 <b>REPORT</b>	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 09 FEB 2022	DAY: Wed
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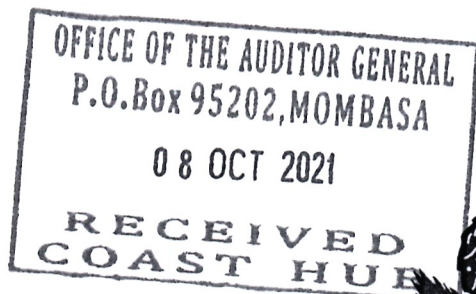
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ON

**MULTINATIONAL LAKE VICTORIA  
MARITIME COMMUNICATIONS  
AND TRANSPORT PROJECT  
(ADF LOAN NO.2100150036247)**

**FOR THE YEAR ENDED  
30 JUNE, 2021**

**KENYA MARITIME AUTHORITY**



Revised Template 30/6/2021



**Project Name: MULTINATIONAL LAKE VICTORIA MARITIME COMMUNICATION AND  
TRANSPORT (MLVMCT) PROJECT**

**Implementing Entity: KENYA MARITIME AUTHORITY**

**PROJECT GRANT/CREDIT NUMBER: P-ZI-GB0-031**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2021**

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



**TABLE CONTENTS**

1.	PROJECT INFORMATION AND OVERALL PERFORMANCE.....	ii
2.	STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES .....	x
3.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING .....	xi
4.	STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES.....	xiv
5.	REPORT OF THE INDENDENT AUDITOR ON THE MULTINATIONAL LAKE VICTORIA MARITIME COMMUNICATION AND TRANSPORT (MLVMCT) PROJECT.....	xvi
6.	STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.....	1
7.	STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021.....	3
8.	STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021 .....	4
9.	STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS.....	6
10.	SIGNIFICANT ACCOUNTING POLICIES .....	7
11.	NOTES TO THE FINANCIAL STATEMENTS .....	15
12.	OTHER IMPORTANT DISCLOSURES .....	30
13.	PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS.....	35
14.	ANNEXES .....	36

**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

**Name**

The project's official name is Multinational Lake Victoria Maritime Communication and Transport Project

**Objective**

The key objective of the project is to encourage increased transport and trade on Lake Victoria by improving maritime transport infrastructure including maritime communications, navigation safety aids, and maritime emergency search and rescue services

**Address**

The project headquarters offices are Mombasa City, Mombasa County, Kenya.

The address of its registered office is: P. O. Box 95076-80104, Mombasa

The project has no other offices/branches.

**Contacts:** The following are the project contacts

Telephone: (254) 41 2318398/9

E-mail: [info@kma.go.ke](mailto:info@kma.go.ke)

Website: [www.kma.go.ke](http://www.kma.go.ke)

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.2 Project Information**

<b>Project Start Date:</b>	The project start date is 01 07 18
<b>Project End Date:</b>	The project end date is 30 06 22
<b>Project Manager:</b>	The project manager is Mr. Nicholas Munga
<b>Project Sponsor:</b>	The project sponsor is the African Development Bank (AfDB)

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Transport, Infrastructure, and Housing and Urban Development Ministry.
Project number	P-ZI-GB0-031
Strategic goals of the project	The strategic goals of the project are as follows: (i) Establish a maritime communications system for safety on Lake Victoria, including the implementation of a maritime safety coordination centre and search and rescue centres on the Lake; and (ii) Produce a maritime transport strategy for the EAC
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Establishment of a Maritime communications system for safety on Lake Victoria. (ii) Undertake Maritime Transport for Lake Victoria Study (iii) Project Management and Capacity Building
Other important background information of the project	1.1. The project is being implemented by three East African Community (EAC) countries namely; the Republic of Kenya, the Republic of Uganda and the United Republic of Tanzania. 1.2. The estimated total project cost is UA 25.95 million (USD 36,583,822). The proposed financing from ADF window amounts to UA 17.75 million (USD 25,014,522). The European union –Africa

**Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021**

	<p>infrastructure fund (Eu-aif) is expected to contribute UA 3.38 million (USD 4,770,000) and participating countries' contributions will amount to approximately UA 4.82 million (USD 6,799,300). The project is expected to be implemented over a period of four years.</p> <p>1.3. Total project cost (Kenya's Component) is USD. 8,614,179 (Kshs. 858,241,040) or UA. 6,109,346.81</p> <p>Finance by:</p> <ul style="list-style-type: none"> <li>• Loan from AfDB-USD. 5,315,700 (KShs. 529,609,600) OR UA 3,770,000; and</li> <li>• Counterpart financing-USD. 3,298,479 (KShs 328,631,440) OR UA 2,339,347</li> </ul>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formulated to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>(i) Resource Exploitation</li> <li>(ii) Navigation and Maritime Safety</li> </ul>
<p>Project duration</p>	<p>The project was launched in May 2018 and officially started on 1st July 2018 and is expected to run until 30 June 2022</p>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

- (i) KCB Bank
- (ii) Central Bank of Kenya

**1.5 Auditors**

The project is audited by the Office of the Auditor General-Kenya

**1.6 Roles and Responsibilities**

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

<b>Names</b>	<b>Title designation</b>	<b>Contact Details</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Nicholas Munga	Project Coordinator	+254 7334651915 tmunga@kma.go.ke	Beng Naval Architecture, AMRINA, MSNAME, MIMarEST	Effective execution and day-to-day management and implementation of the project
Jamleck Mulalya	Project Accountant	+254 707900439 jmulalya@kma.go.ke	MBA, BCOM, CPA, CISA, CIA	Preparation of The annual project financial statements as well as maintenance of project books of accounts, including a Cash Book, ledgers, journal vouchers, fixed asset register and contracts register.
Oluoch Seth Arende	Project Procurement Officer	+254 795892200 soluoch@kma.go.ke	MSc. Procurement and Logistics, BSc. Purchasing &	Project procurement officer will be in charge of all the procurement related issues for the project.

**Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021**

			Supplies Management, CIPS graduate diploma	
Leah Cherono	Assistant Project Accountant	+254 727566809 lcherono@kma.go.ke	Bachelor of Business Administration (BBA), CPA	Maintenance of project books of accounts, including a Cash Book, ledgers and journal vouchers,
Jeremiah Onyango	Maritime Officer-Inland Waters	+254 721639205 aonyango@kma.go.ke	Marine Engineer, Chief Marine Engineer	Marine expert, project implementation advisor

**1.7 Funding summary**

The Project is for duration of 4 years from 2018 to 2022 with an approved budget of US\$ 8,614,179 equivalent to Kshs. 858,241,040 as highlighted in the table below:



*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30 06 2021)		Undrawn balance to date	
	USD	KShs	USD	KShs	USD	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
<b>(i) Loan</b>						
African Development Bank	5,315,700	529,609,60	20,753	2,092,732	5,294,695	527,516,868
<b>(ii) Counterpart funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Government of Kenya	3,298,479	328,631,440	893,294	89,000,000	2,405,185	239,631,481
<b>Total</b>	<b>8,614,179</b>	<b>858,241,040</b>	<b>914,047</b>	<b>91,092,732</b>	<b>7,699,880</b>	<b>767,148,349</b>

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2021)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2021)	Unutilised balance to date (30 Jun 2021)	
	Donor currency	Kshs		Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Loan					
African Development Bank	20,753	2,092,732	2,092,732	-	-
(ii) Counterpart funds	0	0	0	0	
Government of Kenya	893,294	89,000,000	27,088,801	621,403	61,911,199
<b>Total</b>	<b>914,047</b>	<b>91,092,732</b>	<b>29,181,533</b>	<b>621,403</b>	<b>61,911,199</b>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.8 Summary of Overall Project Performance:**

The unsatisfactory speed attained by KMA in the implementation of the project activities in the financial years 2020/2021 and 2019/2020 was due to delayed mid-term review of the project which was aimed at addressing the contentious areas in the Project Appraisal Report where partner states could not agree on, notably the scope of the Project scoping exercise and the joint funding for the construction of the Regional Maritime Coordination Centre (RMRCC) in Mwanza and Fisheries Training Institute (FTI) lab in Entebbe.

**1.9 Summary of Project Compliance:**

There have been no reported significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,

## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

### **Introduction**

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the Multinational Lake Victoria Maritime Communication and Transport Project 2018-2022 plan are to:

- a) Establishment of a Maritime communications system for safety on Lake Victoria
- b) Undertake Maritime Transport Study
- c) Undertake Project Management and Capacity Building

### **Progress on attainment of Strategic development objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Multinational Lake Victoria Maritime Communication and Transport Project	Improve maritime transport infrastructure including maritime communications, navigation safety aids, and maritime emergency search and rescue services	Increased transport and trade on Lake Victoria	% Coverage of Maritime Communication Network (MCN) and No. of Search and Rescue Centres	Land for SAR Centre Sites have been availed by County Governments, Topographical and boundary surveys and geotechnical surveys have been done

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

Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability:

#### **1. Sustainability strategy and profile**

The fisheries and transport sectors of Lake Victoria generate substantial income and revenue which should partly be re-invested by participating countries in enhancing safety and security of the beneficiaries. International conventions/protocols place the responsibility for providing SAR services upon the State. Subsequently, a sustainable financial platform from which SAR services can operate has been discussed at various meetings of the East African Community level as well as at the national levels. Kenya and Tanzania have already ratified the relevant international maritime conventions and protocols on safety of navigation and are implementing them through various regulations. Uganda is in the process of finalising the process of ratifying the protocols. In view of this, participating countries' contribution to SAR services on the lake has been emphasized in the project for sustainability. Subsequently, the LVBC Council of Ministers has agreed that Partner States through the EAC organs including LVBC contributes to running of MRCCs and SARs through the EAC/LVBC. Part of the operational cost of the project (55%) will be met by contributions from participating countries which comes as counterpart funds (10%) and contribution in kind (14%). Upon completion of the project, LVBC will absorb the key PIU staff into its established structure and financial obligations will be reflected in the respective maritime administrations and LVBC annual budgets. In addition, when the Lake Victoria Transport Act, 2007 is fully implemented, the participating countries (governments and other stakeholders) will finance the safety functions on the lake through: (i) registration fee per registered fishing participating governments vessel (from the fishermen), (ii) landing fee per landed ton (from the fishing industry), (iii) safety fee per commercial vessel, (iv) grants from donors and other voluntary contributions. Further, the Council of Ministers of EAC has recommended that each Partner State to obtain contributions from the Rural Communications Development Fund (RCDF) to cover the operating expenses of the MRCC. Lake Victoria is now recognized as a rural area in all three countries, and projects aimed at improving connectivity would therefore be eligible for support. The proposed model is based on a "stakeholder solidarity" basis and contains different sources of funding to provide a minimum level of financial stability to operate the MRCC and SAR organization.

## **2. Environmental performance**

The project is a Category 2 type according to the Bank's Initial Environmental and Social Screening Checklist because it is not expected to generate significant negative impacts, and any that arise can be mitigated through implementation of the ESMP which has been prepared. In addition, the project will not result in the displacement of people through land uptake for its facilities. The sites for the facilities will be on a vacant piece of land (for MRCC) or on existing landing sites (for SARs) which have access roads with some having electricity and water supply connections. For the MCN, the enhancement of GSM coverage on the lake will be attained through repositioning of existing transmitter receivers as well as co-locating additional ones on existing Base Transmitters Stations whose erection and operations have been approved by the environment and communications regulatory agencies in the three countries.

Overall, the project components and activities will likely have minimal environmental and social impacts

## **3. Employee welfare**

The project will include in its design sensitization programs for men and women at the work place in order to create an atmosphere of self-respect among workers and between workers and employers. In addition, the contractor putting up the sheds shall be sensitized to offer at least 30% of semi-skilled and unskilled jobs to women and the youth in the project areas; and sourcing some of the construction materials and project goods from local artisans and suppliers. The contractor shall be obliged to train local youth (both men and women) to operate some of the construction machines and equipment. The design of the rescue boats (especially the larger ones) and construction of landing platforms shall provide rumps for use by people with disabilities and elderly, among the vulnerable.

#### **4. Community Engagements**

This intervention shall involve construction of fish by-products handling sheds, advanced fish drying racks and smoking kilns. At the landing sites for SARs, women are engaged in mainly processing by-products of the Nile Perch from the fish factories where fish skins and smoked Nile Perch considered unsuitable for export markets are sold to markets on an informal basis. The backs and heads referred to as mgongo wazi are prepared and sold to local markets such as Nairobi. However, the salting and sun drying is done in an unhygienic environment i.e. on the ground and on dilapidated tables. Moreover, the working environment in the open air means experiencing frequent interruptions from rain and wind. It is proposed that the project should build some shed with concrete benches/slabs, pave the sites and put up some protective walls and storage space. This will shield the women from the sun and rain while they do the cleaning and salting of the fish by-products. The result will be increased output and quality of the products which would fetch better prices and increased sales.

