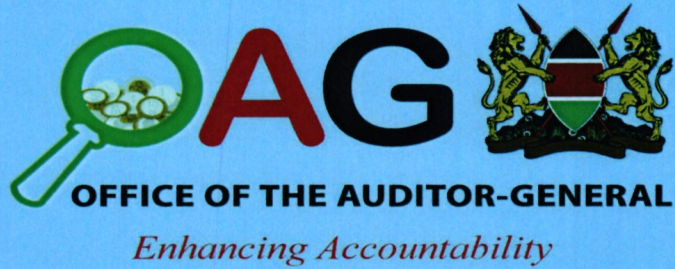



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REPORT 	
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THE AUDITOR-GENERAL

ON

**RAILWAY DEVELOPMENT LEVY FUND
(OPERATIONS ACCOUNT)**

**FOR THE YEAR ENDED
30 JUNE, 2020**

STATE DEPARTMENT FOR TRANSPORT




RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

IMPLEMENTED BY STATE DEPARTMENT FOR TRANSPORT

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
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RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)
Reports and Financial Statements
For the financial year ended June 30, 2020

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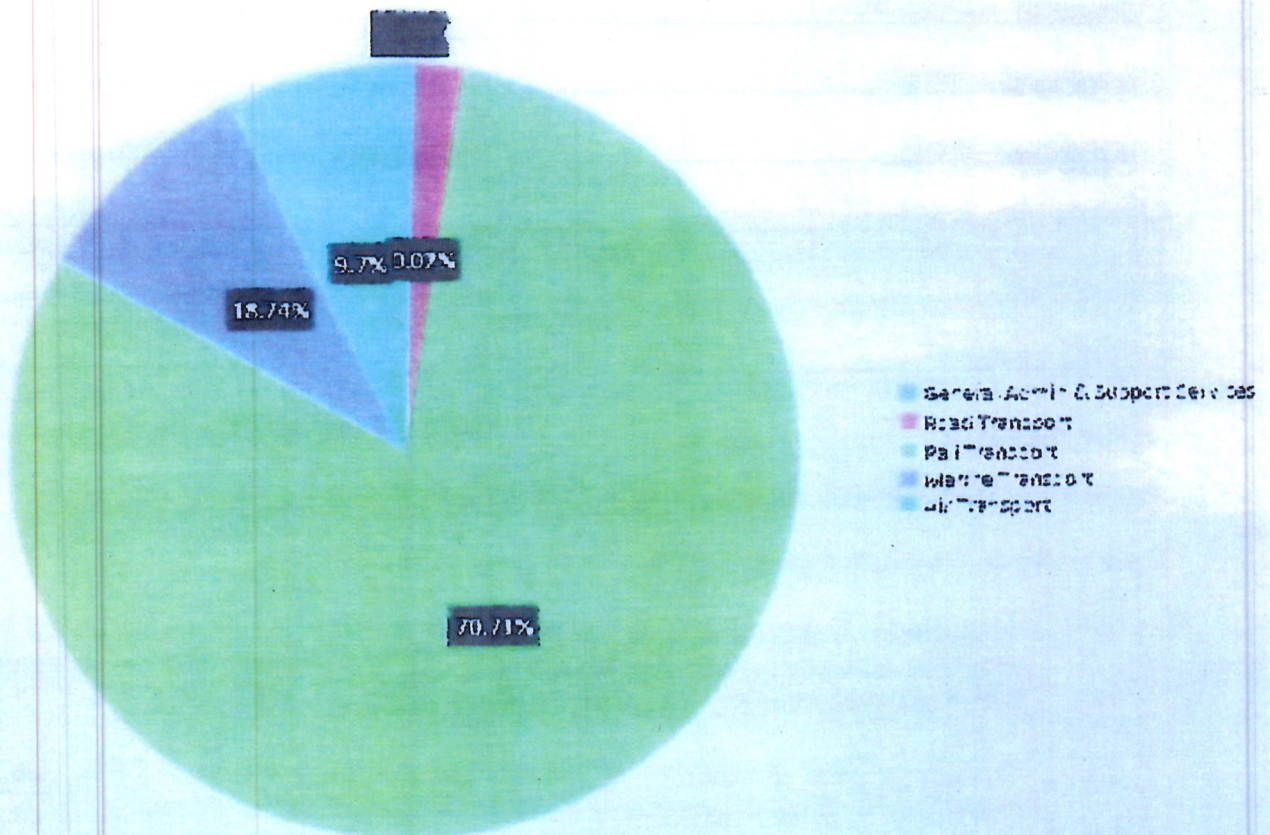
I. FORWARD BY THE CABINET SECRETARY

The mandate of the State Department for Transport (SDOT) for the financial year 2019/2020 was Transport Policy Management, Management and Infrastructure Development for Rail, Marine and Air Transport, Fast Tracking of Identified Northern Corridor Integration Projects, Oversight & Coordination of Lamu South Sudan Ethiopia Transport Corridor (LAPSSET) Programme Implementation, Civil Aviation Management & Training, National Roads Development Policy Management, Development and Maintenance of Aerodromes

The total budget for the State Department was Kshs.103,966,601,040, Recurrent Kshs. 9,768,110,285 Development Kshs. 94,198,490,755.

The pie chart below depicts the budget allocation by Programs and proportional percentage of the total budget allocation. Rail Transport- 70.71 % Road Transport 0.02%, Marine Transport 18.74%, Air Transport Services 9.7%, and General Administration and Support Services 0.83%.

BUDGET ALLOCATION BY PROGRAMMES



The utilization of this budget as per the Economic items is depicted in the table below:

Budget Utilization as Per Economic Items			
	Approved Budget Allocation	Actual Payments	% of Actual payment to Approved Budget Allocation per Economic Item
Compensation of Employees	216,528,045	198,567,233	91.71%
Use of goods and services	499,785,286	249,114,785	49.84%
Subsidies	-	-	0.00%
Transfers to Other Government Units	39,643,103,944	32,412,939,824	81.76%
Other grants and transfers	-	-	0.00%
Social Security Benefits	4,701,504	4,631,431	98.51%
Acquisition of Assets	63,602,482,261	64,181,798,587	100.91%
Finance Costs, including Loan Interest	-	-	0.00%
Repayment of principal on Domestic and Foreign borrowing	-	-	0.00%
Other Expenses	-	-	0.00%
Total Payments	103,966,601,040	97,047,051,860	93.34%

As per the table, the overall Budget Utilization per the Economic items was at 93.34%.

