



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA TRANSPORT SECTOR SUPPORT
PROJECT IDA CREDIT
NO. 4926 – KE AND 5410 – KE**

**FOR THE YEAR ENDED
30 JUNE 2014**

KENYA AIRPORTS AUTHORITY

Public Disclosure Authorized

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KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)

KENYA AIRPORTS AUTHORITY

CREDIT NUMBER No. 4926-KE and 5410-KE

AUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
(ACCOUNTS (KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP))**

Reports and Financial Statements
For the financial year ended June 30, 2014

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**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT
ACCOUNTS (KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP))**

**Reports and Financial Statements
For the financial year ended June 30, 2014**

1. BOARD OF DIRECTORS AND COMPANY INFORMATION

1.1 BOARD DIRECTORS

- | | |
|---|---|
| 1. Prof. Mutuma Mugambi, MBS | Chairman -Appointed on 20/09/2013 |
| 2. Eng. Stephen Gichuki | Managing Director –Retired on
23/10/2013 |
| 3. Ms. Lucy Mbugua | Managing Director -Appointed on
23 /1/2014 |
| 4. Mr. Gabriel Comba Kivuti | Director -Appointed on 4/03/2013 |
| 5. Mr. Hassan Maalim Kulow | Director -Appointed on 04/03/2013 |
| 6. Mr. Nduva Muli
Principal Secretary
Ministry of Transport & Infrastructure | Director |
| 7. Dr. Kamau Thugge
Principal Secretary
The National Treasury | Director |
| 8. Mr. Mutea Iringo
Principal Secretary
Ministry of Interior & Coordination of National Government | Director |

Corporation Secretary/General Counsel

M/s Katherine N. Kisila
Airport North Road
P. O. Box 19001-00501
NAIROBI

BOARD COMMITTEES

Finance Committee

Hassan Maalim Kulow Principal Secretary Principal Secretary Managing Director	- Chairperson -The National Treasury -Ministry of Transport and Infrastructure
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Staff Committee

Hassan Maalim Kulow Joseph Irungu Principal Secretary Managing Director	-Chairperson -Member -Ministry of Transport and Infrastructure
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**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
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Technical Committee

Gabriel Kivuti

Principal Secretary
Principal Secretary
Managing Director

-Chairperson

-The National Treasury
-Ministry of Transport and Infrastructure

Audit and Risk Committee

Gabriel Kivuti

Hassan Maalim Kulow
Principal Secretary
Joseph Irungu

-Chairperson

-Member
-Ministry of Transport and Infrastructure
-Member

1.2 COMPANY INFORMATION

Incorporation

Kenya Airports Authority is a body corporate in Kenya formed under the Kenya Airports Authority Act Cap 395, and is domiciled in Kenya.

Principal Activities

The principal activities of Kenya Airports Authority are:

- To construct, operate and maintain aerodromes and other related facilities;
- To construct or maintain aerodromes on an agency basis on the request of any Government department;
- To provide such other amenities or facilities for passengers and other persons making use of the services or the facilities provided by the Authority
- Construct any other necessary or desirable works required for the purposes of the Authority;
- Control the construction and use of prescribed aerodromes;
- Carry on any business that may be necessary or desirable for the purposes of the Authority and act as an agent for the Government in the provision of any agreed functions;
- Acquire, construct, manufacture, maintain or repair any works, plants or apparatus necessary or desirable for the purposes of the Authority;
- Determine, impose and levy rates, charges, dues or fees for any services performed by the Authority, or for use by any person of the facilities provided by the Authority, or for the grant to any person of a licence, permit or certificate.

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
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COMPANY INFORMATION (CONTINUED)

Principal Bankers

Barclays Bank of Kenya limited
Enterprise Road Branch
P. O. Box 18060-Nairobi
NAIROBI
Tel: +254 -020-530700-1
Fax: 020-543388.

Citibank N.A
Upper Hill Branch
P.O Box 30711-00100
NAIROBI
Tel: +254 -020-2754800
Fax: 020-2714810-1.

Family Bank Limited
Family Bank Towers-Corporate Branch
P.O.Box 74145-00200
NAIROBI
Tel: +254 -020-318173
Fax: 020-318174.