#### 4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Director General of Kenya Maritime Authority* and the *Project Coordinator for Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2021.

This responsibility includes (i) Maintaining adequate financial management arrangement 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 project; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) Selecting and applying appropriate accounting policies; and (v) Making accounting estimates that are reasonable in the circumstances.

The *Director General of Kenya Maritime Authority* and the *Project Coordinator for Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project* accept responsibility for the Project'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.

The *Director General of Kenya Maritime Authority* and the *Project Coordinator for Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project* are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The *Director General of Kenya Maritime Authority* and the *Project Coordinator for Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.



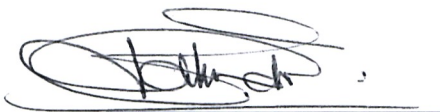
**Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

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The *Director General* of Kenya Maritime Authority and the *Project Coordinator* for **Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by the *Director General* of Kenya Maritime Authority and the *Project Coordinator* for **Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project** on 08 - 10 - 2021 and signed by them.



Director General  
Name



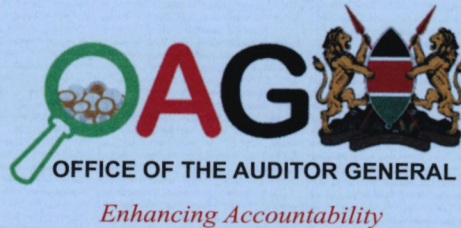
Project Coordinator  
Name MUDLAH  
NICHOLAS T.



Project Accountant:  
Name: JAMIECK MULAIA  
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## **REPORT OF THE AUDITOR-GENERAL ON MULTINATIONAL LAKE VICTORIA MARITIME COMMUNICATIONS AND TRANSPORT PROJECT (ADF LOAN NO.2100150036247) FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA MARITIME AUTHORITY**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

## REPORT ON THE FINANCIAL STATEMENTS

### **Qualified Opinion**

I have audited the accompanying financial statements of Multi-National Lake Victoria Maritime Communications and Transport Project (ADF Loan No. 2100150036247) – Kenya Maritime Authority set out on pages 1 to 42, which comprise the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative 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, except for the effects of the matter described in the Basis for Qualified Opinion Section of my report, the financial statements present fairly, in all material respects, the financial position of the Multi-National Lake Victoria Maritime Communications and Transport Project (ADF Loan No. 2100150036247) – Kenya Maritime Authority as at 30 June, 2021, 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 the Public Finance Management Act, 2012 and comply with Article VIII of Loan Agreement No. 2100150036247 between the Republic of Kenya and the African Development Fund (ADF) dated 9 January, 2017.

### **Basis for Qualified Opinion**

#### **Unsupported Bank Reconciliation Items**

The statement of financial assets as at 30 June, 2021 reflects under cash and cash equivalents bank balances of Kshs.61,911,199. The supporting bank reconciliation statement as at 30 June, 2021 included un-presented cheques amounting to Kshs.1,319,084. However, bank statements showing when the un-presented cheques were cleared were not provided for audit review.

In addition, the bank reconciliation statement as at 30 June, 2021 included un-posted payments totalling Kshs.1,064,620 which were not supported by any verifiable documents.

Consequently, the accuracy and completeness of bank balances of Kshs.61,911,199 as at 30 June, 2021 was not confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Multi-National Lake Victoria Maritime Communications and Transport Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final total budgeted receipts and actual on comparable basis of Kshs.169,000,000 and Kshs.69,000,000, respectively resulting in an under-funding of Kshs.100,000,000 or 59.17% of the budget. The underfunding affected the planned activities and hampered service delivery. Further, out of the total receipts realized of Kshs.69,000,000 only an amount of Kshs.14,109,260 was absorbed, resulting in an overall under absorption of Kshs.54,890,740 or 79.55%.

According to Annex I to the financial statements, the under-utilization of funds was caused by delayed finalization of mid-term review to pave way for purchase of boats with loan proceeds and lengthy approval process of land for Safety and Rescue Centre.

### **2. Non-Implementation of Project Components**

As reported under the Summary of Overall Project Performance, the slow pace of the Project activities implementation in the financial years 2019/2020 and 2020/2021 was due to delayed mid-term review of the Project aimed at addressing the contentious areas in the Project Appraisal Report. The records indicate that the partner states could not agree on the Project scoping and joint funding for the construction of the Regional Maritime Coordination Centre (RMRCC) in Mwanza and Fisheries Training Institute (FTI) laboratory in Entebbe.

Further, available information indicates that the implementing agencies had funds disbursement challenges due to disagreements among them. These resulted from erroneous assumption of an existing Kisumu Regional Maritime Rescue Coordination Center (MRCC), perceived unfair and skewed distribution of the Project, deviation from the original objective of the Project, bureaucracies arising from the Regional nature of the Project and disputes over creation of permanent positions through the Project even after its closure. The possible effect of these challenges is increase in operational costs to the participating States.

### **3. Un-implemented Project Activities**

The Project Management had not implemented thirty (30) activities planned at cost of Kshs.863,526,471.14 as at 30 June, 2021. These include project scoping, specification and description that were to pave way for other activities which had not been executed contrary to the schedule provided under Section B9 of the Technical Annexures to the Project Financing Agreement on Project Preparation and Supervision. The Annexures indicate that the listed Project activities were to be implemented over a period of four years ending 30 June, 2021.

In addition, a mid-term review of the Project done from June, 2020 by a team from the African Development Bank classified the Project as 'Qualifying for Cancellation' as per Letter Ref. AfDB/RDGE/LTR/2020/07/121 dated 28 July, 2020. A review of the summary of the Project performance work plan and budget for the financial year 2019/2020 and 2020/2021 shows that none of the activities approved in the work plan were accomplished, except for the recruitment of a Project Coordinator.

As a result of delayed mid-term review of the Project implementation, the objectives for which it was started may not be achieved.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Opening Bank Account Without Approval from The National Treasury

As previously reported, Kenya Maritime Authority opened and operates Multi-National Lake Victoria Maritime Communications and Transport Project bank account at Kenya Commercial Bank (Kilindini Branch). Although Management has explained that it received a written ratification for the opened bank account during the 2020/2021 financial year, no documentary evidence was provided for audit verification to confirm that approval by The National Treasury was obtained for opening and operating the bank account as required under Section 28(1) of the Public Finance Management Act, 2012.

