,891.00. The difference of Kshs.3,500,000.00 has not been explained or reconciled.

1.3.5 The Statement of Cash flows shows adjustments during the year of Kshs.433,208,310.00 for 2013-2014 financial year while note 18 to the financial statements on prior year adjustments shows bank accounts adjustment of Kshs.436,708,309.00 for 2013-2014. The difference of Kshs.3,499,999.00 has not been explained. Further, no documents were availed to support the adjustment.

2.0. UNSUPPORTED RECEIPTS AND PAYMENTS

2.1 The Statement of Receipts and Payments shows a balance of Kshs.391,737,923.00 under domestic currency and domestic deposits which has not been supported.

2.2 Note No. 8 to the Financial Statements reflects under Other Receipts a balance of Kshs.712,022,725.00 being receipts from sales by Non-Market Establishments Road and Structural Tests but which has not been supported.

2.3 The Statement of assets shows outstanding imprests of Kshs.437,965 and Kshs.2,228,921 for 2013/2014 and 2012/2013 respectively. However the outstanding imprest of Kshs.2,228,921 that was cleared in 2013/2014 could not be ascertained since no documents were availed to show how the imprests were accounted for.

2.4 The financial statements reflect Kshs.11,254,135,320.00 in relation to Construction of civil works. However payment vouchers presented in support of this account amounted to Kshs.8,067,331,919.00. The variance of Kshs.3,186,803,401.00 was not supported.

2.5 An amount of Kshs.17,254,379,553.80 in relation to Grants to Other Government Agencies was not supported.

2.6 The documents provided in support of proceeds from domestic borrowing figure of Kshs.22,945,463,575.40 was Kshs.21,985,139,162.20 leaving unsupported balance of Kshs.960,324,413.25.

3.0 OTHER RECEIPTS

3.1 Discrepancy in Receipts from Administrative Fees and Charges – Collected as AIA

Examination of records, documents and receipt vouchers relating to Receipts from Administrative Fees and Charges – Collected as AIA at Materials Department show that while the Trial Balance and the Recurrent Appropriation Account as at 30 June 2014 reflect a balance of Kshs.19,324,521.00, the receipt vouchers availed amounted to Kshs.17,287,455.00. The variance of Kshs.2,037,066.00 between the two set of records has not been explained.

Further, receipt vouchers examined shows that Kshs.21,154,166.55 Receipts from Administrative Fees and Charges was collected as AIA in the year ended 30 June 2014. However, the Ministry's Financial Statements reflect a balance of Kshs.19,630,521.00 resulting in a variance of Kshs.1,523,645.55 which has not been explained or reconciled.

3.2 Discrepancy in Mechanical Transport Fund income reflected in Recurrent Appropriation Account and MTF Statement of Comprehensive Income

The Trial Balance and Recurrent Appropriation Account for the year ended 30 June 2014 shows under item 1450101 Sundry Revenue a balance of Kshs.1,231,025,274.30. However, the Mechanical and Transport Fund financial statements for the year ended 30 June 2014 show the fund income of Kshs.1,303,874,073.68. The difference of Kshs.57,151,200.62 has not been reconciled and/or explained.

4.0 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

4.1 Discrepancy between Fuel Levy Received from KRB and the Amount Recorded

The Reports and Financial Statements for the year ended 30 June 2014 reflect under proceeds from Domestic and Foreign Grants a balance of Kshs.25,010,822,521.00. Included in this balance is Kshs.18,383,177,454.00 being funds received from Road Maintenance Levy Fund. However, records maintained by Kenya Roads Board show that the Board released to the Ministry Kshs.24,790,004,495.30. The resultant discrepancy of Kshs.6,406,827,041.30 between the two set of records has not been explained.

4.2 Further, the Road Maintenance Levy Fund balance disclosed in the Financial Statements falls short of the total balance of Kshs.24,102,516,994.00 contained in receipt vouchers examined by Kshs.5,719,339,540.30 which has not been explained.

4.3 In addition, the total receipt vouchers examined fall short of the funds recorded by KRB as being released by Kshs.687,487,501.30. This difference has not also been explained or reconciled.

5.0 GRANTS TO SEMI AUTONOMOUS GOVERNMENT AGENCIES

5.1 Current Grants to Semi-Autonomous Government Agencies

The Reports and Financial Statements for the Ministry under Note 11 – Transfer to Other Government Agencies reflect Current Grants to Government Agencies and other levels of Government amounting to Kshs.19,937,838,723.00. Examination of records, documents and payment vouchers relating to this component has revealed the following issues:

5.1.1 Discrepancy between Financial Statements and Payment Vouchers

Included in the Kshs.19,937,838,723.00 balance is disbursement of Road Maintenance Levy funds amounting to Kshs.17,936,401,362.30 which differs with Kshs.24,842,239,678.30 fuel levy transfers payment vouchers examined.

5.1.2 Discrepancy between Grants Received from Kenya Roads Board and Grants Disbursed to Roads' Authorities

The Recurrent Appropriation account under Kenya Roads Board shows that the current Grants to Semi-Autonomous Government Agencies balance of Kshs.17,936,401,362.30 varies with the Road Maintenance Levy funds received of Kshs.18,383,177,453.80 by Kshs.446,776,091.50 which has not been reconciled or explained.

5.1.3 Discrepancy between funds disbursed to semi-autonomous agencies and amount reflected in the agencies' financial statements.

A comparison between the records of the Ministry and the Agencies' financial statements revealed the following variances:-

Government Agency	Agency's financial statement amount	MOTI-financial statements	Difference
DEVELOPMENT –VOTE	Kshs.	Kshs.	Kshs.
Kenya Urban Roads Authority	4,353,969,070	3,853,050,662	500,908,408
Kenya Rural Roads Authority	14,541,840,647	16,783,984,368	(2,242,143,721)
Kenya Civil Aviation Authority	136,800,000	64,237,990	72,562,010
Kenya Airports Authority	998,797,590.55	415,070,846	583,726,744
Kenya Ports Authority	3,179,872,000	3,712,297,600	(532,425,600)
Kenya Railways Corporation	700,000,000	365,989,904	334,010,096
RECURRENT VOTE			
Kenya Urban Roads Authority	5,305,804,292	4,716,493,722	589,310,570
Kenya Rural Roads Authority	9,417,802,837	9,408,226,837	9,576,000
Kenya Ferry Services	364,000,000	376,000,000	12,000,000

6.0 BUDGET REALIZATION

6.1 The budget for transfer to other Government agencies was Kshs.105,531,047,705 while the amount transferred as per the financial statements fell short of the budget by Kshs.37,958,326,888 or 35%.

6.2 Amount budgeted for proceeds from Domestic borrowing was Kshs.28,080,744,704 against the realized amount of Kshs.23,049,817,874.00. There was thus under realization of receipts by Kshs.5,030,926,830 or 18%.

