

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STATE DEPARTMENT OF TRANSPORT**

**FOR THE YEAR
ENDED 30 JUNE 2017**





STATE DEPARTMENT FOR TRANSPORT

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

STATE DEPARTMENT FOR TRANSPORT

Reports and Financial Statements

For the year ended June 30, 2017

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STATE DEPARTMENT OF TRANSPORT

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I. KEY STATE DEPARTMENT FOR TRANSPORT INFORMATION AND MANAGEMENT

(a) Background information

The State Department for Transport was formed on May 2013 by merging the Ministry of Roads and the Ministry of Transport at cabinet level, the State Department for Transport is represented by the Cabinet Secretary for Transport, Infrastructure, Housing and Urban Development, who is responsible for the general policy and strategic direction of the State Department for Transport. The ministry vision being 'A global leader in transport infrastructure and logistics' Mission: "To

develop operate and sustain world class transport infrastructure and services"

The Management and staff of the Ministry are committed to exemplify the following core values and do all that is within their powers to entrench them within the public services:

- i. *Passion in delivery of service*-carry out duty with passion and give priority to those that we serve in order to build and maintain public confidence in the services we provide.
- ii. *Respect and courtesy* at all times treat people with utmost respect and courtesy
- iii. *Efficiency and effectiveness* measure performance and strive for continuous improvement in our strategy and plans to contribute to national objectives and aspirations
- iv. *Professionalism* – carry out duties in a profession manner and always comply and seek to improve the professional standards and ethic required by our respective professional bodies.
- v. *Promptness* – devote all official time to duties and undertake to deal with people and issues without delay.
- vi. *Transparency and accountability* – use the entrusted resources efficiently and effectively.
- vii. *Creativity and innovativeness* – be open and proactive in re-engineering our processes towards improvement in service delivery.

(b) Key Management

The State Department for Transport day-to-day management is under the following key organs:

- Cabinet Secretary – CS James Wainaina Macharia
- Principal Secretary – PS Prof. Paul M. Maringa
- Senior Management;
 - Head of Administration – Naftali Mung'athia
 - Air Accident Investigation – Luther Lunani
 - Road Transport - Martin Eshiwanii
 - Air Transport – Enos Bodo

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(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary	CS James Wainaina Macharia
2.	Principal Secretary	Prof.Arch.Paul MMaringa(PHD),CBS,Corp,Arch,Maak,Mkip

(d) Fiduciary Oversight Arrangements

Members of the audit committee were appointed as guided by the treasury's circular at the beginning of the financial year ended 2015/16. All the audit queries that were raised during the year were scrutinized by the committee and the reports were shared with the executive for implementation in the areas which were affected. Also a major oversight role was provided by the Parliamentary Accounts Committee. They had meetings with the State Department officers led by the Accounting officer and sought responses for the issues which were raised by the Auditor General. The department addressed the issues as was required to the satisfaction of the committee before the issues were discharged. Further, development partners assisted in monitoring the projects and issuance of no objection before the expenditures were incurred. Other oversight activities were executed by various committees including budget implementation and Ministerial Tender Committee.

(e) State Department for Transport Headquarters

P.O. Box 52692 -00100
Transcom House
Ngong Road
Nairobi, KENYA

State Department for Transport Contacts

Telephone: (254) 22729200
E-mail: ps@transport.go.ke
Website: www.transport.go.ke

(f) State Department for Transport Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

STATE DEPARTMENT FOR TRANSPORT
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(g) Independent Auditors

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

(h) Principal Legal Adviser

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

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II. FORWARD BY THE CABINET SECRETARY

FOREWORD BY THE CABINET SECRETARY

The mandate of the State Department for Transport is to: formulate transport policies; development of an enabling legal and regulatory framework for the transport sector to ensure effective service delivery that conforms to international standards; provide air accident investigation service through Air Accident Investigation Department; and service delivery oversight of downstream institutions under the State Department.

The State Department is committed to facilitating the achievement of the Vision-2030 Long-Term Development Strategy of transforming Kenya into an Upper Middle Income Country during the vision horizon. This is through the development of modern and efficient transport systems aimed at increasing Kenya's competitiveness in the Region.

During the period under review, major achievements were realized through implementation of various projects and programmes including; expansion and modernization of aviation facilities that has seen the passenger handling capacity increased to 10 Million passengers. Further, Kenya attained CAT 1 Status on February, 2017 allowing direct flights between Kenya and USA. This is expected to boost tourism, enhanced quality value/receipts from horticultural exports to USA, growth in AGOA exports (textiles), accelerated foreign direct investments, among other benefits.

The State Department during the same period also modernized the shipping and maritime facilities and services at the Port of Mombasa aimed at making the port a Regional Hub. Consistent improvement of the port facilities and services for the last couple of years has made the port realize a steady annual growth rate of above 3.5% per annum with the port through put standing at 27.36 Million tons in 2016. The number of containers handled in 2016 stood at 1,091,371 in 2016.

In the railway sub-sector, State Department completed and commissioned the Phase I of the Standard Gauge Railway line from Mombasa to Nairobi. His Excellency The President launched the operation of the SGR on 31st May, 2017. The second phase of the SGR that runs from Nairobi to Naivasha has started in earnest and is ongoing. Other railway expansion projects that were commenced during the year under review included on going rehabilitation of several Nairobi Commuter Railway stations in Syokimau, Makadara, Imara Daima, Ruiru, Kikuyu, Kahawa West, Dandora, Githurai, and Embakasi Village.

During the same period, the State Department developed several regulations to address the runaway road safety status in the country among them including, passenger services vehicle (PSV) regulations leading to a significant reduction of road fatalities involving PSVs, developed a standard curriculum for driver training, testing and licensing to provide a standardized method of instruction by all driving schools in the country, increased surveillance on all major highways by monitoring speed and drunk driving. ;

The President in February, 2017 signed an Executive Order establishing the Nairobi Metropolitan Area Transport Authority (NaMATA). NaMATA will coordinate improvement of the public transport services within the Nairobi Metropolitan Area covering the Kiambu, Kajjado, Muranga, Machakos and City County of Nairobi. In particular, the Authority will be charged with the responsibility of developing an efficient, integrated and safe Mass Rapid Transit System (MRTS) to address traffic congestion that has destroyed urban environment and clogged the Nairobi City.

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Emerging Issues

Several issues emerged during the implementation of last financial year's budget including:

- i. Insecurity within the country due to insurgency of terrorist particularly the Al-Shabab. This affected completion rates of some key projects.
- ii. Austerity measures and revision of budgets which significantly affected resources availability for project implementation
- iii. Down time experienced through the IFMIS. This affected processing of payments for services rendered to the State Department.