Kenya Commercial Bank
Moi Avenue Branch
P.O.Box 48400-00100
NAIROBI
Tel: +254 327000, Fax: 2216405

National Bank of Kenya Limited
Jomo Kenyatta International Branch
P. O. Box 19230-00501-GPO Nairobi, Kenya
Tel: +254-020-827286, 0710-223623
Fax 020-827254

Standard Chartered Bank of Kenya limited
Kenyatta Avenue Branch
P.O. Box 30001-00100
NAIROBI.
Tel: +254-020-329400
Fax 020-2213233

Equity Bank Limited
Equity Centre,
P.O Box 75104-00200
Nairobi, Kenya
Tel: +254-020-226200
Fax 020-2737276

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
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COMPANY INFORMATION (CONTINUED)

NIC Bank Limited
NIC House, Masaba Road
P.O Box 44599-00100
Nairobi, Kenya
Tel: +254-020-2888217
Fax 020-2888350

Independent Auditor

Auditor General
Kenya National Audit Office
Anniversary Towers
P. O. Box 30084-00100
NAIROBI
Tel: +254-20-335777
Fax: +254-20-330829

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
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THE BOARD OF DIRECTORS



Prof. Mutuma Mugambi, MBS

MB,ChB, PhD,
Post graduate Diploma in Cardiology
He has been a director, Clinical Research Centre,
Director , Kenya Medical Research Institute
(KEMRI); Director, Institute of Primate Research
(IPR); Director, Ciba Geigy; Vice Chancellor, Kenya
Methodist University; Vice Chancellor, Riara
University



Eng. Stephen Gichuki

Managing Director- Retired on 23/10/2013

Master of Science in Construction Management
Bachelor of Science in Civil Engineering
Member of Engineers Registration Board(ERB) and
Institute of Engineers of Kenya(IEK)



Ms. Lucy Mbugua

Managing Director
Managing Director- (Appointed on- 23rd/1/2014)

MBA in Aviation
Bachelor of Commerce in Marketing
Postgraduate Diploma in Sales and Marketing

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

THE BOARD OF DIRECTORS (Continued)



Mr. Nduva Muli
Principal Secretary
Ministry of Transport & Infrastructure

Masters in Business Administration
Bachelors degree in Land Economics
He has extensive experience in Leadership,
strategy development and implementation.
He was the Managing Director of Kenya Railways
Corporation. Held senior management position in
Kenya Airways and African Medical Research
Foundation (AMREF).



Katherine N. Kisila
Corporation Secretary/General Counsel (Appointed
on 9th July 2014)

Master of Arts in International Studies;
Bachelor of Laws(LLB); Bachelor of Arts(Econ&
Soc)
Certified Public Secretary(CPS-K);
Advocate of the High Court



Mr. Hassan Maalim Kulow

Master of Arts in Philosophy and Religious studies
Bachelor of Education
Diploma in Education

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
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THE BOARD OF DIRECTORS (Continued)



Dr. Kamau Thugge, EBS
Principal Secretary National Treasury

PhD in Economics
Master of Arts in Economics
Bachelor of Arts in Economics
He has worked with the International Monetary Fund (IMF); he came back to the Ministry of Finance and again went to IMF.



Mr. Gabriel Comba Kivuti

Bachelor of Arts Psychology and Philosophy
Member of Professional Associations and Directorships
Member of the Institute of Directors (K)
Born on 26th October 1960



Mr. Mutea Iringo

Principal Secretary Ministry of Interior & Coordination of National Government

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

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MANAGEMENT TEAM



Eng. Stephen Gichuki
Managing Director- Retired on 23/10/2013

Master of Science in Construction Management
Bachelor of Science in Civil Engineering
Member of Engineers Registration Board(ERB)
and Institute of Engineers of Kenya(IEK)



Ms. Lucy Mbugua
Managing Director- (Appointed on- 23rd/1/2014)

MBA in Aviation
Bachelor of Commerce in Marketing
Postgraduate Diploma in Sales and Marketing



John Thumbi
General Manager, Finance

MBA (Exec),
Bachelor of Commerce Accounting,
ACA, CPA (K).
Member of Institute of Chartered Accountants in England & Wales;
Member of Institute of Certified Public Accountants of Kenya.