6.3 Amount budgeted on proceeds from foreign borrowing was Kshs.8,950,000,000 against the realized amount of Kshs.3,745,571,249, resulting in a variance of Kshs.5,204,428,751 or 58%.

6.4 Amount in the budget under tax receipts was Kshs.450,000,000.00 against actual receipts of Kshs.100,000,244.00 resulting in an under realization of Kshs.349,999,756 or 88%.

7.0 ERRONEOUS 2012/13 COMPARATIVES BALANCES

A comparison between amounts reflected in the 2014 financial statements as 2012/13 comparative balances and the audited appropriation accounts revealed differences as shown below:

Component	2013 Financial statements comparative balances figures in 2014	2013 Audited Financial Statements	Differences
RECEIPTS			
Tax Receipts	430,125,288	400,000,000	30,125,288
Proceeds from Foreign & domestic grants	30,308,092,413	32,918,342,413	-2,610,250,000
Exchequer Release	41,358,938,305	4,792,088,375	36,566,849,930
Proceeds from foreign borrowing	-	224,310,177	-224,310,177
Proceeds from Sale of Assets	4,031,853	4,031,853	-
Domestic Borrowing	-	17,341,741,733	-17,341,741,733
Other receipts	21,333,400,911	30,125,288	21,303,275,623
Total	93,434,588,770	55,710,639,839	37,723,948,931
PAYMENTS			
Compensation of employees	1,353,898,155	1,353,898,155	-
Use of goods & services	2,178,169,434	1,889,055,980	289,113,454
Transfer to Government	82,527,988,587	85,743,758,136	-3,215,769,549

Units			
Social Security Benefits	23,101,358	21,544,912	1,556,446
Acquisition of assets	4,012,576,815	4,226,287,535	-213,710,720
Repayment of principal on borrowing	163,310,177	-	163,310,177
Other payments	116,166,485	116,166,485	-
Total	90,375,211,011	93,350,679,738	-2,975,468,727

8.0 BANK RECONCILIATION STATEMENTS

8.1 Recurrent Bank Reconciliation Statement

The Ministry's Recurrent bank reconciliation statement for the month of June 2014 shows payments in cash book not in bank statement totaling Kshs.383,575,179.55 out of which cheques totaling Kshs.2,572,451 were stale as at 30 June 2014.

9.0 Deposits Bank Balance as at 30 June 2014 and Statement of Assets and Liabilities for the previous year 2012/13

9.1 The Ministry of Transport and Infrastructure account No. 1000182188 held at Central Bank of Kenya had a credit balance of Kshs.557,852,929.25 as at 30 June 2014. However, the Ministry's financial statements for the year ended 30 June 2014 have neither reflected the balance in the bank balance nor disclosed the total amount in the notes to the financial statements.

In the circumstances, the bank balance as at 30 June 2014 is understated by Kshs.557,852,929.25.

9.2 Payment of goods and services from Deposit Cash Book

Examination of Deposits Cash Book revealed that the following payments which ought to have been paid from either Recurrent or Development cash book were paid from Deposit cash book;

PAYMENTS OF GOODS AND SERVICES FROM DEPOSIT ACCOUNT

Date	Payee	Details	Amount(Kshs)
19.12.2013	Yuro Agencies	Supply of office stationery	341,250.00
		Consultancy services for conducting environmental and social impact assessment for Lamu port first 3 berths and associated infrastructure	
01.04.2014	Heztech Engineering Services		7,728,360.00
20.06.2014	Sarova Panafric	Provision of conference facility	185,000.00

29.06.2014	Kenmac Supplies	General	Supply of toners	<u>615,000.00</u>
			TOTAL	<u>8,869,610.00</u>

9.3 The Ministry did not prepare a Statement of assets and liabilities for Deposits for the year ended 30 June 2014, and no evidence was given on how the following issues included in the report for 2012/13 were resolved:

9.3.1 The Statement of Assets and Liabilities for deposits for the former Ministry of Roads reflected the following debit and credit balances relating to 2012/2013 and earlier years which besides being un-cleared for a long time had not been analyzed or supported:

Account

Debits	Amount (Kshs)
Recurrent AIA	(184,700.00)
General Suspense	255,702,281.45
District Deposit Bank	251,227.00
Provincial suspense account	22,250,045.75
R/D cheques	38,487.75
Fuel Levy	30,004,897.50
Credits	
Stale cheques	719,064.00
Revenue deposit	52,409,214.20
Mechanical Branch Suspense	687,268,445.25

9.3.2 The statement reflected 10% retention money account credit balances totaling Kshs.1,192,886,514.85 which included a credit balance of Kshs.1,185,498,016.85 relating to 2010/2011 and earlier years. However out of the Kshs.1,438,823,266.35 reported in 2011/2012 an amount of Kshs.1,431,064,185.67 relating to 2009/2010 could not be verified from the retention money register since serial numbers of the receipts accounting for the retention moneys were not indicated. Further as reported in 2011/12 an amount of Kshs.11,822,080.15 released to a contractor was supported by receipts that had not been issued for use in the Ministry's accountable documents.

9.3.3 The schedule supporting the retention money's closing balance of Kshs.1,192,886,514.85 as at 30 June 2014 reflected debit balances under various accounts. This implies that there were unclear over refunding of retention money

amounting to Kshs.233,311,537.07. One contractor was paid Kshs.17,213,703.00 when the account already had a debit balance of Kshs.59,940,016.67 resulting in an overpayment of Kshs.77,153,719.67. Payment voucher no.008618 for the amount of Kshs.17,213,703.00 paid was not availed for audit review.

9.3.4 As reported in the previous year the 2011/2012 statement reflected a credit balance of Kshs.1,911,588.55 in respect of Transformative E.I conference account which was at variance with the ledger credit balance of Kshs.1,511,361.00 as at 30 June 2012. The difference of Kshs.400,227.55 between the two sets of records was not explained.

9.3.5 Debit

Debit balances reflected in the 2011/2012 statement of Kshs.2,181,697,190.45 differed with balances of Kshs.10,288,638,370.05 shown in the Ministry's trial balance as at 30 June 2012 by Kshs.8,109,411,796.60. Similarly, the credit balances totaling Kshs.2,181,697,190.45 differed with the trial balance totals of Kshs.3,335,760,495.65 by Kshs.1,154,063,305.20. Additionally several accounts totaling Kshs.72,528,192.23 and credit balances of Kshs.16,549,108,680.20 shown in the trial balance were excluded from the statement of assets and liabilities as at 30 June 2012.

All the above issues remained unresolved as at 30 June 2013 and there was no evidence on how the same were cleared in 2013/2014.