Challenges

- i. Late release of exchequer
- ii. Land acquisition challenges – higher than anticipated compensation costs for land and property in areas where projects are being implemented.
- iii. Court injunctions – that significantly delayed project implementations
- iv. Delay in obtaining No Objection for projects funded by Development Partners
- v. In adequate exchequer releases
- vi. Lack of funds to undertake monitoring and evaluation activities.

Recommendations

- i. The National Treasury should communicate well in good time on resource availability to facilitate MDAs plan effectively.
- ii. Timely engagement with stakeholders (affected parties) with respect to land acquisition
- iii. Capacity building to MDAs on administration of donor funded projects.

In conclusion, the State Department of Transport managed to meet most of the targets for the financial year in spite of the above enumerated challenges. Am also pleased to note that, the State Department did not have any reported cases of misappropriation of funds during the financial year and is committed to improving the services rendered to the citizens. Finally, the State Department will in future enhance service delivery by instituting cost saving measures in order to deliver more with less.


James Macharia, EGH
CABINET SECRETARY

STATE DEPARTMENT FOR TRANSPORT
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III. STATEMENT OF STATE DEPARTMENT FOR TRANSPORT MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government State Department for Transport shall prepare financial statements in respect of that State Department for Transport. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

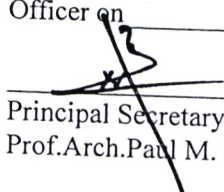
The Accounting Officer in charge of the State Department for Transport is responsible for the preparation and presentation of the State Department for Transport's financial statements, which give a true and fair view of the state of affairs of the State Department for Transport for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the State Department for Transport; (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 State Department for Transport; (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 State Department for Transport accepts responsibility for the State Department for Transport'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 State Department for Transport financial statements give a true and fair view of the state of State Department for Transport's transactions during the financial year ended June 30, 2017, and of the State Department for Transport's financial position as at that date. The Accounting Officer in charge of the State Department for Transport further confirms the completeness of the accounting records maintained for the State Department for Transport, which have been relied upon in the preparation of the State Department for Transport's financial statements as well as the adequacy of the systems of internal financial control.

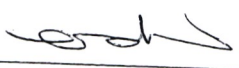
The Accounting Officer in charge of the State Department for Transport confirms that the State Department for Transport has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the State Department for Transport's funds received 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 State Department for Transport'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 State Department for Transport financial statements were approved and signed by the Accounting Officer on _____ 2017.



Principal Secretary
Prof. Arch. Paul M. Maringa (PHD), CBS, Corp, Arch, Maak, Mkip



Principal Accounts Controller
CPA Edward O. Were

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT OF TRANSPORT FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of State Department of Transport set out on pages 8 to 40, which comprise the statement of assets and liabilities as at 30 June 2017, the statement of receipts and payments; the statement of cash flow combined summary statement of appropriations and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of State Department of Transport as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with Government Financial Regulations and Procedures and the Public Finance Management Act, 2012.

In addition, as required under Article 229 (6) of the Constitution, based on the procedures performed, I confirm that, Public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1.0 Financial Statements Inaccuracies

1.1. Variances between Trial Balance and Financial Statements

A comparison between the financial statements and the supporting trial balance revealed total positive variances of Kshs.238,120,816 and negative variances totaling to Kshs.295,288,337,930 which were not explained or reconciled.

In the circumstances, the accuracy and correctness of the Department's financial statements for the year ended 30 June 2017 could therefore not be confirmed.

Report of the Auditor-General on the Financial Statements of State Department of Transport for the year ended 30 June 2017

1.2. Variances between the Financial Statements and IFMIS Generated Report

The financial statements submitted for audit also differed from IFMIS generated financial statements as shown below:

Details	Financial Statements	IFMIS Reports	Difference
	Kshs.	Kshs.	Kshs.
Financial Assets	77,053,284	43,881,666,298	-43,804,613,014
Financial Liabilities	52,540,895	35,528,277,814	-35,475,736,919
Opening Fund balances	427,982,411	8,328,876,093	-7,900,893,682

The above differences between these two sets of records were not explained.

2.0 Suspense Clearance Account

The Trial Balance as at 30 June 2017 reflects credit balance and debit balance of Kshs.14,078,691 and Kshs.288,504,593 respectively both described as suspense clearance account. The suspense clearance account balances have not been investigated and it has not been possible to determine the effect the balances may have on the correctness and accuracy of the financial statement for the year ended 30 June 2017.

3.0 Budgetary Control

3.1 Under Utilization

The financial statements for the year ended 30 June 2017 include a summary of appropriation; recurrent and development combined which reflects an expenditure of Kshs.145,111,654,945 against the budget of Kshs.169,130,621,133 thus resulting in an under-expenditure of Kshs.24,018,966,188 i.e. 14% under-utilization and no satisfactory explanation was provided.

3.2 Pending Bills Annex1- Analysis of Pending accounts payables reflects pending bills amounting to Kshs.6,368,644.47 as at 30 June 2017. Had the bills been paid, the surplus of Kshs.24,512,389 would have been reduced by the same amount of pending bills.

4.0 National Urban Transport Improvement Project-MOT Component

4.1 Special Account Reconciliation

The special account reconciliation for National Urban Transport Improvement Project (MOT Component) prepared by the National Treasury showed that an amount of USD 174,168.46 (Kshs.17,890,915.45) was transferred to the project bank account. However, the project financial statements showed an amount of Kshs.47,176,982 was received as

loan revenue from External Development Partners. The difference of Kshs.29,286,066.55 between the two records was not reconciled.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Adverse Opinion section of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

Prior Year Unresolved Matter

1.0 Budgetary Control

1.1 As reported in the previous year, the financial statements for the year ended 30 June 2016 included a summary of appropriation; recurrent and development combined which reflects an expenditure of Kshs.73,004,859,771 against the budget of Kshs.170,322,963,791 thus resulting in an under-expenditure of Kshs.97,318,104,020 i.e. 57% under-utilization and no satisfactory explanation was provided.