#### 2. Pre-payment for Geo-Technical Survey

The Project paid an amount of Kshs.7,638,000 to the State Department of Public Works for geotechnical survey vide voucher numbers PV2021/01602 and PV2021/01601 dated 6 April, 2021. A scrutiny of documents presented for audit revealed that these payments were made before the State Department of Public Works had performed the exercise.

A letter from the Principal Secretary, State Department of Public Works, Ref:SD/D 14/G/VOL.V/69 dated 20 January, 2021 to the Management indicated that the amount of Kshs.7,638,000 was to facilitate the undertaking of the survey. It was stated in the letter that the State Department did not have readily available funds to undertake an exercise of the magnitude the Project had requested. As such, the services would require the client to facilitate the State Department to cater for travel and subsistence costs for the field officers, hire of equipment and laboratory services for testing the samples.

However, as at the time of the audit in the month of September, 2021, there was no documentary evidence that the service had been rendered.

### 3. Excess and Unbudgeted Project Commitment Charge

Article III and Section 3.03 of the Loan Agreement between the Republic of Kenya and Africa Development Fund for Project ID NO.P-Z1-GB0-031, Loan Number 2100150036247 dated 9 January, 2017 provides that, “the borrower shall pay a commitment charge at the rate of one half of one percent per annum on the undisbursed portion of the loan, which shall begin to accrue one hundred and twenty (120) days after the date of the signature of the agreement”. The computed Project commitment charges as at the date of the audit amounted to Kshs.10,559,929 as indicated in the table below:

Year	Budgeted %	Budgeted Loan Amount (Kshs.)	Commitment Fee as per the Budget (Kshs.)	Disbursed Loan Amount (Kshs.)	Commitment Fee as per the Actual Disbursement (Kshs.)	Additional Commitment Fee (Kshs.)
1	31.7	167,886,243	1,808,616	2,637,584	2,427,377	618,761
2	41.6	220,317,594	707,029	0	2,857,383	2,150,354
3	14.7	77,852,611	317,766	0	2,637,584	2,319,818
4	12.0	63,553,152	0	0	2,637,584	2,637,584
		<b>529,609,600</b>	<b>2,833,411</b>	<b>2,637,584</b>	<b>10,559,929</b>	<b>7,726,517</b>

This is against the planned commitment charge of Kshs.2,833,411, indicating additional cost of Kshs.7,726,517. Analysis of the Project financial information also revealed that the additional commitment charge was not factored in the expenditure budget.

### 4. Un-procedural Issuance of Imprests

During the year under review, an amount of Kshs.5,613,881 was paid as daily subsistence allowance to various officers who are not employees of Kenya Maritime Authority to undertake the Project activities. Further, out of this amount, imprests totalling Kshs.3,194,922 were issued to the officers without imprest warrants, contrary to regulation 91(2) of the Public Finance Management (National Government Regulations), 2015 which requires an officer authorized to hold and operate an imprest to make formal application for the imprest through an imprest warrant.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Lack of a Framework for National Policy Steering Committee and National Technical Committee**

Article V, Section 5.02(a) of the Loan Agreement between the Republic of Kenya and Africa Development Fund provides that, "the Borrower shall, within three (3) months of entry into force of this Loan Agreement, provide evidence in form and substance acceptable to the Fund, confirming; the establishment of the National Policy Steering Committee (NPSC) for overall policy, ensuring alignment with the national development strategies, constant review, approving work plans and budgets at national level with terms of reference and composition acceptable to the Fund.

However, the Project did not have an established and documented operational framework for the National Policy Steering Committee (NPSC) and the National and Technical Committee (NTC). The Committees' operational environment was not defined in terms of budget, administrative location, calendar of events and minutes of deliberations. Further, there was no evidence of strategic policies and procedures including budget guidelines established for Project implementation.

The Management has explained that the Project has a National Policy Steering Committee (NPSC) established as per the Regulatory Framework specified in the East African Community where the Project falls under and which has met several times. However, minutes of the meetings have not been provided for audit review.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

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 maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

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

In preparing the financial statements, Management is responsible for assessing the ability of the Project to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective manner.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness



of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 ability of the Project 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 Project to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

26 November, 2021


*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.**

	Note	2020/2021			2019/2020			Cumulative to-date (From inception)
		Receipts and payments controlled by the Project	Payments made by third parties	Total	Receipts and payment controlled by the Project	Payments made by third parties	Total	
		KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>RECEIPTS</b>								
Transfer from Government entities	1	69,000,000	0	69,000,000	0	0	89,000,000	
Proceeds from domestic and foreign grants	2	0	0	0	0	0	0	
Loan from external development partners	3	0	0	0	0	0	2,092,732	
Miscellaneous receipts	4	0	0	0		0	0	
<b>TOTAL RECEIPTS</b>		<b>69,000,000</b>	<b>0</b>	<b>69,000,000</b>	<b>0</b>	<b>0</b>	<b>91,092,732</b>	
<b>PAYMENTS</b>								
Compensation of employees	5	0	0	0	0	0	0	
Purchase of goods and services	6	14,109,260	0	14,109,260	6,830,791	0	29,181,533	
Social security benefits	7	0	0	0	0	0	0	
Acquisition of non-financial assets	8	0	0	0	0	0	0	
Transfers to other government entities	9	0	0	0	0	0	0	
Other grants and transfers and payments	10	0	0	0	0	0	0	
<b>TOTAL PAYMENTS</b>		<b>14,109,260</b>	<b>0</b>	<b>14,109,260</b>	<b>6,830,791</b>	<b>0</b>	<b>29,181,533</b>	
<b>SURPLUS/ (DEFICIT)</b>		<b>54,890,740</b>	<b>0</b>	<b>54,890,740</b>	<b>(6,830,791)</b>	<b>0</b>	<b>61,911,199</b>	

**Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



**Director General**

**Name:**



**Project Coordinator**

**Name:** MUNGATH

NICHOLAS T.