Adverse Opinion

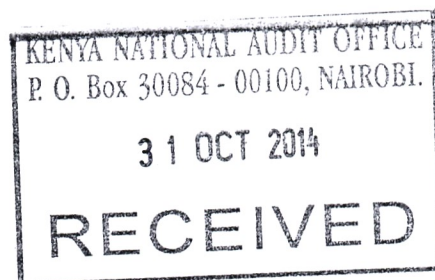
In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of the Ministry of Transport and Infrastructure as at 30 June 2014, and its financial performance for the year then ended in accordance with International Public Sector Accounting Standards as well as Government Financial Regulations and Procedures and the Public Finance Management Act, 2012.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

22 May 2015



MINISTRY OF TRANSPORT AND INFRASTRUCTURE

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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

MINISTRY OF TRANSPORT AND INFRASTRUCTURE
Reports and Financial Statements
For the year ended June 30, 2014

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I. KEY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Transport and Infrastructure was formed through executive order no. 2 of May 2013 by merging the then Ministry of Transport and the then Ministry of Roads .At Cabinet level, the Ministry is represented by the Cabinet Secretary who is responsible for the general policy and strategic direction of the Ministry.

(b) Key Management

The Ministry's day-to-day management is under the following key organs:

- 1) Ministry Headquarters and
- 2) Ministry Parastatals.

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Eng. John K. Musonik, EBS
2.	Principal Secretary (Transport)	Nduva Muli, EBS
3.	Infrastructure Secretary	Eng. P.C. Kilimo, OGW

(d) Fiduciary Oversight Arrangements

Summarised in the Background Information (page 5), Cabinet Secretary Statement (page 7) and Accounting Officer Statement (Page 9).

(e) Headquarters

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(g) Bankers

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P.O. Box 60000
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Nairobi, Kenya

(h) Independent Auditors

Auditor General
Kenya National Audit Office
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P.O. Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

II. BACKGROUND AND INTRODUCTION

Ministry of Transport & Infrastructure is comprised of two State Departments i.e. The State Departments of Transport and of Infrastructure. The Departments, until the reorganization of Government through the executive order No.2 of May, 2013 existed as Ministry of Transport and Ministry of Roads.

1.2 Vision

“A global leader in transport infrastructure and logistics”

1.3 Mission

“To develop, operate and sustain World Class transport infrastructure and services”

1.4 Key strategic Objectives

The key strategic objectives of the Ministry were:-

- To develop and maintain sustainable transport and infrastructure to facilitate efficient movement of goods and people.
- To develop and enforce regulations and standards to ensure safe, secure and efficient transport and infrastructure systems.
- To undertake research and implement the findings for an efficient transport and infrastructure systems.
- To mobilize resources and build capacity for technical and professional staff.

1.5 Strategic Programmes

The budgetary resources allocated to the Ministry were focused on realization of results in the following three (3) programmes:

- (i) Transport management and safety Programmes – the objective of the programme was to ensure that there were adequate policies, regulations, legal and institutional framework for proper management of the transport sector.
- (ii) Infrastructure development programmes – the objective of the programme was to ensure expansion and modernization of transport facilities ie development of the railway line both in Lamu and the standard gauge Mombasa Nairobi Malaba, Mombasa Port expansion, development of new port in Lamu, Airports expansion and development of the green field terminal, airstrips and the development of the Dongo Kundu Free Port.
- (iii) Construction, rehabilitation and maintenance of roads.

MINISTRY OF TRANSPORT AND INFRASTRUCTURE
Reports and Financial Statements
For the year ended June 30, 2014

(iv) General planning, administration and provision of support service programmes, to provide the required planning and administrative services to support infrastructure development ventures and management of the transport systems.

III. MANAGEMENT REPORTS

3.0 REPORTS BY THE CABINET SECRETARY FOR TRANSPORT AND INFRASTRUCTURE

The continued improvement of the Transport sector and development of physical infrastructure is critical in accelerating economic growth and development. Kenya Vision 2030 recognizes the enabling role the sector plays in realization of the overarching vision of a globally competitive and prosperous nation by 2030.

The National Transport and Safety Authority (NTSA) was operationalized and has helped reduce road accidents in the country by over 12.7% in the 2013/2014 financial year. The merchant and shipping Act 2009 was operationalized during the year under review. The East African School of Aviation got approval from the International Civil Aviation Organisation (ICAO) on training on Air Navigation Services. The railway development levy was introduced during the financial year. Air traffic passenger numbers recorded a decline due to insecurity and the fire incident at JKIA.

Despite the foregoing, the transport subsector experienced several challenges which include: Decline in air traffic passenger numbers caused by terrorism issues and fire at JKIA, Lengthy Stakeholder involvement led to delayed uptake of projects such as the Standard Gauge Railway. In order to address the challenges, the Ministry has embarked on an international awareness campaign on safety at the airports, increased surveillance and sensitization to the public on stakeholder involvement.

The State Department of Infrastructure is responsible for facilitating development, maintenance, rehabilitation and management of the road network for the provision of adequate stock of physical infrastructure facilities in the country. Its aim is to provide efficient and safe road network that improves the speed and reduces the cost of movement of goods, services and people. In the financial year 2013/2014 a total of 262.8kms of new roads were constructed while a total of 237.6km of roads were rehabilitated. In addition the department, through its agencies maintained a total of 57,280.4kms of roads on routine maintenance of roads and 1,532kms of roads on periodic maintenance.

Nevertheless, the sub sector was faced by some challenges in implementation of the programmes and projects which slowed the improvements in the road infrastructure. Amongst the challenges included but not limited to; challenges of devolution, delayed payment of certified works ,increased traffic volume, huge maintenance backlog of the road network, weak enforcement of axle load rules

MINISTRY OF TRANSPORT AND INFRASTRUCTURE

Reports and Financial Statements

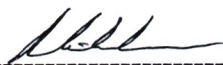
For the year ended June 30, 2014

and regulations, high cost/delays in relocation of utilities and services along and across road reserves, high cost of road construction, inadequate financial resources to cater for operation and maintenance, lengthy procurement procedures, inadequate realignment of the sub-sector's functions to the Constitution of Kenya, 2010, slow disbursement of development partners' funds in addition to lengthy stakeholder consultations . Implementation of road projects was also affected by late availability of roads budget provision for Kenya Rural Roads Authority (KERRA) and Kenya Urban Roads Authority (KURA) whose entire budget had been removed from the National Government Budget

Despite the outstanding challenges that faced the subsector during the period under review, remarkable progress has been earmarked which was due to increased funding for the construction, rehabilitation and maintenance of road projects. In order to address some of the challenges, the Ministry has adopted some of the following measures; Annuity and PPP financing models to address the issue of insufficient budgetary allocations and pending bills, closer liaison with development partners to address delays in disbursement, fast tracking of the Roads Bill to address the challenges of devolution among other measures.