However there were variations in some Economic items of $\pm 10\%$ such as:

- i) Acquisition of Assets; Budget utilization was at 100.91%. This was caused by a reduction in budget under supplementary II after the payment of a commitment on Mombasa to Nairobi-Standard Gauge Railway (SGR).
- ii) Transfer to other government entities; Budget utilization was at 81.76%. This was occasioned by delay in payment of Mombasa Port Development Project by JKIA.
- iii) Use of goods and services; Budget utilization was at 49.84% due to slow procurement processes.

The State Department is committed to facilitating the achievement of the Vision - 2030 Long-Term Development Strategy of transforming Kenya into an Upper Middle-Income Country during the vision horizon. SDOT has contributed to the achievement of the big 4 Agenda in support of the country's transformation. The development of modern and efficient transport systems focusing on increasing Kenya's competitiveness in transport services in the Region.

During the period under review, major achievements were realized through implementation of various projects and programmes including ongoing development of airstrips and aerodromes in support of aviation activities. These include; Malindi International Airport; Isiolo International Airport; Lanet Airport Nakuru, Kitale, Kakamega, Kabunde and Migori Airstrips among others. This will boost, Domestic travel, Tourism and promotion of horticultural trade in the regions.

The State Department during the same period, continued in modernization of the Shipping and Maritime facilities by development of Mombasa Port Phase II and Lamu Port and ferry transport services in Likoni Channel. This is mainly to enhance Maritime transport services and timely cargo handling leading to reduction in business costs.

In the railway sub-sector, State Department continued to operationalize phase I of the Standard Gauge Railway (SGR) line between Mombasa and Nairobi and completion and operationalization of phase 2a of the SGR from Nairobi to Naivasha. This will lead to more cargo handling in Nairobi ICD and Mai Mahiu ICD. Other projects that were commenced during the year under review included ongoing rehabilitation of Nairobi Commuter Railway Rehabilitation of Nbi-Nanyuki MGR line, Naivasha SEZ and restructuring of the civil aviation sector [Kenya Aviation Authority (K.A.A) and Kenya Airways (KQ)].

The State Department continued consultation with key stakeholders in the road sub sector to enhance road transport safety with a view to reduce road fatalities.

Emerging Issues

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

- i. Lack of exchequer issues especially towards the end of 2019/20 FY leading to accumulation of pending bills.
- ii. Austerity measures and revision of budgets significantly affected resource availability for project and programmes implementation.
- iii. COVID 19 pandemic

Challenges

- i. Land acquisition challenges – higher than anticipated compensation costs for land and property in areas where projects were being implemented
- ii. Court litigations/Injunctions matters leading to significant delay in project implementation.
- iii. Lack of funds to support SGR operations.
- iv. Lack of adequate funds to support key programmes and projects.
- v. The impact of COVID19 Pandemic leading to low performance in the transport Subsector.
- vi. Settlement of historical pending bills.

Recommendations

- i. The National Treasury should communicate in good time on resources availability to facilitate MDAs plan effectively;
- ii. Timely engagement with stakeholders (affected parties) in respect to land acquisition and other transport related facilities;
- iii. Continuous capacity building for MDAs on budget implementation;
- iv. Engage the National Treasury and the Energy Infrastructure and ICT sector Working Group to adequately fund the transport sub sector;
- v. Provision of budgetary resources to settle pending bills;
- vi. Provision of budgetary resources to support SGR operations

CONCLUSION

The State Department for Transport managed to meet most of the targets in the 2019/20 financial year despite the above enumerated challenges. You may also note that, the State Department did not have any reported cases of misappropriation of funds during the financial year and is committed to improve the transport services rendered to the citizens. Finally, the State Department will continue to enhance efficiency by instituting cost cutting measures in order to deliver more with limited resources.

James Macharia, EGH
CABINET SECRETARY

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)
Reports and Financial Statements
For the financial year ended June 30, 2020

1. FUND INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The fund's official name is Railway Development Levy Fund

Objective: The key objective and purpose of the Fund shall be to provide funds for the construction of the Standard Gauge Railway network in order to facilitate the transportation of goods.

Address: The fund headquarters offices are:

Transcom Building
P.O. BOX 30007-00100
Upper hill
Nairobi, Kenya

Contacts: The following are the fund contacts

Telephone: (254) 20 338111

E-mail: ps@transport.go.ke

Website: www.transport.go.ke

Fund Information

Fund Start Date:	The fund start date is December 2013
Fund End Date:	The fund end date is December 2022
Fund Co-ordinator:	The fund manager is Dr.D.G.Hunda
Fund Sponsor:	The fund sponsor is Government of Kenya

1.2 Fund Overview

Line Ministry/State Department of the Fund	The fund is under the supervision of the State Department for Transport.
Fund number	-
Strategic goals of the Fund	The objective and purpose of the fund shall be to provide funds for the construction of the Standard Gauge Railway network in order to facilitate the transportation of goods.
Achievement of strategic goals	The fund management aims to achieve the goals through funding development of SGR.
Other important background information of the Fund	Railway Development Levy Fund was set up on 5 th July 2013, by Gazette Supplement No. 99. The regulations may be sited as customs and exercise (Railway Development Levy Fund) Regulations 2013. The Fund consists of:

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

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	<ol style="list-style-type: none">1. The proceeds of Railway Development Levy charges under Section 117A of the customs and excise Act2. Grants or donations made to the fund and3. Any income generated from the proceeds of the fund4. Proceeds from foreign borrowings (A.I.A)
Current situation that the Fund was formed to intervene	The Fund was formed to intervene in the following areas: (i) Ease transportation of people and goods (ii) Economic development
Fund duration	The fund started on 1st December 2013 and is expected to run until 31 December 2022

1.3 Bankers

The following are the bankers for the current year:

- (i) Central Bank of Kenya
Haile Selassie Avenue
P.O. BOX 60000
City Square 00200
Nairobi, Kenya.

1.4 Auditors

The Fund is audited by the:

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

1.5 Roles and Responsibilities

The officers administering the Fund is the Principal Secretary responsible for matters relating to transport.