**Project Accountant**

**Name:** JAMECK MULA (YA

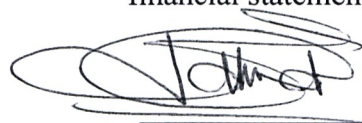
**ICPAK Member Number:** 10290

*(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)*

**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021**

	Note	2020-2021	2019-2020
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	11.A	61,911,199	6,936,459
Cash Balances	11. B	0	0
Cash Equivalents (short-term deposits)	11.C	0	0
<b>Total Cash and Cash Equivalents</b>		<b>61,911,199</b>	<b>6,936,459</b>
Accounts Receivables	12	0	84,000
<b>TOTAL FINANCIAL ASSETS</b>		<b>61,911,199</b>	<b>7,020,459</b>
<b>FINANCIAL LIABILITIES</b>			
Payables- Deposits and Retentions	13	0	0
<b>NET ASSETS</b>		<b>0</b>	<b>0</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	14	7,020,459	13,851,250
Prior year adjustments	15	0	0
Surplus/(Deficit) for the year		54,890,740	(6,830,791)
<b>NET FINANCIAL POSITION</b>		<b>61,911,199</b>	<b>7,020,459</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on \_\_\_\_\_ 2021 and signed by:



**Director General**

**Date**



**Project Coordinator**

**Date** 08/10/2021



**Project Accountant**

**Date** 08-10-2021

**ICPAK Member No.10290**

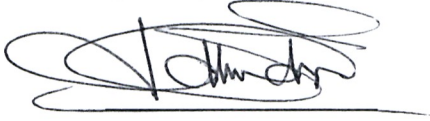
**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021**

		2020-2021	2019-2020
	Note	KShs	KShs
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts from operating activities</b>			
Transfer from Government entities	1	69,000,000	0
Proceeds from domestic and foreign grants	2	0	0
Miscellaneous receipts	4	0	0
<b>Payments from operating activities</b>			
Compensation of employees	5	0	0
Purchase of goods and services	6	(14,109,260)	(6,830,791)
Social security benefits	7	0	0
Transfers to other government entities	9	0	0
Other grants and transfers	10	0	0
<b>Adjustments during the year</b>			
Prior Year Adjustments	15	0	0
Decrease/(Increase) in Accounts Receivable	16	84,000	0
Increase/(Decrease) in Accounts Payable:	17	0	0
<b>Net cash flow from operating activities</b>		<b>54,974,740</b>	<b>(6,830,791)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	8	0	0
<b>Net cash flows from Investing Activities</b>		<b>0</b>	<b>0</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	3	0	0
<b>Net cash flow from financing activities</b>		<b>0</b>	<b>0</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>54,974,740</b>	<b>(6,830,791)</b>
Cash and cash equivalent at BEGINNING of the year	11	6,936,459	13,767,250
Cash and cash equivalent at END of the year	11	61,911,199	6,936,459

**Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

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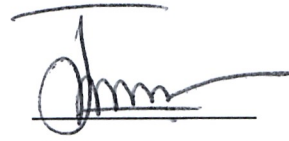
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Project's financial statements were approved on 08-10-2021 and signed by:



**Director General**  
**Date**



**Project Coordinator**  
**Date** 08/10/2021



**Project Accountant**  
**Date** 08-10-2021  
**ICPAK Member No:10290**

**Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Receipts/Payments 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 %
<b>Receipts</b>						
Transfer from Government entities	69,000,000	0	69,000,000	69,000,000	0	100%
Proceeds from domestic and foreign grants	0	0	0	0	0	-
Proceeds from borrowings	100,000,000	0	100,000,000	0	100,000,000	0%
Miscellaneous receipts	0	0	0	0	0	-
<b>Total Receipts</b>	<b>169,000,000</b>	<b>0</b>	<b>169,000,000</b>	<b>69,000,000</b>	<b>100,000,000</b>	<b>40.83%</b>
<b>Payments</b>						
Compensation of employees	0	0	0	0		-
Purchase of goods and services	169,000,000	0	169,000,000	14,109,260	154,890,740	8.35%
Social security benefits	0	0	0	0	0	-
Acquisition of non-financial assets	0	0	0	0	0	-
Transfers to other government entities	0	0	0	0	0	-
Other grants and transfers	0	0	0	0	0	-
<b>Total Payments</b>	<b>169,000,000</b>	<b>0</b>	<b>169,000,000</b>	<b>14,109,260</b>	<b>154,890,740</b>	<b>8.35%</b>

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.



Director General

Date



Project Coordinator

Date 08/10/2021



Project Accountant

Date 08-10-2021

ICPAK Member No:10290



## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

### **10.2 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 note 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 financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

### **10.3 Reporting entity**

The financial statements are for the Project Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **10.3.1 Reporting currency**

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

#### **10.4 Significant Accounting Policies**

##### **a) Recognition of receipts**

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

##### **i) Transfers from the Exchequer**

Transfer from Exchequer is be 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.

##### **ii) External Assistance**

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

##### **iii) 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 recognized in the financial statements the time associated cash is received.

##### **b) 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.

**Significant Accounting Policies (Continued)**

**c) Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

**d) Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

**e) Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

**i) Compensation of employees**

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

**ii) Use of goods and services**

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

**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

**iv) 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. The stock of debt is disclosed as an annexure to the consolidated financial statements.

**v) 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 each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**f) In-kind donations**

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

## **Significant Accounting Policies (Continued)**

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

### **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 part deposits.

### **h) 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 is 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.

## **Significant Accounting Policies (Continued)**

### **i) Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Project; or
- b) A present obligation that arises from past events but is not recognised because:
  - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Project does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Annex 5 of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

### **j) Contingent Assets**

The Project does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and

the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### **Significant Accounting Policies (Continued)**

##### **k) 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 period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project 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.

##### **l) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

##### **m) Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year no loan disbursements were received in form of direct payments from third parties.

**Significant Accounting Policies (Continued)**

**n) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

**o) Comparative figures**

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

**p) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

**q) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.



## 11. NOTES TO THE FINANCIAL STATEMENTS

### 1. RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding and other receipts from government as follows:

	2020/21	2019/20	Cumulative to-date (from inception)
	KShs	KShs	
<i>Counterpart funding through Ministry of Transport, Infrastructure, Housing and Urban Development</i>			
Counterpart funds Quarter 1	0	0	20,00,000
Counterpart funds Quarter 2	0	0	0
Counterpart funds Quarter 3	0	0	0
Counterpart funds Quarter 4	69,000,000	0	69,000,000
<b>Total (See Annex 2)</b>	<b><u>69,000,000</u></b>	<b><u>0</u></b>	<b><u>89,000,000</u></b>
<i>Other transfers from government entities</i>			
Ministry xx	0	0	0
Ministry xy	0	0	0
Project zxy	0	0	0
Agency xz	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Appropriations-in-Aid	0	0	0
<b>Total</b>	<b><u>69,000,000</u></b>	<b><u>0</u></b>	<b><u>89,000,000</u></b>

**Counterpart funding through Ministry of Transport, Infrastructure, Housing and Urban Development is provided by Kenya Maritime Authority, the National Executing Agency for the MLVMCT Project.**