Sign

Cabinet Secretary-----

 . 31.10.2014

3.1 REPORT BY THE ACCOUNTING OFFICER

In the financial year 2013/2014, the transport subsector recorded several achievements derived from the voted budget. Some of the achievements include:

3.2 Rail Transport

Under the rail transport, the Ministry cleared payments for 5% of the remaining cases of retrenchments, completed refurbishment of the REMU Offices in Kibera, the Relocation Action Plan Report was finalized. The detailed engineering for construction of a wall on both sides of the railway line in Kibera and Mukuru on one side and between Lunga lunga and Likoni bridges in Nairobi were completed. Detailed designs for construction of three storey structures resettlement zone for shops, business stalls and residential housing of displaced persons; and footpaths and drainage facilities and footbridges to connect the safety walls on the two sides of the railway line were also completed. Building of Makadara and Imara Daima stations was completed and stations commissioned in December 2013 while bids for the JKIA-City Centre Line were evaluated.

3.3 Road Transport

- Formed the National Transport and Safety Authority to coordinate all efforts towards addressing road safety in the country.
- Developed regulations for Public Service Vehicles to improve their operations and safety.
- Enhanced enforcement through safety first campaigns in various parts of the country where speeding motorists, drivers driving under the influence of alcohol and those violating traffic regulations were arrested and arraigned in roadside courts.
- Created awareness through the media, stakeholder forums on road safety. For example, more people now use footbridges than a few months ago.
- Reduction of deaths due to road accidents by over 12.7% between January and August, 2014. During the same period last year, 2,158 died but in 2014, 1,883 had died. Reduction is due to the above efforts.
- Have developed curriculum for driver training and testing.

3.4 Air Transport

The Aviation Industry reported mixed results during the year. Passenger numbers declined slightly from 8.5 million in 2012 to 8.2 million by the end of 2013 mainly due to the fire at JKIA, Westgate Mall security incident and the slow-down in Europe's economy. Aircraft over flight traffic increased from 34,992 flights in 2012 to 36,290 flights in 2013. However, the landing and take offs from Kenya's airports declined from 264,664 to 259,404 over the same period. On average, six aircraft were registered per month to raise the total to 1,236 in December, 2013 from 1,165 in December, 2012.

The Government negotiated six (6) new Bilateral Air Services Agreements (BASAs) with – Niger, South Sudan, Azerbaijan, Cambodia, Iceland and Jamaica. In addition sixteen (16) Air Services Agreements were reviewed with – Austria, Czech Republic, Botswana, Libya, Norway, Sweden, Qatar, Seychelles, Singapore, Somalia, Sri Lanka, Swaziland, Switzerland, Turkey, UAE and UK. This will enable local designated airlines expand their route networks or increase frequencies to various markets.

The Country's overall achievement of ICAO standards and Recommended Practices based on the audit conducted in May, 2013 was 78.4% compared to 66% in 2008. Kenya is now among the top four in aviation safety in Africa. In addition, the Civil Aviation Act that establishes the Kenya Civil Aviation Authority was reviewed during the 2012/13 Financial Year and published in January, 2013 as Civil Aviation Act No. 21 of 2013.

The Kenya Civil Aviation Authority improved the capacity of air traffic management by replacing the Instrument Landing System (ILS) at JKIA, installing flight procedure design software, ANS Message Handling System (AMHS) and voltage stabilizers and regulators to protect vital equipment. Overall level of availability of Air Navigation Services equipment was 98.3%. This is higher than the ICAO recommended level of 97%.

During the year the East African School of Aviation was granted approval by ICAO for standard Training Packages for Air Navigation Services/Meteorology (ANS/MET) and Air Navigation Services/Aeronautical Information Services.

The Kenya Airports Authority (KAA) successfully undertook the restoration of operations at the Jomo Kenyatta International Airport after the fire that gutted the Arrivals Terminal in August 2013.

The Authority broke ground for a new 20 million passenger terminal in December, 2013. In addition, works on Terminal 4 were accelerated and the Terminal now named T1A was opened in July 2014. A 2.5 million passenger Temporary Terminal is also under construction.

Under the air accident investigation, the subsector responded to and investigated 15 accidents and serious incidents and posted the final reports to the website

3.5 Marine Transport

During the year under review 400 security staff including Police officers were trained on ISPS Code & Maritime Security; and Operational Security Guidelines and Procedures developed. A security wall and the installation of Security Cameras around the Port of Mombasa was completed. A perimeter wall for the Port Compound was at 64% completion level while the Port Building and the Police Station are about 98% complete.

the electricity was on site from Mpeketoni but the Rabai line had not been energized since it was a waiting integrity testing before it is commissioned.

Kenya Ports Authority also advertised internationally for Supervision Consultants and Construction Contractors for the First Three Berths of the Lamu Port and the design review for the First Three Berths is complete.

In the Maritime and Shipping Department Five sets of regulations were gazette to operationalize the Merchant Shipping Act, 2009. Further, the International Labour Maritime Labour Convention 2006 was ratified and Kenya became the 64th global member state and 10th African state to ratify.

The Ministry negotiated two MOUs for on-board seetime training with the Governments of Turkey and Qatar through the Ministry of Foreign Affairs coordination. A draft Marine Pollution Prevention and Control Bill, 2014 was developed in consultation with International Maritime Organization consultants and maritime industry players. The Agreement on Maritime Freight management between the Democratic Republic of Congo and the Republic of Kenya was renewed. Kenya was re-elected to the International Maritime Organization Council during the International Maritime Organization General Assembly meeting in November, 2013. The Ministry hosted a Conference on the Indian Ocean Region Political Economy Maritime Africa in March 2014 following Cabinet approval

3.6 Roads Expansion Programme

In the year 2013/14, a total of 262.8kms (190%) of new roads were constructed while a total of 237.6km (267%) of roads were rehabilitated. On routine maintenance of roads the sub-sector maintained a total of 57,280.4kms of roads which is equivalent to 86% of the total target for the year while on periodic maintenance of roads; 1,532kms equivalent to 209% of the total target was achieved. In addition, 282.3kms of roads were designed and 9No.bridges completed. The budget was financed by GOK resources and Development Partner contributions. The following projects facilitated the achievements of the above targets;

(i) Northern Corridor Transport Improvement Project (NCTIP)

Under the Northern Corridor Transport Improvement Project (NCTIP), the following projects with support from the International development Association (IDA) of World Bank and African Development Bank (ADB) were ongoing; reconstruction works of Timboroa-Eldoret(73km) where 49kms were rehabilitated, 26kms of Mau-Summit- kericho(58km) , 38.5kms for Kericho - Nyamasaria (76 km),and 33kms for Nyamasaria-Kisumu Airport including by pass were also achieved.