Names	Title designation	Key qualification	Responsibilities
Dr. Julius Muia	Principal Secretary – National Treasury	Qualified	In charge of Finance (Chairperson)
Solomon Kitungu	Principal Secretary-Transport	Qualified	In charge of Transport
Mr. Julias Korir	Principal Secretary-Infrastructure	Qualified	In charge of infrastructure
Mr. Philip Mainga	Ag. Managing Director- Kenya Railways Corporation	Qualified	Kenya Railways Corporation

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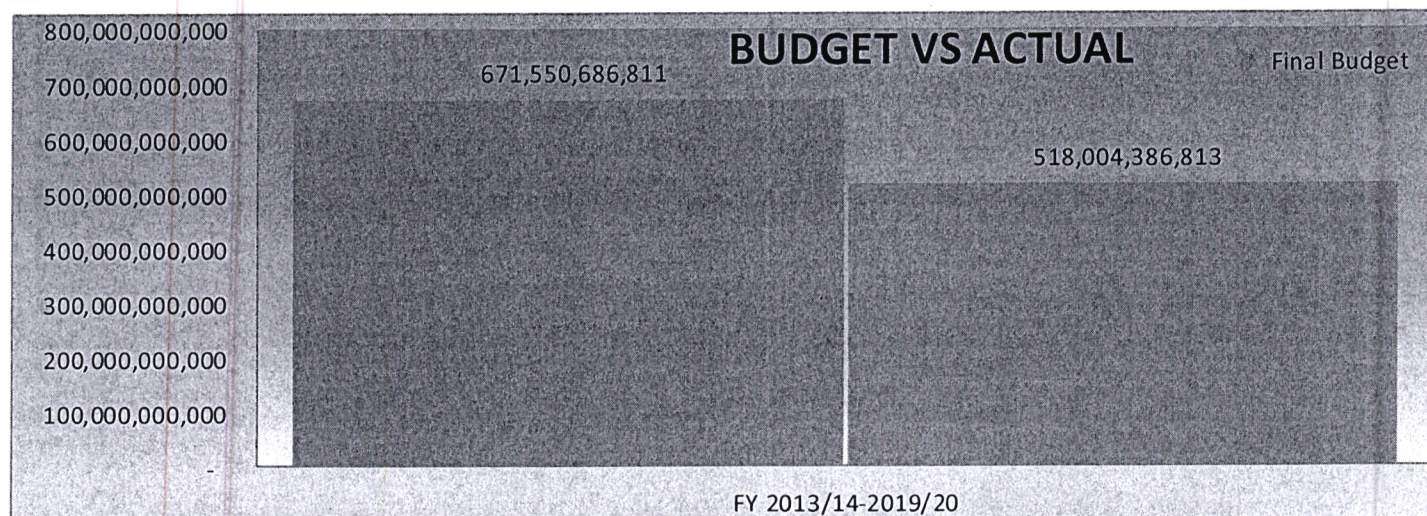
1.6 Funding summary

The Fund is for duration of 9 years from 2013 to 2022 with an approved budget for Mombasa- Nairobi of US\$ 3.27B equivalent to KShs 327B; including expansion, modernization of ICD and Scanning equipment. For Nairobi-Naivasha is USD 1.55B. There are other costs related to the project such as land acquisition, supervision and monitoring, relocation. The summary is as provided below.

Source of funds	Donor Commitment-		Amount received todate-30-06-2020)		Undrawn balance to date (30 06 2020)	
	Donor currency US \$	KShs "Billions"	Donor currency	KShs "Billions"	Donor currency US \$	KShs "Billions"
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan-						
Mombasa – Nairobi, ICD & Equipment scanning	3.27	327.00	2.62	262.00	0.65	65.00
Nairobi-Naivasha	1.55	155.00	1.26	126.00	0.29	29.00
<i>Sub-total</i>	4.82	482.00	3.88	388.00	0.94	94.00
(ii) Counterpart funds Government of Kenya						
Mombasa-Nairobi	1.13	113.00	0.90	90.00	0.23	23.00
Nairobi-Naivasha	0.76	76.00	0.40	40.00	0.36	36.00
<i>Sub-Total</i>	1.89	189.00	1.30	130.0	0.59	59.00
Total	6.71	671.00	5.18	518.00	1.53	153.00

1.7 Summary of Overall Fund Performance:

Budget performance against actual amounts for current year and for cumulative to-date is as shown in the



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For the financial year ended June 30, 2020

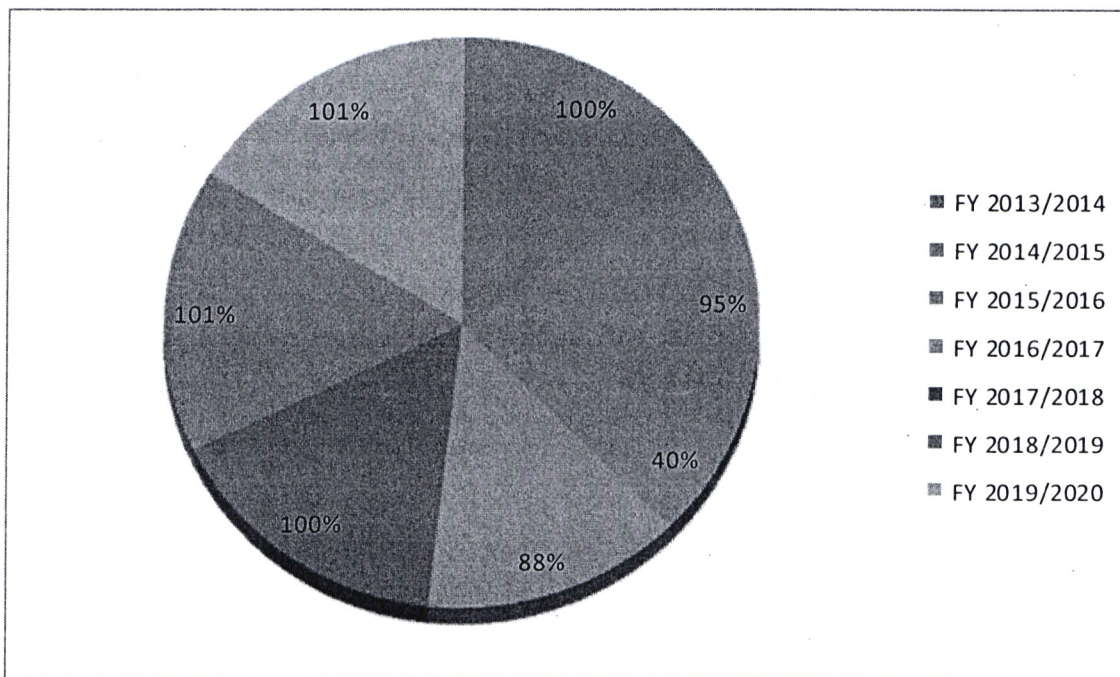
For Mombasa Nairobi.

- Budget performance against actual amounts for current year and for cumulative to-date is 91%
- Completion level of Track and Railway stations is 100%
- Civil works is 98%
- Completion level of facilities and rolling stock is 100%

For Nairobi Naivasha

- Civil works is 98%

Absorption rate for each year since commencement of the Fund.



1.8 Summary of Fund Compliance:

- The program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed.
- There is no significant case of non-compliance with applicable laws and regulations and essential external financing agreements/covenants were reported during the year.