1.2 Further, note 26.1 to the financial statements reflects pending accounts payables totaling Kshs.66, 010,455 which remained outstanding as at 30 June 2016. No satisfactory explanation was provided as to why the bills were not settled despite the knowledge that their non-payment would constrain the budget for 2016/2017 financial year should they be paid in the year. Had the pending bills been paid in the year under review, the under-utilization would have been reduced by Kshs.66, 010,455. Also note 19.1 to the financial statements reflected pending bills of Kshs.2,408,879,265 whose analysis had not been provided to give details of pending bills as required by the Public Sector Accounting Standards Board. Had the bills been paid, the under-utilization would have reduced by Kshs.2,408,879,265.

2.0 Government Clearing Agency

As reported in the previous year, the State Department reflected expenditure by Government Clearing Agency totaling Kshs.81,725,454 for the year ended 30 June 2017. However, the financial statements of the Agency prepared by the National Treasury and submitted for audit reflected receipts of Kshs.1,747,692 while the State Department of Transport indicated receipts of Kshs.1,341,835 resulting to unexplained variance of

Kshs.405, 857. Review of the matter in the year under review revealed that the matter is still outstanding.

3.0 Unaccounted for Deposits

As reported in the previous year, the financial statements of the Ministry of Transport and Infrastructure for the year ended 30 June 2014 omitted the deposits bank balance of Kshs.558,884,792.25 held in Central Bank Account No. 1000182188. Re-examination of the deposits balance in 2015/2016 revealed that out of the bank balance of Kshs.558, 884,792.25 reflected in a reconciliation dated 8 September, 2014, the State Department of Transport received Kshs.101,772,643.55 and the State Department of Infrastructure received the balance amounting to Kshs.457,112,148.70. However, and although the State Department of Transport received Kshs.101,772,643.55 only Kshs.63,266,317.05 was reflected in the financial statements leaving a balance of Kshs.38,506,326.60 which was explained to have been transferred to the National Treasury in unclear circumstances. Review of the issue in 2016/2017 revealed that the issue remains outstanding.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Department's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the department or to cease operations, or have no realistic alternatives but to do so

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Department to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstance.

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

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



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

Nairobi

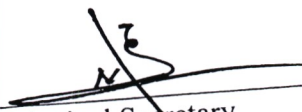
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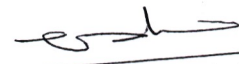
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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Tax Receipts	1	-	-
Social Security Contributions	2	-	-
Proceeds from Domestic and Foreign Grants	3	-	7,673,779,523
Exchequer releases	4	12,804,984,343	-
Transfers from Other Government Entities	5	-	-
Proceeds from Domestic Borrowings	6	-	51,376,071,721
Proceeds from Foreign Borrowings	7	108,969,578,173	-
Proceeds from Sale of Assets	8	-	-
Reimbursements and Refunds	9	-	-
Returns of Equity Holdings	10	-	14,376,668,764
Other Receipts	11	23,361,604,818	73,426,520,008
TOTAL RECEIPTS		145,136,167,334	
PAYMENTS			
Compensation of Employees	12	183,081,078	197,757,616
Use of goods and services	13	162,733,733	334,658,921
Subsidies	14	-	-
Transfers to Other Government Units	15	49,363,337,837	5,168,808,115
Other grants and transfers	16	83,926,000	84,395,323
Social Security Benefits	17	4,401,503	12,839,519
Acquisition of Assets	18	95,314,174,794	67,206,400,277
Finance Costs, including Loan Interest	19	-	-
Repayment of principal on Domestic and Foreign borrowing	20	-	-
Other Payments	21	-	-
TOTAL PAYMENTS		145,111,654,945	73,004,859,771
SURPLUS/DEFICIT		24,512,389	421,660,237

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for Transport financial statements were approved on _____ 2017 and signed by:


 Principal Secretary
 Prof. Arch. Paul M. Maringa (PHD), CBS, Corp, Arch, Maak, Mkip



 Principal Accounts Controller
 CPA Edward O. Were


STATE DEPARTMENT FOR TRANSPORT
Reports and Financial Statements
For the year ended June 30, 2017

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances			
Cash Balances	22A 22B	81,788,590	667,662,240
Total Cash and cash equivalent		81,788,590	667,662,240
Accounts receivables – Outstanding Imprests	23	-	-
TOTAL FINANCIAL ASSETS		81,788,590	667,662,240
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	24	57,276,201	239,679,829
NET FINANCIAL ASSETS		24,512,390	427,982,411
REPRESENTED BY			
Fund balance b/fwd			
Prior year adjustment	25	427,982,411	6,322,174
Surplus/Deficit for the year	26	- 427,982,411	-
NET FINANCIAL POSITION		24,512,389	421,660,237
		24,512,389	427,982,411

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for Transport financial statements were approved on _____ 2017 and signed by:


 Principal Secretary
 Prof. Arch. Paul M. Maringa (PHD), CBS, Corp, Arch, Maak, Mkip


 Principal Accounts Controller
 CPA Edward O. Were

STATE DEPARTMENT FOR TRANSPORT
Reports and Financial Statements
For the year ended June 30, 2017

VII. STATEMENT OF CASH FLOWS


		2016-2017	2015-2016
		Kshs	Kshs
Receipts for operating income			
Tax Revenues	1	-	-
Social Security Contributions	2	-	-
Proceeds from Domestic and Foreign Grants	3	-	-
Exchequer Releases	4	12,804,984,343	7,673,779,523
Transfers from Other Government Entities	5	-	-
Reimbursements and Refunds	9	-	-
Returns of Equity Holdings	10	-	-
Other Revenues	11	23,361,604,818	14,376,668,764
		36,166,589,161	22,050,448,287
Payments for operating expenses			
Compensation of Employees	12	183,081,078	197,757,616
Use of goods and services	13	162,733,733	334,658,921
Subsidies	14	-	-
Transfers to Other Government Units	15	49,363,337,837	5,168,808,115
Other grants and transfers	16	83,926,000	84,395,323
Social Security Benefits	17	4,401,503	12,839,519
Finance Costs, including Loan Interest	19	-	-
Other Expenses	21	-	-
		49,797,480,150	5,798,459,494
Adjusted for:			
Changes in receivables		-	2,024,250
Changes in payables		- 182,403,629	137,757,550
Adjustments during the year	26	- 427,982,411	-
Net cash flow from operating activities		- 14,241,277,028	16,391,770,593
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	-	-
Acquisition of Assets	18	(95,314,174,795)	(67,206,400,277)
Net cash flows from Investing Activities		(95,314,174,795)	(67,206,400,277)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	6	-	-
Proceeds from Foreign Borrowings	7	108,969,578,173	51,376,071,727
Repayment of principal on Domestic and Foreign borrowing	20	-	-
Net cash flow from financing activities		108,969,578,173	51,376,071,727