(ii) Kenya Transport Sector Support Project (KTSSP)

The Transport Sector Support Project aims at improving the institutional arrangements and capacity in the transport sector in Kenya and also increasing the efficiency of road transport along the Northern Corridor and the Tanzania-Kenya-Sudan road corridor project. The programme is supported by the World Bank. In its implementation, various achievements were realised and included;

- Obtaining the Environmental and Social Impact Assessment Licenses for rehabilitation of Bachuma Gate-Maji ya Chumvi road A109 (53 Km), Nakuru-Njoro turn off, Nakuru-Nyahururu turn off, Ahero-Kisii turnoff and dualling of Athi river-Machakos turnoff (24km).
- Construction works for rehabilitation of Bachuma Gate –Maji ya chumvi road were launched
- On construction of Kisumu –Kakamega-Webuye-Kitale A1(145Km), 39kms was achieved.

(iii) Trade Facilitation Project-

The project is aimed at easing movement of cross border cargos and passengers amongst the East African countries. To enhance this, existing border crossing have been modified into One Stop Border Post. During the period under review, the construction of the Lunga lunga one stop border post was ongoing and was at 86% completion, Isebania one stop border post was 85% complete, Taveta one stop border post was 83% complete, Busia 75%, Malaba One Stop Border Post 80% complete and Namanga One Stop Border Post was 17% complete. In addition to the GOK resources, the Trade Facilitation Project is supported by IDA and Trade Mark East Africa, under the auspices of Department of International Development (DFID) of the United Kingdom.

3.7 Decongestion of Nairobi and other Urban Centers

In order to provide alternative avenues for transport in the Central Business District and the city environs thus easing movement of motorists and passengers, the State Department in construction/ upgrading of the road projects under this programme achieved the following;

- Mombasa southern bypass (DongoKundu bypass)-detailed engineering design ongoing
- Outering-contract awarded
- Interchange at City Cabanas (5 Kms)-4.25kms constructed
- Nairobi southern bypass(78kms)- 17.8kms constructed
- Meru bypass (20 Kms)- procurement ongoing
- Greater Eastern bypass (79 Kms)-final draft designs report completed
- Eldoret ring roads (municipality roads)(55 kms)-final draft design reports completed
- Nairobi western ring road (missing links no.3,6&7)- 100% complete
- construction of EU Nairobi Eastern missing links (13.6 kms) and NMT 16 – 18 (11.7 kms)- Construction works commenced
- Dualling of upper hill roads phase 1 (5.5 kms)-1.5 km constructed
- Missing links m11-m14 -design studies ongoing
- Westlands – Athi River – Machakos Road (A104)JKIA – Likoni Road- design studies ongoing
- Likoni road – James Gichuru- design studies ongoing
- James Gichuru – Rironi- design studies ongoing
- Dualing of Langata road (KWS gate to Bomas section) (2.9 kms)- 2.6km constructed

- Dualling of Eastleigh Estate roads (5.5 kms)- 4 kms constructed
- Upgrading and reconstruction of outerring road (13 kms)- procurement process ongoing
- Upgrading of roads within Lodwar municipality(2.6kms)-3.1km upgraded
- Upgrading of Kibokoni road within Malindi municipality(2.8 kms)-2.8kms upgraded
- Upgrading to bitumen standards of Kinungakamuyu road in Nyeri county(2 kms)-0.8kms upgraded
- Upgrading of Machakos Teachers Training College road(1.1 kms)-1.1kms upgraded
- Upgrading of Githurai - Kimbo link (2.7kms)-1.5 kms upgraded
- Dualing of Ngong road (All saints cathedral – Adams arcade) (4.7 Kms)- final draft report
- Rehabilitation of Nanyuki road (2.5kms) 2.5 Kms rehabilitated
- Kapsoya roads, Eldoret (8.1kms)-5.66kms constructed
- Rehabilitation of access road to United Nations Support Office for AMISOM(African Union Military Observer Mission In Somalia) (2 Kms)-1.6kms constructed

3.8 Lamu Port Southern Sudan and Ethiopia Transport Corridor (LAPSSET Project)

The following road projects were implemented under the LAPSSET project;

- *Merille River – Marsabit Road(120Km)*

This road is section of the 505km road from Isiolo to Moyale which is part of the transport corridor linking Kenya at the coast with Addis Ababa in Ethiopia. Construction works were commenced. The project is co-financed by the GOK and the European Union.

- *Marsabit – Turbi Road (122Km)*

The road constitutes the third section of the 505km road from Isiolo to Moyale which is part of the road linking Kenya with Addis Ababa in Ethiopia. A total of 74.5km of the road were constructed during the period under review while physical progress to date is 86km (71%). The project is co-financed by the GOK and the ADB.

- *Turbi – Moyale Road (125Km)*

The road begins in Turbi and runs in a northerly direction and terminates at the national boundary with Ethiopia in Moyale. Construction works were ongoing where 25km (20%) of the tarmac road was completed during the year. The project is co-financed by the GOK and the ADB.

- *Lamu – Garissa Road (263km)*

The road begins at Lamu Port and runs in a northerly direction through Hindi, Budhei, Ijara, Bura East, Kora Kora and ends at Modika centre at the junction with road A3 near Garissa town. Contract for detailed engineering designs were awarded and the services were 20% complete.

- *Garissa – Kulamawe – Isiolo Road (305Km)*

Contract for detailed engineering designs were awarded and the services were 20% complete.

- *Isiolo – Nginyang’ Road (212km)*

Procurement of design consultancy for upgrading of this section were ongoing and the project is awaiting contact awards.

- *Nginyang’ – Lokori – Lokichar Road*

During the period, the detailed designs for this road section were ongoing. The draft final report for the consultancy services has been completed.

- *Lodwar-Nadapal road*

The draft final engineering design for the project was completed.

3.9 East Africa Road Network Project (EARNP)

The following road sections were implemented under the East African Road Network Project;

- *Voi-Mwatate-Wundayi-Taveta road*

The GOK financed rehabilitation works for Voi-Mwatate-Wundayi(42km) road were at 80% complete while construction works for the ADB/GOK financed Mwatate –Taveta(99km) road section were launched within the 2013/2014 financial year.

4.0 Roads 2000 Programme

It's a strategy to maximize labour for road improvement and maintenance of rural roads through use of a combination of optimum labour force and equipment in a manner that is technically and economically feasible as well as socially and environmentally sustainable. Under the implementation of the programme a total of 151kms (57%) of roads were maintained against a target of 264km while 41,855 jobs created under the same programme.

4.1 Computerized Information Management System/Axle Load System

On axle load control, two High Speed in Motion (HSWM) weighbridges were completed i.e. at Mariakani and Athi River while Gilgil and Webuye weighbridges are at final stages of completion. In addition, the Ministry managed digitization and centreline computation of 514 lane kms of roads.

4.2 Capacity Building

The objective of the programme is to build human capacity for the implementation of infrastructure projects. During this year the following was achieved;

- 650No. plant operators and;
- 401No. contractors were trained.

4.3 Materials Research and Testing

The objective of the programme is to undertake research and test road construction materials, road pavement designs and construction specifications and conduct post construction evaluation of roads, bridges and other civil works projects. During the review year the following researches were completed;

- (i) Research on appropriate construction materials and methods for Geo-synthetics reinforced embankments and pavements on Nairobi-Thika road.
- (ii) Research on prospecting & mapping of road construction materials sources in Meru , Embu and Kitui counties.