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

**2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30 June 2021 we did not receive any grants from donors:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment *	Grants received in kind	Total amount in KShs	
						2020/21	2019/20
			KShs	KShs	KShs	KShs	KShs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>							
Insert name of foreign Government	0					0	0
<b>Grants Received from Multilateral Donors (International Organizations)</b>							
Insert name of international organization	0					0	0
<b>Grants Received from Local Individuals and organizations</b>							
Insert name of individual or local organization	0					0	0
<b>Total</b>						<b>0</b>	<b>0</b>

\* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

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

**3. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to 30 June 2021 we did not receive funding from development partners in form of loans negotiated by the National Treasury donors:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	2020/21	2019/20
<b>Loans Received from Bilateral Donors (Foreign Governments)</b>						
Insert name of foreign Government	0	0	0	0	0	0
<b>Loans Received from Multilateral Donors (International Organisations)</b>						
Insert name of international organization	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

**4. MISCELLANEOUS RECEIPTS**

	2020/21			20/19/2020	Cumulative to-date (from inception)
	Receipts controlled by the Project in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	
	KShs	KShs	KShs	KShs	KShs
Property income	0	0	0	0	0
Sales of goods and services	0	0	0	0	0
Administrative fees and charges	0	0	0	0	0
Fines, penalties and forfeitures	0	0	0	0	0
Voluntary transfers other than grants	0	0	0	0	0
Other receipts not classified elsewhere	0	0	0	0	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

During the 12 months to 30 June 2021 we did not receive any miscellaneous revenues.

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

**5. COMPENSATION OF EMPLOYEES**

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the Project in Cash	Payments made by third parties	Total Payments	Total Payments	
-	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	0	0	0	0	0
Basic wages of temporary employees	0	0	0	0	0
Personal allowances paid as part of salary	0	0	0	0	0
Personal allowances paid as reimbursements	0	0	0	0	0
Personal allowances provided in kind	0	0	0	0	0
Pension and other social security contributions	0	0	0	0	0
Compulsory national social security schemes	0	0	0	0	0
Compulsory national health insurance schemes	0	0	0	0	0
Social benefit schemes outside government	0	0	0	0	0
Other personnel payments	0	0	0	0	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

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

**6. PURCHASE OF GOODS AND SERVICES**

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the Project in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	0	0	0	0	0
Communication, supplies and services	00	0	0	0	0
Domestic travel and subsistence	5,613,881	0	5,613,881	4,238,711	16,079,217
Foreign travel and subsistence	0	0	0	276,242	1,427,750
Printing, advertising and information supplies	0	0	0	0	0
Rentals of produced assets	0	0	0	0	0
Training payments	0	0	0	0	556,500
Hospitality supplies and services	8,484,864	0	8,484,864	2,306,928	11,090,351
Insurance costs	0	0	0	0	0
Specialized materials and services	0	0	0	0	0
Other operating payments	0	0	0	0	0
Routine maintenance – vehicles and other transport equipment	0	0	0	0	0
Routine maintenance- other assets	0	0	0	0	0
Bank Charges	10,515	0	10,515	8,910	27,715
Exchange rate losses/gains (net)	0	0	0	0	0
<b>Total</b>	<b><u>14,109,260</u></b>	<b><u>0</u></b>	<b><u>14,109,260</u></b>	<b><u>6,830,791</u></b>	<b><u>29,181,533</u></b>

*Figures in the 'Cumulative to-date' column includes figures for the financial year 2018/2019.*

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

**7. SOCIAL SECURITY BENEFITS**

	2020/21			2019/20	
	Payments made by the Project in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to- date
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	0	0	0	0	0
Social security benefits in cash and in kind	0	0	0	0	0
Employer social benefits in cash and in kind	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

During the 12 months to 30 June 2021 we did not incur any expenses on social security benefits.

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

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

**8. ACQUISITION OF NON-FINANCIAL ASSETS**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Project in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	0	0	0	0	0
Construction of buildings	0	0	0	0	0
Refurbishment of buildings	0	0	0	0	0
Construction of roads	0	0	0	0	0
Construction of civil works	0	0	0	0	0
Overhaul & refurbishment of construction and civil works	0	0	0	0	0
Purchase of vehicles & other transport equipment	0	0	0	0	0
Overhaul of vehicles & other transport equipment	0	0	0	0	0
Purchase of household furniture & institutional equipment	0	0	0	0	0
Purchase of office furniture & general equipment	0	0	0	0	0
Purchase of specialised plant, equipment and machinery	0	0	0	0	0
Rehabilitation & renovation of plant, equipment & machinery	0	0	0	0	0
Purchase of certified seeds, breeding stock and live animals	0	0	0	0	0
Research, studies, project preparation, design & supervision	0	0	0	0	0
Rehabilitation of civil works	0	0	0	0	0
Acquisition of strategic stocks	0	0	0	0	0
Acquisition of land	0	0	0	0	0
Acquisition of other intangible assets	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

During the 12 months to 30 June 2021 we did not incur any expenses on acquisition of non-financial assets.



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

**9. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 2021, we did not transfer funds to any reporting government entities:

	2020/21			2019/20	Cumulative to-date
	Payments made by the Project in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
<b>Transfers to National Government entities</b>					
Ministry ABC	0	0	0	0	0
Project XYZ	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transfers to County Governments</b>					
County ABC	0	0	0	0	0
County XYZ	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

**10. OTHER GRANTS AND TRANSFERS AND PAYMENTS**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Project in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	0	0	0	0	0
Transfers to lower levels of government e.g schools	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

During the 12 months to 30 June 2021, we did not incur any expenditure in form of other grants and transfers and payments.

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

**11. CASH AND CASH EQUIVALENTS**

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 8.13A)	61,911,199	6,936,459
Cash in hand (Note 8. 13B)	0	0
Cash equivalents (short-term deposits) (Note 8.13C)	0	0
<b>Total</b>	<b><u>61,911,199</u></b>	<b><u>6,936,459</u></b>

The project has 1 number of project accounts spread within the project implementation area and 1 number of foreign currency designated accounts managed by the National Treasury as listed below:

**11. A Bank Accounts**

**Project Bank Accounts**

	2020/21	2019/20
	KShs	KShs
<b><u>Foreign Currency Accounts</u></b>		
Central Bank of Kenya [A/c No. 1000330279]	0	0
<b>Total Foreign Currency balances</b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><u>Local Currency Accounts</u></b>		
Kenya Commercial Bank [A/c No. 1224214544]	61,911,199	6,936,459
<b>Total local currency balances</b>	<b><u>61,911,199</u></b>	<b><u>6,936,459</u></b>
<b>Total bank account balances</b>	<b><u>61,911,199</u></b>	<b><u>6,936,459</u></b>

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

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

**Special Deposit Accounts Movement Schedule**

	2020/21	2019/20
	KShs	KShs
<b>(i) Central Bank of Kenya [A/c No. 1000330279]</b>		
Opening balance	0	0
Total amount deposited in the account	0	0
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>0</u>	<u>0</u>
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<u>0</u>	<u>0</u>
<b>(ii) Kenya Commercial Bank [A/c No. 1224214544]</b>		
Opening balance (as per the SDA reconciliation)	0	1,856
Total amount deposited in the account	0	0
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>0</u>	<u>1,856</u>
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<u>0</u>	<u>0</u>

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix II* support these closing balances.