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
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MANAGEMENT TEAM (Continued)



Ken Kaunda
General Manager, Human Resource Development

Bachelor of Arts
Post Graduate Diploma (HR)



Eric Kiraithe
General Manager, Security & Safety Services

MBA in Strategic Management
Bachelor of Arts,



Philemon Chamwanda
General Manager, Projects & Engineering Services

Master of Science in construction engineering
Bachelor of Science in Civil Engineering,
Member of Engineers Registration Board(ERB) and
Institute of Engineers of Kenya(IEK)

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

MANAGEMENT TEAM (Continued)



Allan Muturi
General Manager, Procurement & Logistics (Up to 27th August 2013)

Master of Science in Chemistry
Bachelors of Science in Chemistry
Member of Chartered Institute of Purchasing and Supplies-CIPs (UK)



Hobadiah Orora
Ag. General Manager, Procurement & Logistics
Appointed on 27th August 2013)

Bachelor of Arts,
Advanced Diploma in Purchasing and Supplies Mgt
Certified SAP Procurement Consultant



Katherine N. Kisila
Corporation Secretary/General Counsel (Appointed on 9th July 2014)

Master of Arts in International Studies;
Bachelor of Laws(LLB); Bachelor of Arts(Econ& Soc)
Certified Public Secretary(CPS-K);
Advocate of the High Court;

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

MANAGEMENT TEAM (Continued)



Victor Arika

Ag. Corporation Secretary/Chief Legal Officer (Up to 8th July 2014)

Bachelors Degree in Law
Postgraduate Diploma in Law
Advocate of the High Court of Kenya,



Samson Kimilu

General Manager Risk Management & Internal Audit

MBA in Strategic Management and Finance
Bachelor of Science in Business Administration
CPA (K)
International Airport Professional (IAP)
Member of Institute of Certified Public Accountants of Kenya



Kasaine Ole Pertet

General Manager, Information and Communication Technology

MBA in Finance
Bachelors Degree in Mathematics
CPA (K)
Member of Institute of Certified Public Accountants of Kenya

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

MANAGEMENT TEAM (Continued)



Henry Ogoye
Head of Corporate Planning

MBA in Finance and MA(Economics), Diploma
Financial Management and Bachelor of Arts (Maths
and Economics)



Bernard K. Mogambi
Ag. General Manager, Marketing & Business
Development (Appointed on 23rd January 2014)

MBA in Marketing
Bachelor of Commerce and Business Administration,
International Airport Professional(IAP)

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

1.3 PROJECT INFORMATION AND OVERALL PERFORMANCE

Project Name: Kenya Transport Sector Project (KTSSP).

Objective: To objective of the project is to enhance aviation safety and security to meet international standards.

Address: The address of registered office is:

Kenya Airports Authority- Headquarters
Airport North Road,
P.O Box 19001-00501,
NAIROBI

Jomo Kenyatta International Airport
P. O. Box 19087-00501
NAIROBI
Tel: 020-822111

Moi International Airport
P. O. Box 93904-80115
MOMBASA
Tel: 041-3433211

Eldoret International Airport
P. O. Box 2323
ELDORET
Tel: 053-63377/63844/5

Kisumu International Airport
P. O. Box 13
KISUMU
Tel:057- 41976

Lokichoggio Airport
P. O. Box 88
LOKICHOGIO
Tel: 054-32266

Wilson Airport
P. O. Box 19005
NAIROBI
Tel: 020-501941/2/3

Malindi Airport
P. O. Box 67
MALINDI
Tel:042-31201

Contacts:
Telephone:(254)-20-6611000
Email: info@kaa.go.ke
www.kaa.go.ke

Kitale Airstrip
P. O. Box 1718
KITALE
Tel: 054- 31017

Wajir Airport
P. O. Box 512
WAJIR
Tel: 046-421019

Ukunda Airstrip
P. O. Box 139
KWALE
Tel: 040-3202126

Manda Airstrip
P. O. Box 167
LAMU
Tel: 042-633018

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

1.4 PROJECT INFORMATION

The Kenya Airports Authority (KAA) component of the project is part of the IDA financed Kenya Transport Sector Support Credit No 4926-KE (Support to Major Airports under category C1) and Credit No 5410-KE (Emergency Activities at JKIA under category C2) that the Government of Kenya signed on May 23, 2011 (Original credit) and March 31, 2014 (Additional credit) for the purpose of financing development projects in the then Roads & Transport Ministries. KAA is one of the implementing agencies in the Aviation sector.