4.4 Youth and Women Empowerment

The programme is aimed at increasing the participation of youth and women in the development activities in the country. During the year 2013/14, the state department of infrastructure targeted to award 30% (equivalent to KShs. 13million) of its tenders to youth and women. In the year under review, contracts worth KShs. 104, 743,151 were awarded to women and youths.

Sign

Accounting Officer -----



IV. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Ministry shall prepare financial statements in respect of that Ministry. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Ministry of Transport and Infrastructure is responsible for the preparation and presentation of the Ministry's financial statements, which give a true and fair view of the state of affairs of the Ministry for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting year; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Ministry; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Ministry; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Ministry of Transport and Infrastructure accepts responsibility for the Ministry's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2014, and of the Ministry's financial position as at that date. The Accounting Officer charge of the Ministry of Transport and Infrastructure further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry's financial statements as well as the adequacy of the systems of internal financial control.

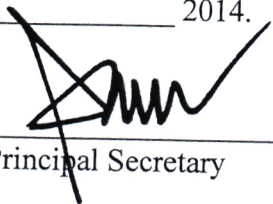
The Accounting Officer in charge of the Ministry of Transport and Infrastructure confirms that the Ministry has complied fully with applicable Government Regulations and the terms of external

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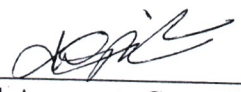
financing covenants (where applicable), and that the Ministry's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Ministry's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Ministry's financial statements were approved and signed by the Accounting Officer on _____ 2014.



Principal Secretary



Principal Accounts Controller

V. REPORT OF THE INDEPENDENT AUDITORS ON THE MINISTRY OF TRANSPORT AND INFRASTRUCTURE

We have audited the accompanying financial statements of Ministry of Transport and Infrastructure for the year ended June 30, 2014, which comprise: (i) a statement of receipts and payments; (ii) a statement of financial assets and liabilities; (iii) a statement of comparative budget and actual amounts; (iv) a statement of pending bills as at June 30, 2014; and (v) a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Ministry's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditors' 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 Ministry's preparation and fair presentation of the 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 the Ministry'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

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evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ministry as at June 30, 2014, and its receipts and payments, as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Auditor General

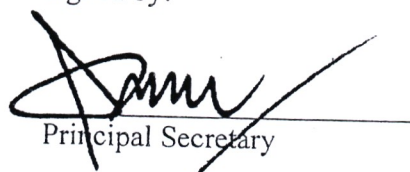
Date

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VI. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2013-2014 Kshs	2012-2013 Kshs
RECEIPTS			
Tax Receipts	1	100,000,244	430,125,288
Proceeds from Domestic and Foreign Grants	2	25,010,822,521	30,308,092,413
Exchequer releases	3	47,851,504,263	41,358,938,305
Proceeds from Domestic Borrowings	4	23,049,817,874	-
Domestic Currency and Domestic Deposits	5	391,737,923	-
Proceeds from Foreign Borrowings	6	3,745,571,249	-
Proceeds from Sale of Assets	7	624,900	4,031,853
Other Receipts	8	2,022,778,520	21,333,400,911
TOTAL RECEIPTS		102,172,857,494	93,434,588,770
PAYMENTS			
Compensation of Employees	9	1,345,594,151	1,353,898,155
Use of goods and services	10	1,787,668,217	2,178,169,434
Transfers to Other Government Units	11	87,510,559,540	82,527,988,587
Social Security Benefits	12	4,930,400	23,101,358
Acquisition of Assets	13	12,504,690,367	4,012,576,815
Repayment of principal on Domestic and Foreign borrowing	14	-	163,310,177
Other Payments	15	123,135,020	116,166,485
TOTAL PAYMENTS		103,276,577,695	93,376,211,011
(DEFICIT)/SURPLUS		(1,103,720,201)	58,377,759

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry financial statements were approved on 31-10-2014 and signed by:


 Principal Secretary


 Principal Accounts Controller

MINISTRY OF TRANSPORT AND INFRASTRUCTURE
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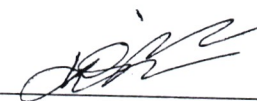
VII. STATEMENT OF ASSETS

	Note	2013-2014 Kshs	2012-2013 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	16A	89,028,643	753,910,026
Cash Balances	16B	40,571	380,127
Outstanding Imprests	16D	437,965	2,228,921
TOTAL FINANCIAL ASSETS		<u>89,507,179</u>	<u>756,519,074</u>
REPRESENTED BY			
Fund balance b/fwd	17	756,519,074	490,990,590
Surplus/Deficit for the year		(1,103,720,201)	58,377,759
Prior year adjustments	18	<u>436,708,309</u>	<u>207,150,724</u>
NET FINANCIAL POSITION		<u>89,507,179</u>	<u>756,519,074</u>

Agree the highlighted figure in yellow to the statement of receipts and payments =

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry financial statements were approved on 31.10. 2014 and signed by:

Principal Secretary



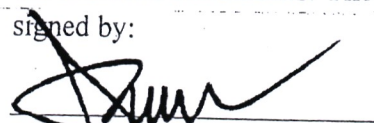
Principal Accounts Controller


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VIII. STATEMENT OF CASHFLOW

	Note	2013-2014 Kshs	2012-2011 Ksh
Receipts for operating income			
Tax Receipts	1	100,000,244	430,125,288
Proceeds from Domestic and Foreign Grants	2	25,010,822,521	30,308,092,412
Exchequer Releases	3	47,851,504,263	41,358,938,305
Other Receipts	4	2,022,778,520	21,333,400,916
Payments for operating expenses			
Compensation of Employees	5	(1,345,594,151)	(1,353,898,155)
Use of goods and services	6	(1,787,668,217)	(2,178,169,434)
Transfers to Other Government Units	7	(87,510,559,540)	(85,527,988,587)
Social Security Benefits	8	(4,930,400)	(23,101,358)
Other Expenses	9	(123,135,020)	(116,166,485)
Adjusted for:			
Adjustments during the year	18	433,208,310	207,150,724
Net cash flow from operating activities		(15,353,573,470)	(4,438,383,622)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	9	624,900	4,031,853
Acquisition of Assets	13	(12,504,690,367)	(4,021,576,815)
Net cash flows from Investing Activities		(12,504,065,467)	(4,008,544,962)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	6	23,049,817,874	
Domestic Currency and Domestic Deposits	7	391,737,923	
Proceeds from Foreign Borrowings	8	3,745,571,249	
Repayment of principal on Domestic and Foreign borrowing	22	-	164,310,177
Net cash flow from financing activities		27,187,127,046	164,310,177
NET INCREASE IN CASH AND CASH EQUIVALENT		(667,011,891)	(265,528,483)
Cash and cash equivalent at BEGINNING of the year	15	756,519,071	490,990,590
Cash and cash equivalent at END of the year	16	89,507,179	756,519,074