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

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For the financial year ended June 30, 2020

2. STATEMENT OF PERFORMANCE AGAINST FUND'S PREDETRMINED OBJECTIVES

Most of the set targets as shown in the table below were achieved especially in Supply and Installation of facilities, locomotives, rolling stock, scanner and land acquisition. However, realization of set targets for the implementation of the SGR Unified Security System and ICD Access roads were affected by delays in procurement process and granting of access by KWS respectively.

Programme	Key Output	Key Performance Indicators	PLANNED TARGET	ACHIEVED TARGET	Remarks
			2019/20	2019/20	
RAILWAY DEVELOPMENT LEVY FUND					
	DELIVERY OF THE SGR PHASE 1 FUND	Supply and Installation of facilities. Locomotives and Rolling stock	100	100	There were supply changes to the supply of RMG cranes and Reach stackers but this was achieved during the year and items inspected and accepted. However, payment is due.
		No. Payment for ICD Embakasi Scanners	6	6	Six (6) Scanners were installed in Mombasa and Nairobi ICD to help scan containers. Payments were made during the year
		Acquisition of East Africa Portland Land	100	100	This was achieved as KR acquired EAPCC 900 Acres of Land for enhancing conventional cargo freight from Mombasa. KR is still paying Portland in quarterly instalments
		% Survey and Tilting of SGR Phase 1 Land	100	50	KR Professional Consultant are still undertaking titling of the SGR Phase 1 Corridor to issue KR with documents of title.
		% Completion of ICD Nairobi & Access Roads	100	99	The ICD is complete with exception of Road A with an expected Completion in October 2020
	DELIVERY OF THE SGR PHASE 2A FUND				
		% Completion of Land Acquisition	100	100	This was achieved as KR acquired the whole corridor and availed vacant possession to the Contractor
		% Completion of Civil Works	100	100	This was achieved as the Fund was completed by the Contractor and commissioned in October 2019
		% Implementaion of the SGR Unified Security System	50	0	This was not achieved as the procurement process was on-going
		Purchase of Security Vehicles	13	7	The Corporation purchased 7 Double Cab pickups to monitor the SGR Corridor

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	Payment of Escrow Deposits as per Escrow Agreement	100	0	This was left as a pending payment due to availability of budget in the Fund.
CSR Activity				
	Kimuka Water Fund in Ngong Area			

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

From inception, the Standard Gauge Railway (SGR) Fund has integrated the idea of building a community of shared future into the construction and operation process by improving the railway industrial chain, building a long-lasting high-quality railway that provides safe, comfortable and efficient passenger and freight transportation, thus fulfilling the development needs in Kenya.

The SGR line currently traverses 13 counties all comprising a diverse population owing to the various communities living along the route. These communities have created a hospitable environment most especially for the on-site construction team which has been working diligently to ensure that all phases of the SGR Fund are completed in record time. Therefore, there was need to take keen interest on the welfare and needs of the community.

KR through the Contractor implemented a number of social and economic development activities in close cooperation with the designated site section and branch offices throughout the SGR corridor. In Phase 2A of the Fund, these activities have been encompassed under the **CCCC Initiative: 'Imarika na SGR'** campaign whose main objective is to ensure that the SGR Fund not only brings forth a revolutionary means of transport but also provides a platform for addressing the needs and interests of the general public.

Opportunity

The Contractor offices are located on-site in remote areas therefore the personnel get a first-hand account of the daily experiences of the local communities. Through these experiences, the personnel are able to identify potential development activities, with the help of the residents, that can be carried out to ensure that the standards of living are raised hence promoting a cordial relationship between the contractor and the community with whom they share resources.

Some of the predominant issues encountered include, but are not limited to:

1. Inadequate water supply
2. Lack of suitable access/feeder roads
3. Dilapidated housing and learning institutions
4. Severe drought and food shortage

Research

KR and the Contractor built reliable liaison mechanisms with all local governments and opinion leaders forming committees that are used to disseminate information from the contractor to the community and vice versa. These committees are predominantly made up of representatives from the diverse local communities which include Chiefs,

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Councils of Elders, School Chairmen, School Boards of Management, the clergy, a select number of youth among others.

Some of the research findings are also submitted by reporters and correspondents from the media who are based within the locality who have daily interaction with the residents. Since the media in Kenya is used as a voice for public opinion, the community addresses the issues they would wish to be looked into and the media acts as a channel to transmit these messages to the contractor. Apart from ideas related to community development activities, the media also helps the Section Offices avert crises by alerting the management in case of issues that are deemed to cause issues in the long-run if not addressed.

The committees make suggestions on the most viable development Funds that should be carried out within their locality then technical personnel from the Section Offices carry out preliminary investigations on the proposed activity to ensure that it is not only feasible but also beneficial to the general community and not only a select minority.

The process involves both primary and secondary research carried out in the communities because the personnel rely on both existing information about the locality as well as carrying out further investigations to get first-hand account of the situation on the ground which could have changed in the recent times due to a number of factors. All these factors to be considered generally also determine the approach taken during the planning and execution phase.

Planning & Selection Criteria

In order to ensure uniformity and balance in the implementation process, there is a set general criterion used when selecting development Funds to be undertaken. The criteria is as follows:

Each Section Office is allocated a certain amount of annual funding to cater for community development activities aside from the funding received for the Fund works. To ensure that the budget is not depleted before the objective has been achieved or the needs are addressed fully, there is a set general criterion used when selecting development Funds to be undertaken. The criteria is as follows:

1. Proximity to the intended SGR route

Most of our SOCIAL WELFARE development Funds are carried out in areas that are in close proximity to the intended SGR route. This ensures that the positive construction impact of the SGR Fund is felt by the residents in terms of the benefits brought about by the presence of the infrastructure Fund in their community. This prioritization also ensures that the SGR bordering communities are the greatest beneficiaries of any development activities initiated by the contractor.

2. **Expertise**

Before undertaking a development Fund, it is important to understand the industry and scope of works during the construction and operation phases so as not to fall short of the expectations. If the type of work recommended is not within our pool of expertise, the Contractor reaches out to locally established professionals in that particular field for further assistance in the planning and implementation phases.

3. **Overall cost**

The Contractor also makes sure that the development activity must be attainable within the available budget. This is achieved through doing preliminary groundwork and research about the cost and resources to be used from suppliers and service providers, then coming up with an estimated budget. More often than not, most of these community development activities do not exceed the available budget since most of the machinery, labor and raw materials are readily available on site.