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

**11 B Cash In Hand**

	2020/21	2019/20
	KShs	KShs
Location 1	0	0
Location 2	0	0
Location 3	0	0
Other locations ( <i>specify</i> )	0	0
<b>Total cash balances</b>	<b><u>0</u></b>	<b><u>0</u></b>

[Provide a cash count certificate for each location above]

**11 C Cash equivalents (short-term deposits)**

	2020/21	2019/20
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	0	0
Co-Operative Bank of Kenya [A/C No.....]	0	0
Others ( <i>Specify</i> )	0	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>

[Provide short appropriate explanations as necessary]

**12. ACCOUNTS RECEIVABLES**

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests	0	84,000
Salary advances	0	0
<b>Total</b>	<b>0</b>	<b>84,000</b>

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

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

**12B: BREAKDOWN OF IMPRESTS AND ADVANCES**

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2021</i>	<i>Balance 2020</i>
<i>Abdallah Hatimy</i>	84,000	Nov. 11 2020	84,000	0	84,000
<b>Total</b>	<b><u>84,000</u></b>		<b><u>84,000</u></b>	<b><u>0</u></b>	<b><u>84,000</u></b>

**13. ACCOUNTS PAYABLES**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Retention	0	0
Deposits	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**14. FUND BALANCE BROUGHT FORWARD**

	<b>2019/20</b>	<b>2018/19</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts	13,767,250	0
Cash in hand	0	0
Cash equivalents (short-term deposits)	0	0
Outstanding imprests and advances	84,000	0
<b>Total</b>	<b>13,851,250</b>	<b>0</b>

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

**15. PRIOR YEAR ADJUSTMENT**

	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	0	0	0
Cash in hand	0	0	0
Accounts Payables	0	0	0
Receivables	0	0	0
Others ( <i>specify</i> )	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

*(Explain whether the prior year relates to errors noted in prior year, changes in estimates or accounting policy.)*

**16. CHANGES IN RECEIVABLE**

Description of the error	2020-2021	2019-2020
	KShs	KShs
Opening Receivables as at 1 <sup>st</sup> July 2020	84,000	84,000
Closing account receivables as at 30 <sup>th</sup> June 2021	0	84,000
Change in Receivables	<b>(84,000)</b>	<b>0</b>

**17. CHANGES IN ACCOUNTS PAYABLE**

Description of the error	2020-2021	2019-2020
	Kshs	Kshs
Deposit and Retentions as at 1 <sup>st</sup> July 2020	0	0
Closing accounts payables as at 30 <sup>th</sup> June 2021	0	0
Change in payables	<b>0</b>	<b>0</b>

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

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**12. OTHER IMPORTANT DISCLOSURES**

**1. PENDING ACCOUNTS PAYABLE (See Annex 3A)**

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	0	0	0	0
Construction of civil works	0	0	0	0
Supply of goods	0	0	0	0
Supply of services	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**2. PENDING STAFF PAYABLES (See Annex 3B)**

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Senior management	0	0	0	0
Middle management	0	0	0	0
Unionisable employees	0	0	0	0
Others	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**OTHER IMPORTANT DISCLOSURES (Continued)**

**3. OTHER PENDING PAYABLES (See Annex 3C)**

	Balance b/fFY 2020/2021	Additions for the period	Paid during the year	Balance c/fFY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	0	0	0	0
Amounts due to County Government entities	0	0	0	0
Amounts due to third parties	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**4. EXTERNAL ASSISTANCE**

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as grants	0	0
External assistance received as loans	0	0
External assistance received in kind- as payment by third parties	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**OTHER IMPORTANT DISCLOSURES (Continued)**

*a). External assistance relating loans and grants*

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as loans	0	0
External assistance received as grants	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*b) Undrawn external assistance*

	Purpose for which the undrawn external assistance may be used	FY 2020/2021	FY 2019/2020
Description		Kshs	Kshs
Undrawn external assistance - loans		0	0
Undrawn external assistance - grants		0	0
<b>Total</b>		<b>0</b>	<b>0</b>

*c) classes of providers of external assistance*

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors	0	0
Bilateral donors	0	0
International assistance organization	0	0
NGOs	0	0
National Assistance Organization	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*Provide details of the reasons for external assistance e.g. Economic development or welfare objective, Emergency relief, Trading activities etc.*

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**OTHER IMPORTANT DISCLOSURES (Continued)**

*d. non-monetary external assistance*

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Goods	0	0
Services	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*This may occur when goods such as vehicles, computers, medical equipment, food aid etc are contributed to a county by donors, NGO etc N/B : Disclose the basis on which the value of goods and services were determined ( This may be by : depreciated historical cost of physical assets, price attached on the goods, an assessment of value by the management of transferor, recipient or Third Party, Fair value measurement.*

*e Purpose and use of external assistance*

Payments Made by Third Parties	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
Compensation of Employees	0	0
Use of goods and services	0	0
Subsidies	0	0
Transfers to Other Government Units	0	0
Other grants and transfers	0	0
Social Security Benefits	0	0
Acquisition of Assets	0	0
Finance Costs, including Loan Interest	0	0
Repayment of principal on Domestic and Foreign borrowing	0	0
Other Payments	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

*N/B The above sub-classification will be adopted based on the purpose of the external assistance and how the external assistance was used.*

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

---

**OTHER IMPORTANT DISCLOSURES (Continued)**

*f. External Assistance paid by Third Parties on behalf of the Project by Source*

*This relates to external assistance paid directly by third parties to settle obligations on behalf of the Project*

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
National government	0	0
Multilateral donors	0	0
Bilateral donors	0	0
International assistance organization	0	0
NGOs	0	0
National Assistance Organization	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

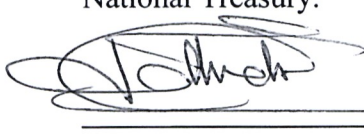
**13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS**