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry financial statements were approved on 31-10-2014 and signed by:


 Principal Secretary


 Principal Accounts Controller

IX SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
Tax Revenues	450,000,000	-	450,000,000	100,000,244	349,999,756	22%
Proceeds from Domestic and Foreign Grants	15,715,897,612	9,008,574,888	24,724,472,500	25,010,822,521	286,350,021	101%
Transfers from National Treasury	-	-	-	47,851,504,263	47,855,004,263	100%
Proceeds from Domestic Borrowings	50,600,096,404	22,519,351,700	28,080,744,704	23,049,817,874	4,639,188,907	83%
Domestic Currency and Domestic Deposits	-	-	-	-391,737,923	-391,737,923	0%
Proceeds from Foreign Borrowings	6,917,100,000	2,032,900,000	8,950,000,000	3,745,571,249	5,204,428,751	42%
Proceeds from Sale of Assets	3,060,000	-	3,060,000	624,900	2,435,100	20%
Other Revenues	4,326,500,000	6,650,000,000	10,976,500,000	2,022,778,520	8,953,721,480	18%
Compensation of Employees	1,474,298,031	135,402,249	1,338,895,782	1,345,594,151	6,698,369	101%
Use of goods and services	1,390,709,644	705,915,172	2,096,624,816	1,787,668,217	308,956,599	85%
Transfers to Other Government Units	93,814,032,017	41,632,921,072	135,446,953,089	87,510,559,540	47,936,393,549	65%
Social Security Benefits	21,545,509	12,185,807	9,359,702	4,930,400	4,429,302	53%
Acquisition of Assets	28,358,636,934	15,457,000,000	12,901,636,934	12,504,690,367	396,946,567	97%
Other Expenses	146,835,021	23,700,000	123,135,021	123,135,021	-	100%
	47,193,403,140	31,538,425,000	78,731,828,140	-1,110,220,201	-77,631,607,938	1%

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The Ministry financial statements were approved on _____ 2014 and signed by:



Principal Secretary




Principal Accounts Controller

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κ. X SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
Tax Revenues	-	-	-	-	-	-
Proceeds from Domestic and Foreign Grants	450,000,000	-	450,000,000	100,000,244	349,999,756	22%
Transfers from National Treasury	15,715,897,612	9,008,574,888	-24,724,472,500	18,383,177,454	6,341,295,046	74%
Proceeds from Sale of Assets	-	-	-	2,143,817,948	2,143,817,948	100%
Other Revenues	3,060,000	-	3,060,000	624,900	2,435,100	20%
Compensation of Employees	4,326,500,000	-	4,326,500,000	1,312,102,795	3,014,397,205	30%
Use of goods and services	1,474,298,031	135,402,249	1,338,895,782	1,345,594,151	6,698,369	101%
Transfers to Other Government Units	576,212,444	41,915,172	618,127,616	587,244,383	30,883,233	95%
Social Security Benefits	20,532,357,612	9,383,547,772	29,915,905,384	19,937,838,723	9,978,066,661	67%
Acquisition of Assets	21,545,509	12,185,807	9,359,702	4,930,400	4,429,302	53%
Other Expenses	26,325,949	5,000,000	21,325,949	17,825,655	3,500,294	84%
	146,835,021	23,700,000	123,135,021	123,135,021	-	100%
	2,282,116,954	240,600,000	2,522,716,954	76,844,992	2,445,871,962	3%

The Ministry financial statements were approved on _____ 2014 and signed by:


Principal Secretary



Principal Accounts Controller

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I. XI. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Proceeds from Domestic and Foreign Grants	-	-	-	6,627,645,067	6,627,645,067	100%
Transfers from National Treasury	-	-	-	45,711,186,315	45,711,186,315	100%
Proceeds from Domestic Borrowings	50,600,096,404	22,519,351,700	28,080,744,704	23,441,555,797	4,639,188,907	83%
Proceeds from Foreign Borrowings	6,917,100,000	2,032,900,000	8,950,000,000	3,745,571,249	5,204,428,751	42%
Other Revenues	-	6,650,000,000	6,650,000,000	710,675,725	5,939,324,275	11%
Use of goods and services	814,497,200	664,000,000	1,478,497,200	1,200,423,834	278,073,366	81%
Transfers to Other Government Units	73,281,674,405	32,249,373,300	105,531,047,705	67,572,720,817	37,958,326,888	64%
Acquisition of Assets	28,332,310,985	15,452,000,000	12,880,310,985	12,486,864,712	393,446,273	97%
	44,911,286,186	31,297,825,000	76,209,111,186	1,023,375,210	75,185,735,976	1%

The Ministry financial statements were approved on _____ 2014 and signed by:


Principal Secretary


Principal Accounts Controller

XII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Ministry and all values are presented as exact numbers. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Ministry.

2. Recognition of revenue and expenses

The Ministry recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Ministry. In addition, the Ministry recognises all expenses when the event occurs and the related cash has actually been paid out by the Ministry.

3. In-kind contributions

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

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to

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authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

5. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting year, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Ministry at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

6. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Ministry's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Ministry's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7. Comparative figures

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

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

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XIII. NOTES TO THE FINANCIAL STATEMENTS

1 TAX RECEIPTS

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Taxes on Goods and Services	100,000,244	430,125,288
Total	<u>100,000,244</u>	<u>430,125,288</u>

2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2013 - 2014	2012 - 2013
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
Various	-	-	-	464,682,727
Grants Received from Multilateral Donors (International Organisations)				
Various	-	-	-	2,778,709,051
Grants Received from other levels of government				
Units Fund Accounts from Gen. Govt. Budgets	-	-	18,383,177,454	-
GoK SGR Grant	-	-	6,627,645,067	-
Total			25,010,822,521	30,308,092,413

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 EXCHEQUER RELEASES

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Total Exchequer Releases for quarter 1	6,928,066,790	13,104,296,860
Total Exchequer Releases for quarter 2	10,200,748,075	8,554,794,995
Total Exchequer Releases for quarter 3	7,475,628,200	7,340,000,000
Total Exchequer Releases for quarter 4	23,247,061,198	12,359,846,450
Total	47,851,504,263	41,358,938,305

4 PROCEEDS FROM DOMESTIC BORROWINGS

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Domestic Accounts payable	23,049,817,874	-
Total	23,049,817,874	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 DOMESTIC CURRENCY AND DOMESTIC DEPOSITS

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Deposits held in trust	391,737,923	-
Total	<u>391,737,923</u>	<u>-</u>

6 PROCEEDS FROM FOREIGN BORROWINGS

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Foreign Borrowing – Draw-downs Through Exchequer	141,306,686	-
Foreign Borrowing - Direct Payments	3,604,264,563	-
	<u>3,745,571,249</u>	<u>-</u>