4. **Feasibility**

A comprehensive feasibility study is also done at the particular area where the development Fund is to be effected. This includes but is not limited to the time taken to undertake the Fund as well as the manpower and machinery needed, the overall environmental conditions of the area so as to make sure that the activity does not cause any environmental hazards, as well as ensuring that the community set to benefit is in agreement that the activity should be carried out and in that particular area. During this stage, KR also makes sure that if a piece of land is required, then the necessary land acquisition processes are followed diligently to ensure that the exercise is carried out smoothly.

5. **Benefit to the community**

KR and the Contractor are committed to being guardians of the community where all activities carried out by any of the site offices have a direct positive impact on the wider Kenyan communities. Thus, when carrying out any development activities, it is of great importance to embark on a Fund that will not only benefit a select group of people but an integrated community. Therefore, most of the community development activities are implemented in central locations where the general public can easily gain access to the services offered. This also shows the community that the company has their best interests at heart and that we are willing to work with all of them and share the benefits that come with the SGR Fund construction.

Scope

The social welfare activities implemented under the “Imarika na SGR” campaign largely address issues affecting a majority of the communities living along the SGR Phase 2A corridor. While some of the few community

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development Funds targeting a small population are not mentioned, below is table containing details of the most predominant social welfare activities that were successfully carried out in light with this campaign:

Intervention	Background	Benefits
1. Water supply	Provision of water for communities facing water shortage	<ul style="list-style-type: none"> • As from July 2018, Emali Model Hospital has been one of the beneficiaries whose operations have resumed to full swing after Section 7 donated 2 10,000 liter tanks with a water boozer regularly filling the tanks with water. • The residents in Emali are also beneficiaries with Section 7 setting up a 10,000-liter tank in the shopping center where residents get free clean water for their daily use. • Section 7 stepped in to offer a temporary solution to the water crisis facing residents in Emali as a result of the mismanagement of the body responsible for the provision of water to the community. <ul style="list-style-type: none"> • Section 2 are in the process of constructing two water reservoirs with a total capacity of 1600 cubic meters in Kimuka area, Kajiado County to collect spring water whose source is the SGR Ngong tunnel. Kimuka has been facing a severe water shortage in the recent days with residents having to find alternative means to acquire this basic necessity. Once tapped in the reservoirs, the County Government of Kajiado is expected to implement the distribution of this water to its residents.

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		<ul style="list-style-type: none"> From the beginning of the SGR Phase 2A construction, Section 2, Section 3 and Section 4 have established a common water collection point for the community where residents get supplied with clean water on a regular basis from a water boozer. On various occasions since the construction of the SGR Phase 2A began, Section 3 and Section 4 have also drilled boreholes in Mai Mahiu and Namuncha where the residents fetch clean water for the daily use. In May 2018, Section 4 dug a temporary water trough supplied by rain water for the pastoralists in the community to serve the cattle.
2. Road repairs	Repairing dilapidated access roads that are commonly used by the communities	<ul style="list-style-type: none"> Throughout the construction of the SGR Phase 2A, Section 1, Section 3, Section 4 and Section 5 have carried out a number of road repairs within the community. These activities also include dust reduction by regularly sprinkling water on the roads to curb respiratory health related issues in the community.
3. Bridge construction	Construction of all-weather	<ul style="list-style-type: none"> In April 2018, Section 1 constructed a modern

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	bridges that are used by motor vehicles and the community	all-weather bridge that motor vehicles and the community use in place of a pre-existing bridge which highly impassable during the rainy season.
4. School renovations	Construct new classrooms and renovation of pre-existing classrooms in select schools	<ul style="list-style-type: none"> In 2016, Section 6 constructed 3 classrooms and an administration block for Ereteti Primary School in Suswa.
		<ul style="list-style-type: none"> In the early stages of construction of the SGR Phase 2A in 2016, Section 4 constructed 3 classrooms for AIC Kitet Christian Academy in Mai Mahiu-Narok Road.
5. Housing	Provision of alternative housing for settlers living along the SGR Phase 2A corridor	<ul style="list-style-type: none"> In April 2018, Section 2 and Section 4 provided modern housing units as an alternative to the manyattas for settlers living along the SGR corridor route.
6. Donations	Donation of food, stationery, sporting equipment etc. to needy members of the community and schools	<ul style="list-style-type: none"> During the construction of the SGR Phase 2A, Section 3 has regularly donated food water and sporting equipment to Namuncha Primary School.
		<ul style="list-style-type: none"> Section 2 donated food, water and stationery to Oloitip Primary School.
		<ul style="list-style-type: none"> In July 2018, Section 6 donated stationery and sporting material to Ereteti Primary School.

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

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		<ul style="list-style-type: none">• In June 2018, the SGR Head Office donated stationery to pupils from AIC Kitet Christian Academy.
7. Rescue activities	<ul style="list-style-type: none">• Providing emergency transport and evacuation services when need arises	<ul style="list-style-type: none">• In July 2018, Section 3 provided transport for pupils from Namuncha Primary School whose bus was submerged in water on their way back to school from an educational trip.
		<ul style="list-style-type: none">• In March 2018, Section 4 provided emergency response and prompt repair services to the B3 Mai Mahiu road that developed a crack during the rainy season causing a traffic snarl up along the busy highway.
8. Building and equipping libraries	<ul style="list-style-type: none">• Section 1 is in the process of building a community shared library in Embulbul Primary School	<ul style="list-style-type: none">• In August 2018, Section 1 began constructing a community shared library that they will full equip with books and furniture before handing it over to Embulbul Primary School for administration. Once complete, the library is expected to serve the students in the Primary and Secondary sections as well as the general adult population in the surrounding environs.

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4. STATEMENT OF FUND MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. 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 Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund accept responsibility for the Fund'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 Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund financial statements as well as the adequacy of the systems of internal financial control.

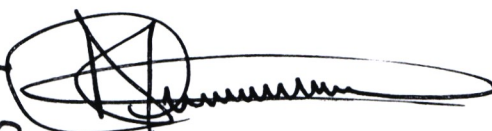
The Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund confirm that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants, and that funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

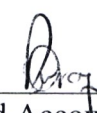
Approval of the Fund financial statements


The Fund financial statements were approved by the Principal Secretary for the State Department for Transport and the Fund Coordinator for Railway Development Levy Fund on 16TH December 2020 and signed by them.