STATE DEPARTMENT FOR TRANSPORT
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NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year		- 585,873,650	561,442,037
Cash and cash equivalent at END of the year		667,662,240	106,220,203
		81,788,590	667,662,240

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for Transport financial statements were approved on _____ 2017 and signed by:

~~Principal Secretary~~
 Prof. Arch. Paul M. Maringa (PHD), CBS, Corp, Arch, Maak, Mkip


 Principal Accounts Controller
 CPA Edward O. Were

Reports and Financial Statements
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VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Tax Receipts				0	0	0%
Social Security Contributions				0	0	0%
Proceeds from Domestic and Foreign Grants				0	0	0%
Exchequer releases				0	0	0%
Transfers from Other Government Entities				0	0	0%
Proceeds from Domestic Borrowings	16,748,740,412	554,284,721	17,303,025,133	12,804,984,343	4,498,040,790	74%
Proceeds from Foreign Borrowings	124,292,596,000	(10,842,000,000)	113,450,596,000	108,969,578,173	4,481,017,827	96%
Proceeds from Sale of Assets	1,512,873		1,512,873	0	1,512,873	0%
Reimbursements and Refunds				0	0	0%
Returns of Equity Holdings	40,544,487,127	(2,169,000,000)	38,375,487,127	23,361,604,818	15,013,882,309	61%
Other Receipts	181,587,336,412	(12,456,715,279)	169,130,621,133	145,136,167,334	23,994,453,799	86%
Total Receipts				183,081,078	2,882,765	98%
PAYMENTS				162,733,733	43,064,173	79%
Compensation of Employees	183,763,842	2,200,000	185,963,842	0	0	0%
Use of goods and services	530,513,185	(324,715,279)	205,797,906	0	0	0%
Subsidies				49,363,337,83	6,400,855,293	89%
Transfers to Other Government Units	24,934,369,130	30,829,824,000	55,764,193,130	83,926,000	8,011,800	91%
Other grants and transfers	7,961,800	83,976,000	91,937,800	4,401,503	98,497	98%
Social Security Benefits	4,500,000		4,500,000	0	0	0%
Acquisition of Assets	155,926,228,455	(43,048,000,000)	112,878,228,455	95,314,174,794	17,564,053,660	84%
Finance Costs, including Loan Interest				0	0	0%

Financial Statements
For the year ended June 30, 2017

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Repayment of principal on Domestic and Foreign borrowing				0	0	0%
Other Payments				0	0	0%
Total Payments	181,587,336,412	(12,456,715,279)	169,130,621,133			
Surplus/ Deficit				145,111,654,945	24,018,966,188	86%
				24,512,390	(24,512,390)	

- (a) Commentary on significant underutilization (below 90% of utilization) and any overutilization
- i. Exchequer releases 74% - the underutilization was occasioned by the late reallocation of funds from LAPSET towards the closure of the financial year and there was limited time for the utilization of these funds.
 - ii. Proceeds from Sale of Assets 0% - No Asset was sold during the year
 - iii. Other Receipts 61% - the implementation of SGR project is behind schedule because of litigation issues such as NEEMA, Public Land and Other land owners.
 - iv. Use of goods and services 79%- caused by delays in procurement processes.
 - v. Transfers to Other Government Units 89% :- this was occasioned by the late reallocation of the Kshs 3 Billion from LAPSET land acquisition especially access to the national parks. There was also under expenditure under air transport department, caused by delays in contractual process which slowed the construction of the terminals at JKIA.
 - vi. Acquisition of Assets 84%:- this was occasioned by the SGR project not proceeding as per the schedule due to problems of

As per IPSAS 1.9.23. , the changes between the original and final budget are as a result of reallocations within the budget and that The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined agree to the amounts reported in the Statement of Receipts and Payments.

The State Department for Transport financial statements were approved on _____ 2017 and signed by:

Principal Secretary

Prof.Arch.Paul M. Maringa (PHD),CBS,Corp,Arch,Maak,Mkip



Principal Accounts Controller
 CPA Edward O. Were

**Reports and Financial Statements
For the year ended June 30, 2017**

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Tax Receipts					0	0%
Social Security Contributions					0	0%
Proceeds from Domestic and Foreign Grants					0	0%
Exchequer releases	1,403,740,412	44,484,721	1,448,225,133	1,437,208,000	11,017,133	99%
Transfers from Other Government Entities					0	0%
Proceeds from Domestic Borrowings					0	0%
Proceeds from Foreign Borrowings					0	0%
Proceeds from Sale of Assets	1,512,873		1,512,873		1,512,873	0%
Reimbursements and Refunds					0	0%
Returns of Equity Holdings					0	0%
Other Receipts	4,375,487,127		4,375,487,127	62,054,480	4,313,432,647	1%
	5,780,740,412	44,484,721	5,825,225,133	1,499,262,480	4,325,962,653	26%
PAYMENTS						
Compensation of Employees	183,763,842	2,200,000	185,963,842	183,081,078	2,882,765	98%
Use of goods and services	176,513,185	9,284,721	185,797,906	158,065,193	27,732,713	85%
Subsidies					0	0%
Transfers to Other Government Units	5,406,773,130	(50,976,000)	5,355,797,130	1,040,310,000	4,315,487,130	19%
Other grants and transfers	7,961,800	83,976,000	91,937,800	83,926,000	8,011,800	91%

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Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Social Security Benefits	4,500,000		4,500,000	4,401,503	98,497	98%
Acquisition of Assets	1,228,455		1,228,455	602,264	626,191	49%
Finance Costs, including Loan Interest					0	
Repayment of principal on Domestic and Foreign borrowing						
Other Payments					0	0%
Totals	5,780,740,412	44,484,721	5,825,225,133	1,470,386,037	4,354,839,096	25%
Surplus/Deficit	0	0	0	28,876,443	(28,876,443)	

(b) Commentary on significant underutilization (below 90% of utilization) and any overutilization

- i. Proceeds from Sale of Assets 0%-- No Asset was sold during the year
- ii. Other receipts 1% - this was occasioned by the late reallocation
- iii. Use of goods and services 85%- caused by delays in procurement processes.
- iv. Transfers to Other Government Units 19%- this was occasioned by the late reallocation.
- v. Acquisition of Assets 49% - Delay in procurement processes.