7 PROCEEDS FROM SALE OF ASSETS

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Receipts from the Sale Plant Machinery and Equipment	551,900	4,031,853
Receipts from the Sale of Inventories, Stocks and Commodities	73,000	-
Total	<u>624,900</u>	<u>4,031,853</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER RECEIPTS

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	19,630,521	-
Receipts from Sales by Non-Market Establishments	-	2,610,250,000
Road and Structural test fees	712,022,725	69,978,603
Other Receipts Not Classified Elsewhere	1,291,125,274	18,653,172,308
Total	2,022,778,520	21,333,400,911

9 COMPENSATION OF EMPLOYEES

Basic salaries of permanent employees	907,363,358	885,307,895
Basic wages of temporary employees	34,407,203	46,460,208
Personal allowances paid as part of salary	403,823,590	422,130,052
Total	1,345,594,151	1,353,898,155

10 USE OF GOODS AND SERVICES

Utilities, supplies and services	44,568,768	45,635,889
Communication, supplies and services	45,635,889	29,575,555
Domestic travel and subsistence	30,513,286	77,816,354
Foreign travel and subsistence	20,178,203	16,835,682
Printing, advertising and information supplies & services	9,027,083	33,285,327
Rentals of produced assets	8,980,547	14,046,666
Training expenses	46,953,330	129,058,207
Hospitality supplies and services	16,879,707	48,772,669
Insurance costs	1,735,665	1,687,413
Specialized materials and services	121,344,047	93,847,974
Office and general supplies and services	21,257,190	40,500,487
Fuel, Oil and Lubricants	18,115,838	5,1570,461
Other operating expenses	214,585,957	329,450,309
Routine maintenance – vehicles and other transport equipment	21,162,232	31,309,882
Routine maintenance – other assets	<u>1,186,740,251</u>	<u>123,4776,559</u>

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1,787,668,217 2,178,169,434

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2013 - 2014 Kshs	2012 - 2013 Kshs
Capital grants to Govt. Agencies and other levels of Govt(See attached list)	67,572,720,817	53,188,092,413
Current grants to Govt. Agencies and other levels of Govt(See attached list)	19,937,838,723	32,339,896,173
TOTAL	<u>87,510,559,540</u>	<u>85,527,988,586</u>

12 SOCIAL SECURITY BENEFITS

	2013 - 2014 Kshs	2012 - 2013 Kshs
Government pension and retirement benefits	4,930,400	23,101,358
Total	<u>4,930,400</u>	<u>23,101,358</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 ACQUISITION OF ASSETS

Non Financial Assets

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Construction of Buildings	11,926,354	20,499,978
Refurbishment of Buildings	24,922,502	54,706,806
Construction of Roads	-	1,300,000,000
Construction and Civil Works	11,254,135,320	2,320,317,244
Overhaul and Refurbishment of Construction and Civil Works	725,622,093	107,143,150
Overhaul of Vehicles and Other Transport Equipment	480,000	500,000
Purchase of Office Furniture and General Equipment	-	16,639,767
Purchase of Specialised Plant, Equipment and Machinery	37018829	53,925,886
Rehabilitation and Renovation of Plant, Machinery and Equip.	240000	3,031,750
Research, Studies, Project Preparation, Design & Supervision	442,328,154	125,793,939
Rehabilitation of Civil Works	8,017,115	10,018,295
Total	12,504,690,367	4,012,576,815

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

	2013 - 2014 Kshs	2012 - 2013 Kshs
Repayment of Principal from Foreign Lending & On-Lending	-	164,310,177
Total	-	164,310,177

15 OTHER EXPENSES

	2013 - 2014 Kshs	2012 - 2013 Kshs
Scholarships and Other Educational Benefits Total	2,338,910	24,219,689
Membership Fees and Dues, and Subscriptions to Intl. Organizations Total	120,796,110	-
Domestic Accounts	-	91,946,796
	123,135,020	116,166,485

16 A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	2013 - 2014 Kshs	2012 - 2013 Kshs
Central bank of Kenya, Ac no. 123456790 (Kshs) - Rec	-	-	72,867,232
Central bank of Kenya, Ac no. 123456790 (Kshs) - Rec	-	89,028,643	681,042,794
Total		89,028,643	753,910,026

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16B: CASH IN HAND

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Development	4,587	22,337
Recurrent	35,984	357,790
Total	40,571	380,127

16C: OUTSTANDING IMPRESTS

Name of Officer or Institution	2014	2013
	Balance	Balance
	Kshs	Kshs
Mugambi Silas Gitari		29,916
Cyprian Litharami		6,204
Irene N Matheka		14,202
Ronald Muturi Otwoma		14,202
Lucy Ngala Atieno	41,895	5,430
Catherine N. Nzioka	11,970	
Josphine G. Njeri	4,111	
Jane M. Musyoka	145,482	
Patrick Lumumba	8,877	
Wilkista Anyango	14,250	
Peterson K. Midda	36,161	
Johnson G. Mbugua	34,905	
Moses M. Maina	140,315	
Ministry of roads(advance carried forward)	-	283,041
Ministry of roads(Imprest carried forward)	-	1,875,924
Total	437,965	2,228,921

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. BALANCES BROUGHT FORWARD

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Bank accounts	753,910,026	490,018,427
Cash in hand	380,124	458,458
Imprest	2,228,921	513,705
Total Agree this note to FSs	<u>756,519,071</u>	<u>490,990,590</u>

18. PRIOR YEAR ADJUSTMENTS

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Bank accounts	436,708,309	207,150,724
Total	<u>436,708,309</u>	<u>207,150,724</u>

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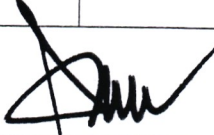
19. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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.


Referen ce No. on the externa l audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timefram e: (Put a date when you expect the issue to be resolved)
	Over Expenditure – A comparison between Printed estimates and actual expenditure revealed some exceeding by Kshs 27,342, 644		Head of Accounting Unit	Unresolved	
	Basic Salaries- Differences between Cashbook, Trial Balance and Appropriation in Aid of KShs 7,996, 260		Head of Accounting Unit	Unresolved	
	Unreconciled Paymaster General Balance- Difference between paymaster General Account and Cashbook of KShs 298,853		Head of Accounting Unit	Unresolved	
	Bank Reconciliation Statement- There is a unexplained difference of KShs 393,455.85		Head of Accounting Unit	Unresolved	
	Grants to Kenya Airport Authority- Unsupported Payments of KShs 87,437, 299.		Head of Accounting Unit	Unresolved	
	Appropriation in Aid- Under Collection of Kshs 6, 515,389, 822		Head of Accounting Unit	Unresolved	

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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)
	i.e. 98% not explained.				



 Principal Secretary



 Principal Accounts Controller