Principal Secretary

Name: Solomon Kitungu

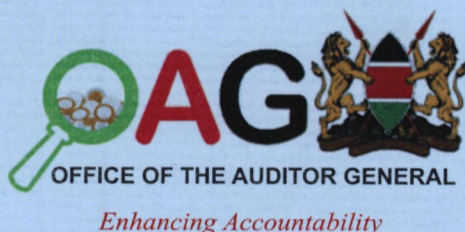

Fund Coordinator
Name: Dr.D.G.Hunda


Fund Accountant:
Name: P.Karanja

ICPAK Member Number: 

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT) FOR THE YEAR ENDED 30, JUNE 2020 - STATE DEPARTMENT FOR TRANSPORT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Railway Development Levy Fund (Operations Account) set out on pages 1 to 17, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Railway Development Levy Fund (Operations Account) as at 30 June, 2020, 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 comply with Public Finance Management Act, 2012 and the Customs and Excise (Railway Development Levy Fund) Regulations, 2013.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Railway Development Levy Fund (Operations Account) 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 audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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

Budget Control and Performance

The statement of comparative budget and actual amounts reflects total receipts of Kshs.63,792,219,146 against estimated receipts of Kshs.63,050,686,811 resulting into over collection of receipts of Kshs.741,532,336. Similarly, the statement reflects actual expenditure totaling Kshs.63,792,219,146 against estimated expenditure of Kshs.63,050,686,811 resulting into an over-expenditure of Kshs.741,532,336 which mainly occurred under acquisition of non-financial assets. Although Management explained that the expenditure had been incurred by the time the budget reduction was effected, the legality of the expenditure could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 effective 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, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the Fund 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 way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Fund 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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial 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 applicable 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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Fund 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

07 April, 2021

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

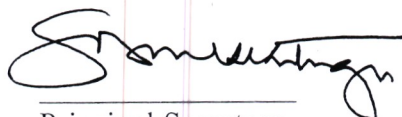
Reports and Financial Statements

For the financial year ended June 30, 2020

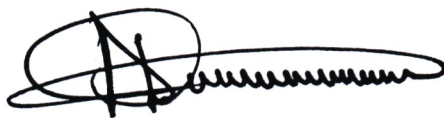
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	10.3	18,980,686,810		25,635,706,065		130,071,230,640
Loan from external development partners	10.4		44,811,532,336		79,959,652,236	387,933,156,173
TOTAL RECEIPTS		18,690,686,810	44,811,532,336	25,635,706,065	79,959,652,236	518,004,386,813
PAYMENTS						
Purchase of goods and services	10.5	-	-	-	-	100,000,000
Acquisition of non-financial assets	10.6	18,980,686,810	44,811,532,336	25,635,706,065	79,959,652,236	483,649,818,505
Transfers to other government entities	10.7	-	-	-	-	34,025,852,725
Other grants and transfers and payments	10.8	-	-	-	-	196,546,209
TOTAL PAYMENTS		18,980,686,810	44,811,532,336	25,635,706,065	79,959,652,236	517,972,217,439
SURPLUS/(DEFICIT)		NIL		NIL		32,169,374

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The Financial Statements were approved on 16th December 2020.



Principal Secretary
Name: Solomon Kitungu



Project Coordinator
Name: Dr.D.G.Hunda

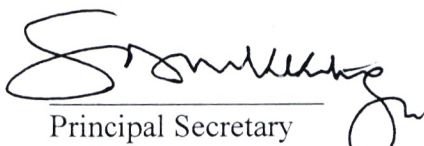


Project Accountant
Name: P. Karanja
ICPAK Member Number: 7271

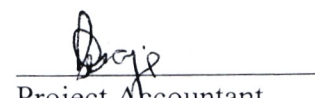
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019-2020	2018-2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10.9	32,169,374	32,169,374
Cash Balances	10.9	-	-
Cash Equivalents (short-term deposits)	10.9	-	-
Total Cash and Cash Equivalents		32,169,374	32,169,374
Accounts receivables – Imprest and Advances		-	-
TOTAL FINANCIAL ASSETS		32,169,374	32,169,374
REPRESENTED BY			
Fund balance b/fwd	11	32,169,374	14,797,357
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	17,372,016
NET FINANCIAL POSITION		32,169,374	32,169,374

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 16th December 2020 and signed by:


Principal Secretary
Name: Solomon Kitungu


Project Coordinator
Name: Dr.D.G.Hunda


Project Accountant
Name: P. Karanja
ICPAK Member Number: 7271

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)**Reports and Financial Statements****For the financial year ended June 30, 2020****8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020**


		2019-2020	2018-2019
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities	10.3	18,980,686,810	25,635,706,065
		18,980,686,810	25,635,706,065
Payments from operating activities			
Purchase of goods and services	10.5	-	-
Transfers to other government entities	10.7	-	-
		18,980,686,810	25,635,706,065
Adjusted For:			
Adjustments during the year			
Decrease(increase)in Accounts receivable		-	-
Increase (Decrease) in Accounts payable		-	-
Net cash flow from operating activities		18,980,686,810	25,635,706,065
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	10.6	- 63,792,219,146	-105,595,358,301
Net cash flows from Investing Activities		- 63,792,219,146	-105,595,358,301
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from external development partners	10.4	44,811,532,336	79,959,652,236
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at BEGINNING of the year		32,169,374	32,169,374
Cash and cash equivalent at END of the year		32,169,374	32,169,374

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 16TH December 2020 and signed by:




Principal Secretary
Name: Solomon Kitungu

Fund Coordinator
Name: Dr. D.G.Hunda



Fund Accountant
Name: P.Karanja
ICPAK Member No: 7271

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

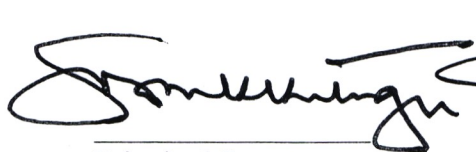
Reports and Financial Statements

For the financial year ended June 30, 2020

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	24,719,000,000	-5,738,313,189	18,980,686,811	18,980,686,810	1	100%
Proceeds from domestic and foreign grants						
Proceeds from borrowings	38,190,000,000	5,880,000,000	44,070,000,000	44,811,532,336	-741,532,336	101%
Miscellaneous receipts						
Total Receipts	62,909,000,000	141,686,811	63,050,686,811	63,792,219,146	-741,532,336	101%
Payments						
Compensation of employees						
Purchase of goods and services						
Social security benefits						
Acquisition of non-financial assets	62,909,000,000	141,686,811	63,050,686,811	63,792,219,146	741,532,336	101%
Transfers to other government entities						
Other grants and transfers						
Total Payments	62,909,000,000	141,686,811	63,050,686,811	63,792,219,146	-741,532,336	101%

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



Principal Secretary
Name: Solomon Kitungu



Fund Coordinator
Name: Dr. D.G. Hunda



Fund Accountant
Name: P. Karanja
ICPAK Member No: 1271

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1 Basis of Preparation

10.1.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy 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.