The State Department for Transport financial statements were approved on _____ 2017 and signed by:


Principal Secretary
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Principal Accounts Controller
CPA Edward O. Were

Reports and Financial Statements
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X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT


Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Tax Receipts					0	0%
Social Security Contributions					0	0%
Proceeds from Domestic and Foreign Grants					0	0%
Exchequer releases	15,345,000,000	509,800,000	15,854,800,000	11,367,776,343	4,487,023,657	72%
Transfers from Other Government Entities					0	0%
Proceeds from Domestic Borrowings					0	0%
Proceeds from Foreign Borrowings	124,292,596,000	(10,842,000,000)	113,450,596,000	108,969,578,173	4,481,017,827	96%
Proceeds from Sale of Assets					0	0%
Reimbursements and Refunds					0	0%
Returns of Equity Holdings					0	0%
Other Receipts	36,169,000,000	(2,169,000,000)	34,000,000,000	23,299,550,338	10,700,449,662	69%
	175,806,596,000	(12,501,200,000)	163,305,396,000	143,636,904,854	19,668,491,146	88%
PAYMENTS						
Compensation of Employees					0	0%
Use of goods and services	354,000,000	(334,000,000)	20,000,000	4,668,540	15,331,460	23%
Subsidies					0	0%
Transfers to Other Government Units	19,527,596,000	30,880,800,000	50,408,396,000	48,323,027,837	2,085,368,163	96%
Other grants and transfers	19,527,596,000	30,880,800,000	50,408,396,000		0	0%
Social Security Benefits					0	0%
Acquisition of Assets	155,925,000,000	(43,048,000,000)	112,877,000,000	95,313,572,531	17,563,427,469	84%
Finance Costs, including Loan Interest					0	0%


STATE DEPARTMENT FOR TRANSPORT
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Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Repayment of principal on Domestic and Foreign borrowing					0	0%
Other Payments					0	0%
Totals	175,806,596,000	(12,501,200,000)	163,305,396,000	143,641,268,908	19,664,127,092	88%
Surplus/Deficit	0	0	0	(4,364,053)	4,364,053	

- (c) Commentary on significant underutilization (below 90% of utilization) and any overutilization
- Exchequer releases 72% - the underutilization was occasioned by the late reallocation of funds from LAPSET towards the closure of the financial year and there was limited time for the utilization of these funds.
 - Other Receipts 69% - the implementation of SGR project is behind schedule because of litigation issues such as NEEEMA, Public Land and Other land owners.
 - Use of goods and services 23%- caused by delays in procurement processes.
 - Acquisition of Assets 84%:- this was occasioned by the SGR project not proceeding as per the schedule due to problems of land acquisition especially access to the national parks. There was also under expenditure under air transport department, caused by delays in contractual process which slowed the construction of the terminals at JKIA.

The State Department for Transport financial statements were approved on _____ 2017 and signed by:


Principal Secretary
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XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Final Budget		Actual on comparable		Budget utilization difference
	2017	Kshs	basis 2017	Kshs	
Programme 1: General Administration, Planning and Support Services	582,361,628.00		425,093,808.75		157,267,819.25
Sub-programme 1: Human Resources and Support Services	578,411,579.00		424,244,173.75		154,167,405.25
Sub-programme 2: Information Communications Services	3,950,049.00		849,635.00		3,100,414.00
Programme 2: Rail Transport	151,985,310,000.00		133,975,377,706.50		18,009,932,293.50
Sub-programme 1: Rail Transport	151,985,310,000.00		133,975,377,706.50		18,009,932,293.50
Programme 3: Marine Transport	9,006,976,003.00		8,817,856,990.05		189,119,012.95
Sub-programme 1: Marine Transport	9,006,976,003.00		8,817,856,990.05		189,119,012.95
Programme 4: Air Transport	6,584,288,444.00		925,294,524.55		5,658,993,919.45
Sub-programme 1: Air Transport	6,584,288,444.00		925,294,524.55		5,658,993,919.45
Programme 5: Road Transport	971,685,058.00		968,031,915.50		3,653,142.50
Road Safety Intervention	971,685,058.00		968,031,915.50		3,653,142.50
TOTAL	169,130,621,133.00		145,111,654,945.35		24,018,966,187.65

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the State Department for Transport's budgets which are programme based.)

STATE DEPARTMENT OF TRANSPORT
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XII. SIGNIFICANT ACCOUNTING POLICIES

The principle 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 Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the State Department for Transport all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

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

2. Reporting State Department for Transport

The financial statements are for the State Department for Transport. The financial statements encompass the reporting State Department for Transport as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the State Department for Transport:

<i>i)</i>	<i>Project - None</i>
<i>ii)</i>	<i>Project -None</i>

(There are no projects that have been consolidated under this financial statements)

3. Recognition of receipts and payments

a) Recognition of receipts

The State Department for Transport recognizes all receipts from the various sources when the event occurs and the related cash has actually been received by the State Department for Transport.

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

SIGNIFICANT ACCOUNTING POLICIES

Transfers from the Exchequer

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

External Assistance

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

Donations and grants

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

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the State Department for Transport or any other debt the State Department for Transport may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

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

b) Recognition of payments

The State Department for Transport recognises all expenses when the event occurs and the related cash has actually been paid out by the State Department for Transport.

Compensation of employees

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

STATE DEPARTMENT FOR TRANSPORT
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SIGNIFICANT ACCOUNTING POLICIES

Use of goods and services

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

Interest on borrowing

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

Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

Acquisition of fixed assets

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

A fixed asset register is maintained by the State Department for Transport and a summary provided for purposes of disclosure. This summary is disclosed as an annexure to the State Department for Transport's financial statements.

4. In-kind contributions

In-kind contributions are donations that are made to the State Department for Transport 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 State Department for Transport includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

5. 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.

STATE DEPARTMENT FOR TRANSPORT

Reports and Financial Statements

For the year ended June 30, 2017

SIGNIFICANT ACCOUNTING POLICIES

Restriction on cash

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2017, this amounted to Kshs 52,540,895 compared to Kshs 239,679,829 in prior period as indicated on note.