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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Opening Bank Account without approval from the National Treasury	The Project will seek a post-facto approval from the National Treasury for the opened bank account	Resolved	N/A

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point person within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



**Director General**

8/10/21

**Date**



**Project Coordinator**

08/10/2021

**Date**

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**14. ANNEXES**

**ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Transfer from Government entities	69,000,000	69,000,000	0	100 %	
Proceeds from borrowings	100,000,000	0	100,000,000	0%	Under-utilization is attributed to delayed finalization of Mid-term review to pave way for purchase of boats with loan proceeds as planned.
Miscellaneous receipts	0	0	0	-	
<b>Total Receipts</b>	<b>169,000,000</b>	<b>69,000,000</b>	<b>100,000,000</b>	<b>40.83%</b>	
<b>Payments</b>					
Compensation of employees	0	0		-	
Purchase of goods and services	169,000,000	14,109,260	154,890,740	8.35%	Delayed finalization of mid-term review affected undertaking of Project Scoping which would have paved way for the planned Project Activities
Social security benefits	0	0	0	-	
Acquisition of non-financial assets	0	0	0	-	
Other grants and transfers	0	0	0	-	
<b>Total payments</b>	<b>169,000,000</b>	<b>14,109,260</b>	<b>154,890,740</b>	<b>8.35%</b>	

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS**

<b>PROJECT NAME:</b>				
<b>Break down of Transfers from the State Department for Shipping and Maritime</b>				
<b>a. Government Counterpart Funding</b>		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
		<b>Total</b>	<b>0</b>	
<b>b. Direct Payments</b>		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
		<b>Total</b>	<b>0</b>	
<b>c. Others</b>		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
		<b>TOTAL(a+b+c)</b>	<b>0</b>	

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

Project Coordinator  
MLVMCT Project

Sign 

Project Accountant  
MLVMCT Project

Sign 

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021*

**ANNEX 3A - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020/21	Outstanding Balance 2019/20	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
Sub-Total						
Construction of civil works						
3.						
4.						
Sub-Total						
Supply of goods						
5.						
6.						
Sub-Total						
Supply of services						
7.						
8.						
Sub-Total						
Grand Total						



*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021*

**ANNEX 3B - ANALYSIS OF PENDING STAFF BILLS**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020/21	Outstanding Balance 2019/20	Comments
<b>Permanent Employees - Management</b>							
1.							
2.							
<b>Sub-Total</b>							
<b>Permanent Employees - Others</b>							
3.							
4.							
<b>Sub-Total</b>							
<b>Temporary employees</b>							
5.							
6.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
7.							
8.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021*

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

Name	Brief Description	Original Amount	Date Contracted	Payable Amount	Outstanding Balance 20xx	Outstanding Balance 20xx	Comments
Amounts due to National Govt Entities							
1.							
2.							
<b>Sub-Total</b>							
Amounts due to County Govt Entities							
3.							
4.							
<b>Sub-Total</b>							
Amounts due to Third Parties							
5.							
6.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
7.							
8.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

**Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER**

Asset class	Opening Cost (KShs) 20xx/xx	Donations in form of assets (KShs) 20xx/xx	*Purchases/ Additions in the Year (KShs) 20xx/xx	** Disposals in the Year (KShs) 20xx/xx	Transfers in/(out) Kshs 20xx/xx	Closing Cost (KShs) 20xx
	(a)	(b)	(c)	(d)	(d)	(e) = (a) + (b) + c - (d) + (-) d
Land						
Buildings and structures						
Transport equipment						
Office equipment, furniture and fittings						
ICT Equipment,						
Other Machinery and Equipment						
Heritage and cultural assets						
Biological assets						
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress						
<b>Total</b>			<b>G</b>			

Notes

\* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

\*\* The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold. 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 be to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury

*Multinational Lake Victoria Maritime Communication and Transport (MLVMCT) Project  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021*

**ANNEX 5 – CONTINGENT LIABILITIES REGISTER**

	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

**APPENDICES**

- i. Certificate of Balance as at 30<sup>th</sup> June 2021
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2021

Results: 1 - 1 of 1

1218 CA 41 BRANCHES  
CERTIFICATE OF BALANCE

KCB Bank Limited  
(Incorporated in Kenya)

CERT2120072606

KCB KILINDINI 19 JUL 2021

Certified that the balance at the CREDIT OF MULTINATIONAL LAKE VI

A/C 1224214544

at the close of business on 30 JUN 2021 Was KES

SIXTY ONE MILLION NINE HUNDRED AND ELEVEN THOUSAND ONE HUNDRED AND NINETY NINE

KES 61,911,199.40

For: KCB BANK KENYA LTD.

Examined by

*[Signature]*  
Branch Manager  
Manager Service Quality & Compliance Branch Manager

KENYA MARITIME AUTHORITY  
MLVMCT PROJECT AC 1224214544 RECONCILIATION  
AS AT 30.06.2021

Date	Reference	Description	Amount (Kshs.)	Date Cleared
30.06.21		Balance as per Cash book	61,911,199.40	
		Add: Direct deposits		
		Total	-	
		Add: Unpresented Cheques/Bank Transfers		
		Total	0.00	
		Less: Unposted Payments		
		Total	-	
30.06.21		Balance as per Bank statement	61,911,199.40	

Name: Leah Mukchenel  
 Designation: Assistant Project Accountant  
 Prepared by:  Date: 2/7/2021  
 Signature: ..... Date: .....

Name: Jameck Mulalya  
 Designation: Project Accountant  
 Reviewed By:  Date: 2/7/2021  
 Signature: ..... Date: .....













**KENYA MARITIME AUTHORITY**  
**MLVMCT PROJECT AC 1224214544 RECONCILIATION**  
**AS AT 31.01.2021**

Date	Reference	Description	Amount (Kshs.)	Date Cleared
31.01.2021		Balance as per Cash book	2,605,658.90	
	Add: Direct deposits			
		Total	-	
		Add: Unpresented Cheques/Bank Transfers		
26-01-21	PV2021/01091	Pay to:KENYA COMMERCIAL BANK	918,600.00	01.02.2021
		Total	918,600.00	
		Less: Unposted Payments		
		Total		
31.01.2021		Balance as per Bank statement	3,524,258.90	

Prepared by: Leah Mukchenei  
 Designation: Assistant Project Accountant  
 Signature:  Date: 31/01/2021

Reviewed By: Jamleck Mulalya  
 Designation: Project Accountant  
 Signature:  Date: 31/01/2021