10.1.2 Reporting entity

The financial statements are for the Fund - under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.1.3 Reporting currency

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

10.2 Significant Accounting Policies

a) Recognition of receipts

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

• 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.

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• **Other receipts**

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

b) Recognition of payments

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

• **Compensation of employees**

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

• **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.

• **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **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.

• **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.

c) In-kind donations

In-kind contributions are donations that are made to the Fund 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 Fund 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.

d) 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/or 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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) 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.

f) 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 entity; 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 Entity 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 4** 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

g) Contingent Assets

The Entity 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 Entity 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.

h) 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 Fund 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.

i) 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 Fund'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 Funds 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 Fund's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

j) 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 Kshs billion being loan disbursements were received in form of direct payments from third parties.

k) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Fund 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) 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.

m) 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, 2020.

n) 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.

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20	2018/19	Cumulative to-date(from inception)
	KShs	KShs	
Counterpart funding through Ministry -			
Counterpart funds Quarter 1	-	-	24,709,217,376
Counterpart funds Quarter 2	13,690,221,378	8,020,925,616	59,944,940,328
Counterpart funds Quarter 3	959,423,086	14,121,905,372	20,281,361,269
Counterpart funds Quarter 4	4,331,042,346	3,492,875,077	18,508,066,601
	18,980,686,810	25,635,706,065	130,071,230,640

Counterpart funding through State Department for Transport.	BANK TRANSACTION	Amount (Kshs.)/Transfer 2019/2020	Amount (Kshs.)/Quarter 2018/2019
Counterpart funds Quarter 1	-		-
Counterpart funds Quarter 2	FT193543VHF	11,038,692,754	8,020,925,616
	FT19357PK34N	354,722,471	-
	FT19357K229N	2,296,806,153	-
			-
Counterpart funds Quarter 3	FT120027202PH	209,423,086	10,224,479,162
	FT20030BYZ5F	250,000,000	1,200,000,000
	FT20030TVK05	250,000,000	964,890,548
	FT20071JBQW4	250,000,000	1,732,535,662
Counterpart funds Quarter 4	FT18137K1ZMW	2,301,474,516	35,399,604
	FT201491BGX	1,189,379,157	2,295,760,492
	FT201505ZW	840,188,673	161,714,980
			1,000,000,000
Total		18,980,686,810	25,635,706,065

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)**Reports and Financial Statements****For the financial year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)****10.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to 30 June 2020 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received as direct payment*	Total amount in KShs	
				KShs	
				FY19/20	FY18/19
Loans Received from Bilateral Donors (Foreign Governments)					
CHINESE GOVERNMENT	-	-	44,811,532,336	44,811,532,336	79,959,652,236
Total			44,811,532,336	44,811,532,336	79,959,652,236

Appropriations-In-Aid	Amount (Kshs.) 2019/2020
China Communications Construction Company	13,080,999,061
China Communications Construction Company	13,080,999,061
China Communications Construction Company	6,407,458,750
China Communications Construction Company	10,066,298,676
China Communications Construction Company	2,175,776,788
Total	44,811,532,336

Appropriation in Aid of Kshs. 44,811,532,336 and Kshs. 79,959,652,236 represent direct payments for the financial years 2019/2020 and 2018/2019 respectively, made through the National Treasury.

Note:

a) Kshs. 44,811,532,336 relate to the direct payments made through the National Treasury as Appropriation in Aid during 2019/2020 financial year.

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.5 PURCHASE OF GOODS AND SERVICES

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KS hs	KS hs	KShs
Other operating payments	-	-	-	-	100,000,000
Total	=	=	=	=	100,000,000

10.6 ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	Khs	KShs
Construction of civil works-Rail	16,914,636,113	44,811,532,336	61,726,168,449	75,602,817,989	434,540,831,707
Acquisition of land	1,203,802,323	-	1,203,802,323	5,027,333,095	41,657,950,551
Consultancy Supervision	862,248,374	-	862,248,374	2,432,478,092	7,451,036,247
Total	<u>18,980,686,810</u>	<u>44,811,532,336</u>	<u>63,792,219,146</u>	<u>83,062,629,176</u>	<u>483,649,818,505</u>

Transfers to National Government entities	Cumulative to brought forward Kshs	During the year Kshs	Cumulative to date Kshs
Construction of civil works-Rail	372,814,663,258	61,726,168,449	434,540,831,707
Acquisition of land	40,454,148,228	1,203,802,323	41,657,950,551
Consultancy Supervision	6,588,787,873	862,248,374	7,451,036,247
Total	<u>419,857,599,359</u>	<u>63,792,219,146</u>	<u>483,649,818,505</u>

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2020, we transferred funds to reporting government entities as shown below:

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Kenya Wildlife Services	-	-	-	-	5,897,337,724
KRC Escrow Account	-	-	-	-	10,718,969,618
National Land Commission	-	-	-	-	1,864,516,110
KRC Land Compensation	-	-	-	-	14,396,394,588
Kenya Forest Services	-	-	-	-	203,006,300
Kenya Power	-	-	-	-	945,628,385
Total	=	=	=	=	<u>34,025,852,725</u>

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

Note:

The cumulative balances brought forward are:

Transfers to National Government entities	Cumulative to brought forward Kshs	During the year Kshs	Cumulative to date Kshs
Kenya Wildlife Services	5,897,337,724	-	5,897,337,724
KRC Escrow Account	10,718,969,618	-	10,718,969,618
National Land Commission	1,864,516,110	-	1,864,516,110
KRC Land Compensation	14,396,394,588	-	14,396,394,588
Kenya Forest Services	203,006,300	-	203,006,300
Kenya Power	945,628,385	-	945,628,385
Total	<u>34,025,852,725</u>	=	<u>34,025,852,725</u>

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)

Reports and Financial Statements

For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.8 OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Miscellaneous payments	-	-	-	-	196,546,209
Total	=	=	=	=	196,546,209

10.9 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts-Central bank of kenya A/C No.1000215879	32,169,374	32,169,374
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Total	32,169,374	32,169,374

The Fund has only one fund account spread within the Fund implementation area.

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)**Reports and Financial Statements****For the financial year ended June 30, 2020****10.10 OUTSTANDING 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 2020</i>	<i>Balance 2019</i>
<i>Officer 1</i>	-	-	-	-	-
Total	=	=	=	=	=

11. FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	32,169,374	32,169,374
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	32,169,374	32,169,374

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. 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.