There were no other restrictions on cash during the year

6. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

STATE DEPARTMENT FOR TRANSPORT
Reports and Financial Statements
For the year ended June 30, 2017

XIII. NOTES TO THE FINANCIAL STATEMENTS

1 TAX REVENUES

	2016-2017 Kshs	2015-2016 Kshs
Taxes on Income, Profits and Capital Gains	-	-
Taxes on Property	-	-
Taxes on Goods and Services	-	-
Taxes on International Trade and Transactions	-	-
Other Taxes (not elsewhere classified)	-	-
Total	-	-

2 SOCIAL SECURITY CONTRIBUTIONS

	2016-2017 Kshs	2015-2016 Kshs
Receipts for Health Insurance Contribution	-	-
Receipts to NHIF for Health Insurance Contributions	-	-
Receipts from Govt Employees to Social & Welfare Schemes in Govt	-	-
Total	-	-

3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2016-2017	2015-2016
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
(Insert name of donor)	-	-	-	-
(Insert name of donor)	-	-	-	-
Grants Received from Multilateral Donors (International Organisations)				
(Insert name of donor)	-	-	-	-
(Insert name of donor)	-	-	-	-

STATE DEPARTMENT FOR TRANSPORT**Reports and Financial Statements****For the year ended June 30, 2017***NOTES TO THE FINANCIAL STATEMENTS (Continued)***4 EXCHQUER RELEASES**

Description	2016-2017	2015-2016
	Kshs	Kshs
1 st Quarter Transfer	1,507,008,000	402,000,000
2 nd Quarter Transfer	1,975,917,558	1,689,457,838
3 rd Quarter Transfer	5,038,458,785	359,487,375
4 th Quarter Transfer	4,283,600,000	5,222,834,310
Total	12,804,984,343	7,673,779,523

Budgeted Exchequer was Kshs 17,303,025,133 against a total Exchequer release of Kshs 12,804,984,343. The underutilization was occasioned by the late reallocation of funds from LAPSET towards the closure of the financial year and there was limited time for the utilization of these funds.

5 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers from Central government entities	-	-
Transfers from Counties	-	-
TOTAL	-	-

5a) TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	Recurrent	Development	Total	2015-2016
	Kshs	Kshs	Kshs	Kshs
Transfers from Central government entities				
Transfers from Counties				
TOTAL			-	-

6 PROCEEDS FROM DOMESTIC BORROWINGS

	2016-2017	2015-2016
	Kshs	Kshs
Borrowing from Other Domestic Creditors	-	-
Total	-	-

STATE DEPARTMENT FOR TRANSPORT
Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 PROCEEDS FROM FOREIGN BORROWINGS

	2016-2017	2015-2016
	Kshs	Kshs
Foreign Borrowing – Draw-downs Through Exchequer	-	-
Foreign Borrowing - Direct Payments	108,969,578,173	51,376,071,721
Foreign Currency and Foreign Deposits		-
Total	108,969,578,173	51,376,071,721

These are borrowing from IDA- World Bank the NUTRIP and KTSSP projects.

8 PROCEEDS FROM SALE OF ASSETS

	2016-2017	2015-2016
	Kshs	Kshs
Receipts from the Sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Total	-	-

9 REIMBURSEMENTS AND REFUNDS

	2016-2017	2015-2016
	Kshs	Kshs
Reimbursement from Individuals and Private Organisations	-	-
Total	-	-

10 RETURNS OF EQUITY HOLDINGS

	2016-2017	2015-2016
	Kshs	Kshs
Returns of Equity Holdings in Domestic Organisations	-	-
Returns of Equity Holdings in International Organisations	-	-
Total	-	-

STATE DEPARTMENT FOR TRANSPORT**Reports and Financial Statements****For the year ended June 30, 2017***NOTES TO THE FINANCIAL STATEMENTS (Continued)***11 OTHER REVENUES**

	2016-2017	2015-2016
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	-	22,625,832
Receipts from Incidental Sales by Non-Market Establishments	-	-
Receipts from Sales by Non-Market Establishments	-	-
Receipts from Sale of Incidental Goods	2,054,480.00	521,000
Fines Penalties and Forfeitures		-
Receipts from Voluntary transfers other than grants	23,299,550,338	-
Other Receipts Not Classified Elsewhere	60,000,000.00	14,353,521,932
Total	23,361,604,818	14,376,668,764

The Kshs 60 million under "Other Receipts Not Classified Elsewhere" is grants from the United States of American to Kenya Airport Authority (KAA) for the maintenance of Airstrips.

12 COMPENSATION OF EMPLOYEES

	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	109,079,295.65	94,864,709
Basic wages of temporary employees	-32,400.00	33,897,172
Personal allowances paid as part of salary	74,034,181.85	68,995,735
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Employer Contributions Compulsory national social security schemes	-	-
Employer Contributions Compulsory national health insurance schemes	-	-
Total	183,081,078	197,757,616

STATE DEPARTMENT FOR TRANSPORT
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 USE OF GOODS AND SERVICES

	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	15,173,990.60	15,757,990
Communication, supplies and services	8,751,715.15	10,423,122
Domestic travel and subsistence	5,561,895.75	13,056,048
Foreign travel and subsistence	1,065,583.00	6,873,153
Printing, advertising and information supplies & services	-92,000.00	1,522,769
Rentals of produced assets	3,508,238.10	2,295,441
Training expenses	4,953,484.00	5,031,971
Hospitality supplies and services	2,907,545.00	9,943,180
Insurance costs	0	-
Specialized materials and services	12,466,348.00	11,411,503
Office and general supplies and services	1,776,245.00	3,467,021
Other operating expenses	39,903,018.15	158,283,452
Routine maintenance – vehicles and other transport equipment	2,949,282.00	5,698,668
Routine maintenance – other assets	61,536,165.00	86,376,741
Fuel Oil and Lubricants	2,272,222.80	4,517,862
Exchange Rate Losses	-	-
Total	162,733,733	334,658,921

14 SUBSIDIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Subsidies to Public Corporations		
Subsidies to Private Enterprises		
Total	-	-

STATE DEPARTMENT FOR TRANSPORT**Reports and Financial Statements**

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15 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		
See attached list	49,363,337,836.85	5,168,808,115
Transfers to other levels of Government - Counties		
Others		
TOTAL	49,363,337,837	5,168,808,115

The above transfers were made to the following self-reporting entities in the year:

AGENCY	RECURRENT	DEVELOPMENT	TOTAL
KENYA AIRPORT AUTHORITY	-	695,500,000.00	695,500,000.00
KENYA FERRY SERVICE	356,000,000.00	1,200,000,000.00	1,556,000,000.00
LAPSSET CORRIDOR DEV AUTHORITY	248,310,000.00	-	248,310,000.00
KENYA PORTS AUTHORITY- LAMU PROJECT	-	6,585,251,782.30	6,585,251,782.30
NATIONAL TRANSPORT SAFETY AUTORITY (NTSA)	436,000,000.00	525,500,000.00	961,500,000.00
KENYA CIVIL AVIATION AUTHORITY	-	55,324,160.00	55,324,160.00
NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT		47,176,981.55	47,176,981.55
KENYA TRANSPORT SECTOR SUPPORT PROGRAMME	-	96,958,785.00	96,958,785.00
NAIROBI TRANSPORT DEVELOPMENT-SGR	-	38,500,000,000.00	38,500,000,000.00
MOMBASA PORT DEVELOPMENT PROJECT		617,316,127.75	617,316,127.75
Total	1,040,310,000.00	47,705,711,708.85	49,363,337,836.60

The amount of KShs. 38,500,000,000 relates to SGR payments that were made by the state department and KShs 617,316,127.75 relates to foreign borrowing paid to Mombasa port development project.