COMPONENTS

The Kenya Airports Authority project components comprise the following: -

- a) Civil works
- b) Goods, Equipment & Vehicles
- c) Consultancy and training

SUPPORT TO MAJOR AIRPORTS UNDER CATEGORY C1

A) Civil Works

1. Power Supply Up-grade at Moi International Airport, Mombasa.

The scope of power supply up-grade includes but is not limited to the following:

- a. Review loading of all transformers at substations A, B and C.
- b. Improve availability, reliability and stability of power distribution system (e.g. Provide adequate redundancy of the system).
- c. Replace all 11KV ring cables.
- d. Replace all LV switchgear and sub-main cables.
- e. Evaluate status of all LV boards.
- f. Design new 33/11KV substation.
- g. Design a well-integrated change-over system for the incoming feeders and the backup generators with consideration of the worst scenarios on the distribution.
- h. Expand existing AGL SCADA system to incorporate power distribution, standby power, and terminal lighting energy management (including extension of fibre cable backbone).

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

- i. Rehabilitate ALL the substations and their associated drainage works
- j. Review the 11KV electrical installations and update drawings.
- k. Provision fault location instruments for H.V system.
- l. For both power supply and AGL to carry out a complete survey and mapping of the airport system.

B) Consultancy and Training

1. Design and Supervision of power upgrade for MIA

The scope involves design consultancy and to provide project management and quality assurance during rehabilitation

2. Supervision of Rehabilitation of Runway and Remediation of Sink Holes at MIA

The consultant is to provide project management and quality assurance during rehabilitation.

3. Design and Supervision of Water Supply and Reticulation at JKIA and MIA

The scope comprises of preparation of tender documents, attendance of tendering and works supervision.

4. Training and Capacity Building

The training component is to enhance capacity building in project management, security operations, engineering services, procurement and financial management.

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
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SUPPORT TO EMERGENCY ACTIVITIES AT JKIA UNDER CATEGORY C2

A) Civil Works

1. Design, Supply and Installation of pre-fabricated;

- a) Level 1 Departure and Transit Lounge at Terminal 1D (formerly T3)
- b) Arrival facility next to Terminal 1D and other related services

The contract has been awarded to M/S Roder at the contract sum of US \$ 22million.

2. Construction of Permanent Arrival Facility to serve Terminal 1A (Formerly T4)

The construction of Terminal 1A arrivals (Package 3A) is to cater for international arrivals at JKIA. The contract was awarded to China Aero Technology International Corporation (CATIC) on 26th June 2014 at a contract sum of Kshs. 2,146,007,993.64. The project is expected to take 15 months.

3. Strengthening Environmental Management Capacity (Solid Waste Management)

This will enable the Authority to come up with an environmental management system on dealing with solid waste management, procure noise, water and soil measurement equipment as well as be able to manage noise pollution.

B) Goods, Equipment And Vehicles

1. Supply & Install Baggage Handling System (BHS) at the Parking Garage

Following the fire incident at JKIA, The World Bank agreed to fund the Installation of BHS. The contract was awarded to M/S Vanderlande at a contract sum of Euros 1,209,830.69. The project is complete. KAA has submitted a retroactive financing request to The World Bank.

2. Supply & Install BHS and Assorted Equipment for Arrival Facility Next to Terminal 1D (Formerly Terminal 3) and arrival at Terminal 1A (Formerly T4).

This entails delivery and installation of check in counters including weighing and injection belts, collector and transfer and conveyor lines, carousels, sorter system and software control.

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

3. Supply and Install Integrated Security Management System for Arrival Next to Terminal 1D (Formerly Terminal 3)

The system is intended to enhance security and safety of the Airport and their users.

4. Supply of Airside Buses

The buses are intended to facilitate movement of passengers within the airside. Bids received on 25th October 2013. Request to retender was submitted to The Bank. Response from The Bank has been addressed and letters written to bidders for which response is awaited.

5. Supply of Fire Tenders (Airside)

This entails the supply of two airside fire tenders and one landside turntable at Jomo Kenyatta International Airport to help enhance fire and rescue cover. The contract has been awarded to M/S Gimaex EGI S.A.

6. Supply of Disaster Management & Emergency Response Equipment

Purchase of the equipment is awaiting completion of study by M/S Egis.

C) Consultancy and Training

1. Consultancy Services for Supervision of Pre-fabricated Installation (works)

The consultancy is to provide project management and quality assurance during the undertaking of the works.

2. Consultancy Services for Assessing Structural Integrity of Terminal 1B (Formerly Terminal 1) and Arrival Building

The purpose is to carry out an assessment of the damage caused by the fire at JKIA. The contract is being finalized with the consultant.

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

1.5 FUNDING SUMMARY

The Project is for a duration of 8 years from 2011 to 2018 with an approved budget of US\$ 78.04 equivalent to Kshs 6.8 billion as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment		Amount received to date – (30 th June 2014)		Undrawn balance to date (30 th June 2014)	
	Donor currency US\$	Kshs	Donor currency US\$	Kshs	Donor currency US\$	Kshs
In “millions”	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Government of Kenya	63	5,520	-	-	63.00	5,520
(ii) Loan						
The World Bank	15.04	1,318	0.42	37	14.62	1,281
Total	78.04	6,838	0.42	37	77.62	6,801

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

2. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors for the Kenya Airports Authority 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 ended on June 30, 2014. 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 (vi) making accounting estimates that are reasonable in the circumstances.

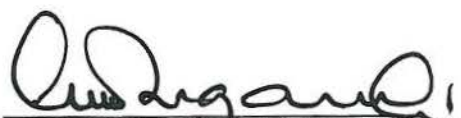
The Board of Directors for the Kenya Airports Authority accept responsibility for the Project's financial statements, which have been prepared in accordance with the Cash Basis method of Accounting under the International Public Sector Accounting Standard (IPSAS). However Kenya Airports Authority financial statements are prepared using appropriate accounting policies in accordance with International Financial Reporting Standards.

The Board of Directors for the Kenya Airports Authority 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 ended June 30, 2014, and of the Project's financial position as at that date. The Board of Directors for Kenya Airports Authority 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.

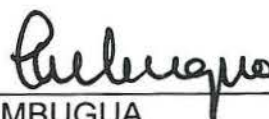
The Board of Directors for Kenya Airports Authority confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Board of Directors on 26th August 2014 and signed by them.



PROF. MUTUMA MUGAMBI, MBS
CHAIRMAN



LUCY MBUGUA
MANAGING DIRECTOR



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA TRANSPORT SECTOR SUPPORT PROJECT IDA CREDIT NO. 4926 – KE AND 5410 – KE FOR THE YEAR ENDED 30 JUNE 2014 - KENYA AIRPORTS AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Transport Sector Support Project set out on pages 1 to 8 which comprise the statement of financial assets and liabilities as at 30 June 2014, the statement of receipts and payments, the statement of cash flow, the statement comparison of budget and actual amounts and a summary of significant accounting policies and other explanatory information for the year then ended, in accordance with provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003 and the amended and restated financing agreement for Credit No. 4926-KE and No. 5410-KE signed on 31 March 2014 between the Republic of Kenya and International Development Association. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statement to the Auditor-General in accordance with the provision of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 9 of the Public Audit Act, 2003. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Special Account Statement Reconciliation

The Statement of Receipts and Payments for the year ended 30 June 2014 reflects Loan from external development partners of Kshs.37,000,000.00 while the Special Account Statement prepared and submitted by National Treasury reflects Kshs.87,982,128.00 resulting to a variance of Kshs.50,982,128.00.

In the circumstances, it has not been possible to confirm the correctness and accuracy of the total receipts amounting to Kshs.38,464,000.00 for the year ended 30 June 2014.

Qualified Opinion

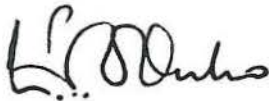
In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements presently fairly, in all material respects, the financial position of the project as at 30 June 2014, and its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting standards and comply with the financing agreement.

In addition, the Special Account Statement does not present fairly the special account transactions and the ending balance has not been reconciled with the Books of account.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association, I report based on my audit that:-

- i. All International Development Association funds have been used in accordance with the conditions of the Loan Agreement, with due attention to economy and efficiency and only for the purpose for which the fund was provided;
- ii. Counterpart funds have been provided and used in accordance with the conditions of the Agreement, with due attention to economy and efficiency and only for the purpose for which they were provided;
- iii. Goods and Services financed have been procured in accordance with the Agreement and in compliance with the World bank rules and procedures;
- iv. Necessary supporting documents, records and accounts have been kept in respect of all project activities;
- v. Adequate internal controls to monitor expenditure and other financial transactions exist; and
- vi. A fixed assets register for the Project's assets was maintained during the year.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

18 December 2014

KENYA AIRPORTS AUTHORITY
KENYA TRANSPORT SECTOR SUPPORT PROJECT


3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2014

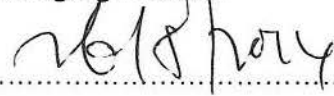
	<u>Note</u>	<u>2013/2014</u> <u>KSHS. 000</u>
RECEIPTS		
Loan from external development partners	7.3	37,000
Miscellaneous receipts	7.4	1,464
Total Receipts		38,464
 PAYMENTS		
Total Expenditure		-
 SURPLUS/DEFICIT FOR THE YEAR		38,464

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26/6/14 2014 and signed by:


.....
John Thumbi
General Manager-Finance


.....
Lucy Mbugua
Managing Director


.....
DATE


.....
DATE

**KENYA AIRPORTS AUTHORITY
KENYA TRANSPORT SECTOR SUPPORT PROJECT
AS AT 30 JUNE 2014**

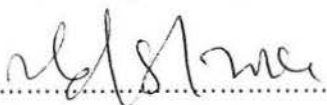
4. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

	<u>Notes</u>	<u>2013/2014</u> <u>Kshs. 000</u>
FINANCIAL ASSETS		
Cash and Cash Equivalent		
Bank Balances	7.5	38,464
TOTAL FINANCIAL ASSETS		<u><u>38,464</u></u>
REPRESENTED BY:		
Cash and cash equivalent b/fwd		-
Surplus/(Deficit) for the year		38,464
NET FINANCIAL POSITION		<u><u>38,464</u></u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on2014 and signed by:


.....
John Thumbi
General Manager-Finance


.....
Lucy Mbugua
Managing Director


.....
DATE


.....
DATE

KENYA AIRPORTS AUTHORITY
KENYA TRANSPORT SECTOR SUPPORT PROJECT

5. STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2014

Statement of Cash Flows

	2013/2014 KSHS. 000
Receipts for operating income	
Transfer from counterpart funds	-
Reimbursable transfer	-
Miscellaneous receipts	1,464
Payments for operating expenses	
Purchase of goods and services	-
Other Transfers	-
Bank charges and other payments	-
Net cash flow from operating activities	1,464
Cash flows from investing activities	
Acquisition of Assets	-
Net cash flow from investing activities	-
Cash flows from borrowing activities	
Proceeds from Foreign Borrowings	37,000
Net cash flow from financing activities	37,000
Net increase in cash and cash equivalent	38,464
Cash and cash equivalent at beginning of year	-
Cash and cash equivalent at end of year	38,464

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




 John Thumbi
 General Manager-Finance



 Lucy Mbugua
 Managing Director



 DATE



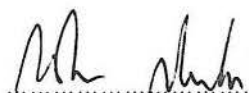
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KENYA AIRPORTS AUTHORITY
KENYA TRANSPORT SECTOR SUPPORT PROJECT

6. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

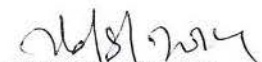
	Budget	Actual	Budget Variance	% of Variance
	<u>KSHS. 000</u>	<u>KSHS. 000</u>	<u>KSHS. 000</u>	
RECEIPTS				
Proceeds from borrowings	37,000	37,000	-	0%
Total Receipts	<u>37,000</u>	<u>37,000</u>	<u>-</u>	<u>0%</u>
PAYMENTS				
Purchase of goods & Services	37,000	-	(37,000)	-100%
TOTAL PAYMENTS	<u>37,000</u>	<u>-</u>	<u>(37,000)</u>	<u>-100%</u>
SURPLUS/DEFICIT FOR THE YEAR	<u>-</u>	<u>37,000</u>	<u>37,000</u>	<u>-100%</u>

Note: The Significant budget variance differences in the last column are explained in Annex 1 to these financial statements.



 John Thumbi

General Manager-Finance

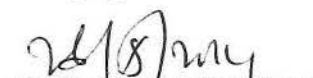


 DATE



 Lucy Mbugua

Managing Director



 DATE

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

7. NOTES TO THE FINANCIAL STATEMENTS

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

7.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with the Cash Basis method of Accounting under the International Public Sector Accounting Standard (IPSAS). However Kenya Airports Authority financial statements are prepared using appropriate accounting policies in accordance with International Financial Reporting Standards (IFRS). The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

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

i. Recognition of revenue and expenses

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

ii. In-kind donations

In-kind donations are contributions 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 of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

iii. 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 various commercial banks at the end of the financial year/period.

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. 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.

v. 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.

vi. 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.

vii. 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, 2014.

**KENYA AIRPORTS AUTHORITY WORLD BANK FUNDED PROJECT ACCOUNTS
KENYA TRANSPORT SECTOR SUPPORT PROJECT (KTSSP)**

Reports and Financial Statements
For the financial year ended June 30, 2014

7.2 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2014 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 in cash	Loans received as direct payment	Total amount in Kshs
		a	b	c	d=b+c
		US\$ 000'	Kshs 000'	Kshs 000'	Kshs 000'
Loan received from Donor (World Bank)					
World Bank	April 2014	422	37,000	-	37,000
Total Amount		422	37,000	-	37,000

KENYA AIRPORTS AUTHORITY
KENYA TRANSPORT SECTOR SUPPORT PROJECT

	2013/2014
	Kshs. 000
7.3 <u>World Bank Loan</u>	
Balance b/f	-
Received during the year	37,000
Less: Loan Repayment	-
Balance c/d	37,000
7.4 Interest income	
	2013/2014
	Kshs.
April	187
May	188
June	1,089
Total Interest income	1,464
7.5 Bank Balances	
	2013/2014
	Kshs.000
Cash and cash Equivalent	38,464
Total bank account balances	38,464

**KENYA AIRPORTS AUTHORITY
KENYA TRANSPORT SECTOR SUPPORT PROJECT**

ANNEX 1- VARIANCE EXPLANATIONS- COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Budget	Actual on comparable basis	Budget Variance	% of Actual variance to Final Budget	Comments on variance
	<u>KSHS. 000</u>	<u>KSHS. 000</u>	<u>KSHS. 000</u>		
RECEIPTS DURING THE YEAR					
Loan from external development partners	37,000	37,000	-	0%	Kshs. 37 million was disbursed during the financial year from Ministry of Transport and Infrastructure (MOT&I).
Total Receipts	37,000	37,000	-	0%	
PAYMENTS DURING THE YEAR					
Purchase of goods Equipment	37,000	-	(37,000)	-100%	As at the close of the financial year no payment had been made from the project account.
Total Payments	37,000	-	(37,000)	-100%	

Explanation of variance

1. These funds were to be mainly utilized for training. The No objection letter was received from World Bank on 5th of August 2014, after closure of the financial year. Training has since commenced with the initial team being trained from 1st September 2014.
2. Also these funds were to be used for Rehabilitation of runway for Moi International Airport, power supply upgrade for MIA, Augment water supply for MIA and JKIA and designs and supervision. The loan agreement with co-funder AFD had not been signed as at the close of the financial year 2013/14. AFD contributes a major portion of the fund i.e. US\$66million out of requirement of US\$78 million. It would not be prudent for KAA to start any commitment before the conclusion of the AFD negotiation.