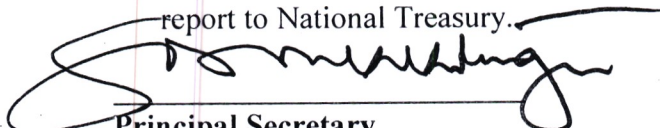
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

NOTE:

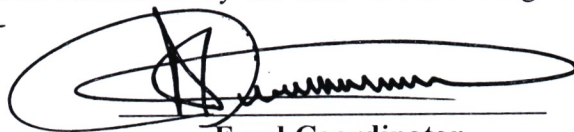
Audit report for F/Y 2018-19 not yet received

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 persons 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.



Principal Secretary



Fund Coordinator

Date

Date

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	18,980,686,811	18,980,686,810	1	100%	N/A
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	44,070,000,000	44,811,532,336	-741,532,336	101%	The expenditure had already been incurred by the time the budget reduction was effected hence creating an over expenditure on this budget line
Total Receipts	63,050,686,811	63,792,219,146	-741,532,336	101%	N/A
Payments					
Purchase of goods and services	-	-	-	-	N/A
Acquisition of non-financial assets	63,050,686,811	63,792,219,146	-741,532,336	101%	The expenditure had already been incurred by the time the budget reduction was effected hence creating an over expenditure on this budget line
Transfers to other government entities	-	-	-	-	
Total payments	63,050,686,811	63,792,219,146	-741,532,336	101%	N/A

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/2020 (a)	*Purchases/Additions in the Year (KShs) 2019/2020 (b)	** Disposals in the Year (KShs) 2019/2020 (c)	Closing Cost (KShs) 2019/2020 (d)= (a)+ (b)-(c)
Construction of civil works- Rail	372,814,663,258	61,726,168,449		434,540,831,707
Acquisition of land	40,454,148,228	1,203,802,323		41,657,950,551
Consultancy Supervision	6,588,787,873	862,248,374		7,451,036,247
Total	<u>419,857,599,359</u>	<u>63,792,219,146</u>		<u>483,649,818,505</u>

RAILWAY DEVELOPMENT LEVY FUND (OPERATIONS ACCOUNT)
Reports and Financial Statements
For the financial year ended June 30, 2020

APPENDICES

- i. Bank Reconciliations
- ii. Cash Count Certificate
- iii. Trial Balance

REPUBLIC OF KENYA.

Date: 30TH JUNE 2020.

Report of the Board of Survey on the Cash and Bank Balances of RAILWAY DEV LEVY FUND OPERATIONS, STATE DEPARTMENT OF TRANSPORT as at the close of business on 30th June, 2020.

The Board, consisting of (Names and Official Titles)

Name (s) FREDRICK KABUNGE.....Chairman.
 Name (s) MARY KINUTHIA.....Member.
 Name(s)TOBIAS OLAMBO.....Member.

Assembled at the Cash Office of State Department Of Transport at (time) on the 3RD JULY 2020 and the following cash was produced:-

Notes	.....	Sh	<u>NIL</u>
Silver	.....	Sh	<u>NIL</u>
Copper	.....	Sh	<u>NIL</u>
Cheques (as per the details on reverse)	.....	Sh	<u>NIL</u>
		SH	<u>NIL</u>

It was observed that cheques amounting to Sh.NIL.....CtsNIL..... had been on hand for more than 14 days prior to the date of the survey.

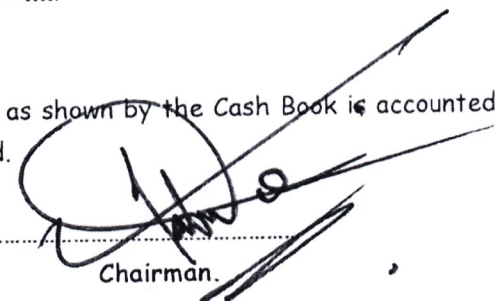
The cash consists of East African currency and does not contain any demonetized coin or notes.

The cash Book reflected the following balances as at the close of business on the 30th June, 2020 .

Cash on hand	.....	Sh.	NIL
Bank Balances	.....	Sh.	32,169,374.29
			<u>32,169,374.29</u>


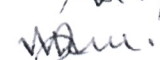
The Bank Certificate Balances showed Sh 32,169,374. cts.29 Standing to the credit of the account on 30th June, 2020.

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O.30) attached.


 Chairman.

Date 02.07.2020
02.07.2020

Members Of the Board.

 member
 member

**STATE DEPARTMENT FOR TRANSPORT
RAILWAY DEVELOPMENT LEVY FUND- OPERATIONS ACCOUNT
TRIAL BALANCE**

	Dr	SUB TOTALS	Cr
Fund Balance B/F			32,169,374.50
Transfer FT193543VHF			11,038,692,754.00
Transfer FT19357PK34N			354,722,471.00
Transfer FT19357K229N			2,296,806,153.00
Transfer FT120027202PH			209,423,086.00
Transfer FT20030BYZ5F			250,000,000.00
Transfer FT20030TVK05			250,000,000.00
Transfer FT20071JBQW4			250,000,000.00
Transfer FT18137K1ZMW			2,301,474,516.30
Transfer FT201491BGX			1,189,379,157.00
Transfer FT201505ZW			840,188,673.00
National Land Commission	203,802,323.00		
Kenya Railways Corporation	215,937,041.00		
East African portland ceme	250,000,000.00		
East African portland ceme	250,000,000.00		
East African portland ceme	250,000,000.00		
East African portland ceme	250,000,000.00		
SUB TOTAL-ACQUISITION OF LAND		1,419,739,364.00	
Edon Consultants Internatio	12,079,543.00		
Edon Consultants Internatio	18,803,811.60		
Apec Consortium Ltd	108,715,887.00		
Apec Consortium Ltd	169,234,300.90		
Eco Plan Management Ltd	17,990,000.00		
China Railway Design Corp	209,423,086.00		
China Railway Design Corp	326,001,746.70		
SUB TOTAL-CONSULTANCY SERVICES		862,248,375.20	
China Road and Bridge Corp	533,068,353.00		
China Road and Bridge Corp	581,529,112.00		
China Road and Bridge Corp	533,068,353.00		
China Road and Bridge Corp	1,013,379,157.00		
China Road and Bridge Corp	176,000,000.00		
China Road and Bridge Corp	840,188,673.00		
China Communications Cor	1192127004		
China Communications Cor	2296806153		
China Communications Cor	4593612307		
China Communications Cor	2296806153		
China Communications Cor	2296806153		
SUB TOTAL-RAIL CONSTRUCTION		16,353,391,417.60	
ACQUISITION OF NON FINANCIAL ASSETS			
Kenya Railways Corporation	345,307,654.00	345,307,654.00	
Bank Balances	32,169,374.00		