STATE DEPARTMENT FOR TRANSPORT
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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 OTHER GRANTS AND TRANSFERS

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Membership dues and subscriptions to international organizations	83,926,000.00	84,395,323
Scholarships and other educational benefits	-	-
Emergency relief and refugee assistance	-	-
Grants to small businesses, cooperatives, and self employed	-	-
Grants to foreign government	-	-
Others	-	-
Total	83,926,000	84,395,323

17 SOCIAL SECURITY BENEFITS

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Government pension and retirement benefits	4,401,503.00	12,839,519
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
Total	4,401,503	12,839,519

STATE DEPARTMENT FOR TRANSPORT**Reports and Financial Statements****For the year ended June 30, 2017***NOTES TO THE FINANCIAL STATEMENTS (Continued)***18 ACQUISITION OF ASSETS**

Non-Financial Assets	2016-2017	2015-2016
	Kshs	Kshs
Purchase of Buildings	-	-
Construction of Buildings	-	-
Refurbishment of Buildings	30,000.00	422,135
Construction and Civil Works	95,313,572,531.00	67,203,167,969
Purchase of Vehicles and Other Transport Equipment	233,943.00	-
Overhaul of Vehicles and Other Transport Equipment		448,844
Purchase of Specialized Plant, Equipment and Machinery	338,320.00	178,600
Research, Studies, Project Preparation, Design & Supervision		2,182,729
Total	95,314,174,794	67,206,400,277

19 FINANCE COSTS, INCLUDING LOAN INTEREST

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Interest Payments on Foreign Borrowings	-	-
Total	-	-

20 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Principal repayments on domestic loans	-	-
Total	-	-

21 OTHER EXPENSES

	2016-2017	2015-2016
	Kshs	Kshs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Other expenses	-	-
	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2016-2017	2015-2016
				Kshs	Kshs
<i>Central Bank of Kenya, 10002099968, KShs</i>	-	RECURRENT	1	23,578,668	8,965,144
<i>Central Bank of Kenya, 1000209879, KShs</i>	-	DEVELOPMENT	1	933,722	419,017,267
<i>Central Bank of Kenya, 1000212551, KShs</i>	-	DEPOSIT	1	57,276,201	239,679,829
Total				81,788,590	667,662,240

22B: CASH IN HAND

	2016-2017	2015-2016
	Kshs	Kshs
Cash in Hand – Held in domestic currency	-	-
Cash in Hand – Held in foreign currency	-	-
Total	-	-

Cash in hand should also be analysed as follows:

	2016-2017	2015-2016
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other Locations (<i>specify</i>)	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2016-2017	2015-2016
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
District suspense	-	-
Clearance accounts	-	-
Total	-	-

24. ACCOUNTS PAYABLE

Description	2016-2017	2015-2016
	Kshs	Kshs
Deposits	57,276,201	239,679,829
Total	57,276,201	239,679,829

25. FUND BALANCE BROUGHT FORWARD

Description	2016-2017	2015-2016
	Kshs	Kshs
Bank accounts	667,662,240	105,934,173
Cash in hand	-	286,030
Accounts Receivables	-	2,024,250
Accounts Payables	(239,679,829)	(101,922,279)
Total	427,982,411	6,322,174

STATE DEPARTMENT FOR TRANSPORT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. PRIOR YEAR ADJUSTMENTS

Description of the error	2016 – 2017	2015 – 2016
	Kshs	Kshs
Adjustments on bank account balances (Exchequer Recoveries)	(427,982,411)	-
Others (<i>specify</i>)	-	-
	(427,982,411)	-

27. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the State Department for Transport

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2016-2017	2015-2016
	Kshs	Kshs
Key Management compensation		
Transfers to other State Corporations and Semi-Autonomous Government Agencies	10,382,154,912	
Transfers to Government Development Projects		

28. OTHER IMPORTANT DISCLOSURES

28.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Supply of goods		49,399,788
Supply of services	6,368,644.47	16,610,668
	6,368,644.47	66,010,456

STATE DEPARTMENT OF TRANSPORT
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29. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Explanation for the underutilization Kshs 97,318,104,020 i.e 57% in the combined recurrent and development summary of appropriation.	This was due to slow disbursement of funds from donors which affected the project implementation status. Stringent procurement procedures also contributed to some projects not taking off. Most world bank projects did not proceed as planned especially NUTRIP and KTSSP where out of Kshs 104 Billion budgeted only Kshs 277 million was absorbed hence low absorption rates.	-	Resolved	-
1.2	Explanation for non-settlement of Pending bills totalling to 66,010,455	Most of these bills were presented just when the financial year was being concluded and thus there was no sufficient time to process them in the IFMIS.	-	Resolved	-
Prior Year Matters					
2.0	Explanation for the underutilization Kshs	This was caused by the stringent donor conditions. The state department is	-	Resolved	-

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	26,538,297,682 i.e 14% in the combined recurrent and development summary of appropriation.	committed to increase efficiency and effectiveness on planned activities so as to ensure a high absorption of budgeted funds.			
2.0	Analysis of pending bills of Kshs. 2,0408,879,265 not provided	The analysis of the bills have now been provided and verified by the auditors.	-	Resolved	
3.0	Variance of Kshs. 1,747,692.00 released by National Treasury and Kshs. 1,341,835.00 received by the state department.	There was no variance as the state department received Kshs. 1,341,835.00 which was disbursed by the National Treasury as per note 13 of financial statement of Government clearing agency of the National Treasury.	-	Resolved	-
4.0	Analysis on the deposit account of Kshs. 38,506,326.60 not provided	Since the state department for transport was only able to analyse and support Kshs.63,266,317.05 out of the Kshs. 101,772,643.55 received, the National Treasury withdrew back to the exchequer the unsupported deposits of Kshs. 38,506,326.50	-	Resolved	-



Principal Secretary

Prof. Arch. Paul M. Maringa (PHD), CBS, Corp. Arch, Maak, Mkip



Principal Accounts Controller

CPA Edward O. Were

STATE DEPARTMENT FOR TRANSPORT

Reports and Financial Statements

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	A	B	c	d=a-c		
Construction of buildings						
Sub-Total	nil					
Construction of civil works						
Sub-Total	nil					
Supply of goods						
0Sub-Total	nil			nil		
Supply of services						
M/S Asrtorian Grand Hotel	321,300.00			321,300.00		Authentic Pending Bill
Technology Development Centre (NITA conference centre)	1,857,000.00			1,857,000.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	119,400.00			119,400.00		Authentic Pending Bill
M/S Pinnacle (K) Travel& Safari Ltd.	117,440.00			117,440.00		Authentic Pending Bill
M/S Asrtorian Grand Hotel	273,000.00			273,000.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	159,000.00			159,000.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	298,980.00			298,980.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	75,275.00			75,275.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	49,520.00			49,520.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	311,450.00			311,450.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	59,960.00			59,960.00		Authentic Pending Bill
M/S Pinnacle (K) Travel& Safari Ltd.	90,040.00			90,040.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	35,755.00			35,755.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	86,600.00			86,600.00		Authentic Pending Bill
M/S Cebeth	396,894.00			396,894.00		Authentic Pending Bill
M/S Topdeck Travel& Tours Ltd	29,000.00			29,000.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	48,960.00			48,960.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	382,785.47			382,785.47		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	151,550.00			151,550.00		Authentic Pending Bill

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
M/s Pago Airways Travel Services Ltd	83,950.00			83,950.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	29,915.00			29,915.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	67,740.00			67,740.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	29,990.00			29,990.00		Authentic Pending Bill
M/S Pinnacle (K) Travel & Safari Ltd.	322,560.00			322,560.00		Authentic Pending Bill
M/S Conference Caterers	78,470.00			78,470.00		Authentic Pending Bill
M/S Masterpiece Electrical Ltd	199,750.00			199,750.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	356,265.00			356,265.00		Authentic Pending Bill
M/S Utalii Hotel	59,500.00			59,500.00		Authentic Pending Bill
M/S Star Travel & Tours Ltd	89,000.00			89,000.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	51,200.00			51,200.00		Authentic Pending Bill
M/s Pago Airways Travel Services Ltd	57,395.00			57,395.00		Authentic Pending Bill
Sub-Total	6,368,644.47			6,368,644.47		
Grand Total	6,368,644.47			6,368,644.47		

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**ANNEX 2 - ANALYSIS OF PENDING
STAFF PAYABLES**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
		a	b	c	2,017.00	2,016.00	
					d=a-c		
Senior Management							
Sub-Total		-		-	-	-	
Middle Management							
Sub-Total		-		-	-	-	
Unionisable Employees							
Sub-Total		-		-	-	-	
Others (specify)							
Sub-Total		-		-	-	-	
Grand Total		-		-	-	-	

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**ANNEX 3 - ANALYSIS OF OTHER
PENDING PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2,017 d=a-c	Outstanding Balance 2,016	Comments
Amounts due to National Govt Entities		A	b	c			
Sub-Total		-		-	-	-	
Amounts due to County Govt Entities							
Sub-Total		-		-	-	-	
Amounts due to Third Parties							
Sub-Total		-		-	-	-	
Others (specify)							
Sub-Total		-		-	-	-	
Grand Total		-		-	-	-	

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Land	67,203,590,104	95,313,602,531		162,517,192,635
Buildings and structures	448,844	233,944		682,788
Transport equipment		338,320		338,320
Office equipment, furniture and fittings				0
ICT Equipment, Software and Other ICT Assets	178,600			178,600
Other Machinery and Equipment				0
Heritage and cultural assets	2,182,729	0		2,182,729
Intangible assets	67,206,400,277	95,314,174,795	0	162,520,575,072
Total				

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.

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ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR TRANSPORT

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Northern Corridor Transport Improvement Project (PROJECT GRANT/ CREDIT NO. 3930)	To increase efficiency on transport along the Northern Corridor to facilitate trade regulation integration.	Principal Secretary	No
2	East Africa Trade and Transport Facilitation Project (MOT PROJECT GRANT/ CREDIT NO. 4148 & 4977)	Enhancing the efficiency of transport and logistic services along key transport corridors by reducing none tariff barriers and uncertainty of transit time.	Principal Secretary	No
3	East Africa Trade and Transport Facilitation Project (MOT/KRC-PROJECT GRANT/ CREDIT NO. 4148 &4977)	Improving railway services in the territory of Kenya and Uganda	Principal Secretary	No
4	National Urban Transport Improvement Project (CREDIT No.5140)	Institutional capacity building in urban transport sub-sector	Principal Secretary	No
5	Kenya Transport Sector Support Project (project Grant/Credit No. 4926 KE)	Institutional strengthening and capacity building in the transport sector in Kenya	Principal Secretary	No

STATE DEPARTMENT FOR TRANSPORT**Reports and Financial Statements****For the year ended June 30, 2017****ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR TRANSPORT**

Ref	SC, SAGA or Public Fund's name	Principal activity of State Department for Transport	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	Railway Development Levy Fund (RDLF)	Provide Funds for the construction of SGR network in order to facilitate the transportation of goods.	Principal Secretary	23,299,550,338	yes
2	Kenya Airport Authority (KAA)	For the improvement of Airports and Airstrips	Principal Secretary	695,500,000	yes
3	Kenya Ferry Services (KFS)	For purchases and maintenance of Ferries	Principal Secretary	1,556,000,000	yes
4	Lapset Corridor Development Authority (LCDA)	Development of Lamu Port	Principal Secretary	248,310,000.00	yes
5	Kenya Ports Authority Lamu Project (KPA)	Development of Lamu Port	Principal Secretary	6,585,251,782.30	yes
6	National Transport Safety Authority (NTSA)	Transport safety on Kenyan roads	Principal Secretary	961,500,000.00	yes
7	Kenya Civil Aviation -NUTRIP (KCA)	Improvement on air safety	Principal Secretary	55,324,160.00	yes
8	National Urban Transport Improvement Project NUTRIP-GOK	Institutional capacity building in urban transport sub-sector	Principal Secretary	47,176,981.55	yes

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9	National Urban Transport Improvement Project KTSSP-GOK	Institutional strengthening and capacity building in the transport sector in Kenya	Principal Secretary	96,958,785.00	yes
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ANNEX 7- REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes