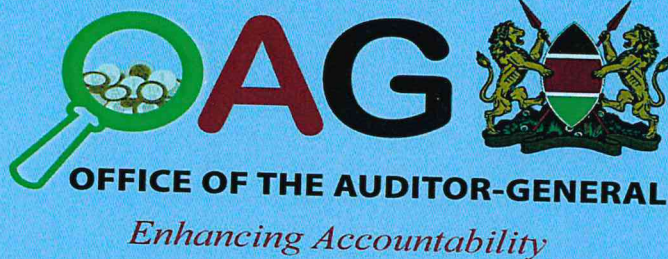


REPUBLIC OF KENYA




REPORT

OF

THE AUDITOR-GENERAL

ON

	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 FEB 2022	DAY: Wed
TABLED BY:	The Majority Whip
CLERK AT THE TABLE:	Finlay M.

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT-IDA CREDIT NO.5140-KE

FOR THE YEAR ENDED
30 JUNE, 2021

KENYA NATIONAL HIGHWAYS AUTHORITY



MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN DEVELOPMENT
AND PUBLIC WORKS



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT CREDIT NUMBER: LOAN ID 5140-KE
PROJECT NO P-126321

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

CONTENTS

PAGE

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	i
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES.....	vii
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	viii
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	x
5. REPORT OF THE INDEPENDENT AUDITORS ON THE NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT	xi
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30 TH JUNE 2021	1
7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2021	2
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021	3
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
10. SIGNIFICANT ACCOUNTING POLICIES	5
11. NOTES TO THE FINANCIAL STATEMENTS	11
12. OTHER IMPORTANT DISCLOSURES	14
13. PROGRESSES ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	15
ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS.....	16
ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS.....	17
ANNEX 3A - ANALYSIS OF PENDING BILLS	18
ANNEX 3 SUMMARY OF FIXED ASSETS.....	20

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: National Urban Transport Improvement Project

Objective:

- a) Improve the efficiency of road transport along the Northern Corridor
- b) Improve the institutional capacity and arrangements in the urban transport Subsector
- c) Promote private sector participation in operation, Financing and Management of transport sector

Address: Barabara Plaza,
Jomo Kenyatta International Airport (JKIA)
Off Mazao Road (Opposite KCAA Headquarters)
Nairobi Kenya

Contacts:

Director General
Kenya National Highways Authority
Po Box 49712-00100
Nairobi
Telephone: (254) 020 495000
E-mail: dg@Kenha.co.ke
Website: www.kenha.co.ke

1.2 Project Information

Project Start Date:	24 th December 2012
Project End Date:	31 st December 2018
Project Engineer	Eng Kevin Nyabuto
Project Sponsor:	International Development Agency (IDA)/GOK

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, and Housing, Urban Development & Public Works
Project number	P-126321
Strategic goals of the project	The strategic goals of the project are as follows:

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

Achievement strategic goals	of	<p>The project management aims to achieve the goals through the following means:</p> <ol style="list-style-type: none"> 1. The Implementation of policy and Institutional reforms in transport Particularly urban Public Transport 2. Financing infrastructure improvements to decongest major towns necessary to support Kenya's long-term Development strategy 3. Creation of Institutional capacity to provide oversight and regulatory functions to support the delivery of urban Public the delivery of urban Public Transport Services 4. The Preparation of appropriate investment interventions that would promote urban public mass transit systems
Other important background information of the project		<p>Upgrade the Urban Road Transport Infrastructure (total cost US\$311.15 million, of which IDA US\$223.26 million). Infrastructure (total cost US\$311.15 million, of which IDA US\$223.26 million). This component will involve:</p> <ol style="list-style-type: none"> 1. Expanding and upgrading the Northern Corridor road section through Nairobi from JKIA turnoff to Rironi 2. Constructing the Kisumu Northern Bypass road 3. Constructing and rehabilitating non-motorized transport facilities including foot paths, cycle tracks, pedestrian bridges and underpasses.
Current situation that the project was formed to intervene		<ol style="list-style-type: none"> 1. Kenya's economic development strategy 2. Address the mounting pressures on the major urban centres, mainly Nairobi, road and related transport infrastructure and laying the foundation for developing an efficient urban public transport system 3. prepare a model mass transport system aimed at providing affordable and efficient public transport services in urban areas particularly for serving the low-income populations, especially in the CBD of Nairobi and along the developed high-density corridors; and 4. build the operational and managerial capacity and efficiency of urban transport agencies in dealing with urbanization and transportation
Project duration		<p>The project started on 24th December 2012 and is expected to run until 31st December 2018</p>

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

1.4 Bankers Kenya Commercial Bank
 Moi Avenue Branch
 Po Box 30081-00100
 Nairobi

1.5 Auditors Auditor General
 Office of the Auditor General
 Kenya National Audit Office
 P.o Box 30084-0100
 Nairobi

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. David A.Muchilwa	Director-Development	Qualified	Team Leader
Eng. Mutii Kivoto	Deputy Director	Qualified	Team Coordinator & Construction Specialist
Mr Walter Nyatwanga	Deputy Director	Qualified	Safeguards Specialist
Mr Isaac Kamotho	Assistant Director	Qualified	Financial Specialist
Mr R Kilel	Assistant Director	Qualified	Procurement Specialist

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

1.7 Funding summary

The Project was for duration of 6 years from 24th December 2012 to 31st December 2018 with an approved budget of XDR 143,990,000 equivalent to Kshs 19,140,160,545 at exchange rate of 153.47 and Kshs.18,359,359,542 The Development Partner will be financing 80% of the total sum as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 th June 2021)		Undrawn balance to date (30 th June 2021)	
	Donor currency (XDR)	Kshs	Donor currency (XDR)	Kshs	Donor currency (XDR)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
International Development Association - IDA	143,990,000	19,140,160,545	20,380,780	3,127,882,038	-	-
(ii) Counterpart funds						
Government of Kenya (GOK)	-	18,359,359,542	-	18,359,359,542	-	-
Total	143,990,000	37,499,520,087	20,380,780	21,487,241,580	-	-

However, in FY 2018/19 this Financial Agreement was cancelled and as such all costs relating to the project reverted back to GOK hence the project is no longer a Development Partner co-funded project.

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2021)		Cumulative Amount paid to date – (30 th June 2021)		Unutilised balance to date (30 th June 2021)	
	Donor currency (XDR)	Kshs	Donor currency (XDR)	Kshs	Donor currency (XDR)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
International Development Association - IDA	20,380,780	3,127,882,038	20,380,780	3,127,882,038	-	-
(ii) Counterpart funds						
Government of Kenya	-	18,359,359,542	-	17,554,351,784	-	805,007,758
Total	20,380,780	21,487,241,580	20,380,780	20,682,233,822	-	805,007,758

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
1. Project Name: Likoni Road Jn - James Gichuru Rd Jn	ITP Consultancy	Terms of Reference are under review by the Bank
	Design review & Supervision	Procurement Plan approved by the Bank. Terms of Reference submitted to the Bank for clearance.
2. Project Name: Capacity Enhancement of James Gichuru – Rironi Contract type: Works Contractor: China Wu Yi Company Ltd Contract Signed: 2 nd August, 2016 Commencement Date: 4 th August, 2017 Completion Date: 4 th August, 2020 Contract amount: KES. 16,366,586,563.19 Consultant: Intercontinental Consultant & Technocrats Pvt Ltd in J.V with Integrated Transport Planning Ltd. Korea Eng. Consultant Corporation in assoc. with Geodev Kenya Ltd Contract Amount: USD. 4,937,907.00 and KES. 345,085,355.00	Physical progress,	Progress at 69.84%
	Amount certified	KES. 10,822,369,960.69
	Amount paid	KES. 8,117,645,847.58
	Time lapsed	47 Months
3. Kisumu Northern Bypass	Progress	Draft contract and Combined evaluation report for Design Review and Supervision under review by the World Bank.
4. RAP updating for James Gichuru - Rironi	Progress	RAP for Sublot 3C and 3B have been approved. RAP for Sublot 3A has been submitted to the Bank and is awaiting clearance.

1.9 Summary of Project Compliance:

There is no significant case of non-compliance with applicable laws and regulations and essential external financing agreements /covenants was reported during the year

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

The Project Development Objectives (PDOs) are to (a) improve the efficiency of road transport along the Northern Corridor; (b) improve the institutional capacity and arrangements in the urban transport sub sector; and (c) promote the private sector participation in the operation, financing, and management of transport systems.

Key Expected Outcomes and Outcome Indicators are as follows;

Objective	Outcome	Indicator	Performance
Improved efficiency of road transport along the Northern Corridor	<ul style="list-style-type: none"> Reduction in average travel time from Junction Jomo Kenyatta International Airport (JKIA)-Rironi road; Reduction in vehicle operating costs on Junction JKIA-Rironi road; Number of road crashes reduced along Junction JKIA-Rironi Road; 	<p>Time taken to travel from JKIA – Rironi</p> <p>Average vehicle operating costs</p> <p>Number of accidents reported</p>	<p>The Project is at 69.84% progress</p> <p>Average operating cost US\$1.5/km</p> <p>30 % reduction in 2016 22 % reduction in 2017</p>
Improved institutional capacity and arrangements in the urban transport sub sector	<ul style="list-style-type: none"> Nairobi Metropolitan Transport Authority established and functional; National Road Transport and Safety Authority established and functional; Urban public transport rules and regulations development and in use 	<p>Adherence to traffic regulations and issuance of licences</p>	<p>Substantially Yes</p> <p>Established and functional</p> <p>Substantially Yes</p>
Enhanced private sector participation in the operation, financing, and management of transport systems	<ul style="list-style-type: none"> Offer one Bus Rapid Transit (BRT) corridor for Public Private Partnerships (PPP); Offer one commuter rail line for PPP; Institutional setup within KeNHA (Kenya National Highways Authority) for the promotion of PPP in financing and management of road infrastructure and services developed and adopted 	<p>PPP department in KeNHA has been established and functioning</p>	<p>Not yet</p> <p>Not yet</p> <p>Promotion of PPP has already been set up</p>

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the people and prosperity. Five out of the seventeen goals are pertinent to management of projects being undertaken by the Authority. These are being addressed through the following initiatives;

- a) *Good health and well-being (SDG 3)*: The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents;
- b) *Gender Equality (SDG 5)*: The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment;
- c) *Industry, innovation and infrastructure (SDG 9)*: The Authority develops quality, reliable, sustainable and resilient infrastructure including regional and trans-border infrastructure to support economic development and human wellbeing with a focus on affordable and equitable access for all;
- d) *Sustainable cities and communities (SDG 11)*: The Authority endeavours to extend the paved road network to hitherto underserved areas in the region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13)*: The Authority endeavours to combat negative impacts of road development through environmental mitigation, climate change measures and compliance with National Environment Management Authority (NEMA) requirements in all development projects

2. Environmental performance

The Authority is working towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implementation of road beautification programs, enforce reinstatement of quarries and borrow pits after construction works, undertakes regular Environmental Impact Assessment (EIA) Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

3. Employee welfare

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policies, gender mainstreaming, addresses concerns around Persons Living with Disabilities (PWDs) and takes affirmative action in line with prevailing Government Policy guidelines. The Authority prioritizes training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project, Contract Management, Performance Based Maintenance and Safety.

4. Market place practices

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity. The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

5. Community Engagements

During the implementation of the Project, the Authority is committed to remaining a responsible corporate citizen by being accountable for its actions through engaging in Public Participation. The Project's goal in terms of community engagement is to ensure that the projects foster long-term relationships with stakeholders and communities around the project. The aim is not just to build roads that foster development but to ensure collaboration with the local communities to achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

The Contractor is committed to address issues raised by the community which includes: (a) health and safety concerns; (b) dust emissions; (c) access to homes and businesses; and (d) restoration of community water connections. To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA); undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross cutting issues.

In accordance with the Resettlement Action Plan prepared at Project preparation two markets are to be improved in conjunction with the County Governments of Kiambu and Nairobi. These markets are Kangemi Market and Kinoo Market.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General and the Project Implementation Team Leader for National Urban Transport Improvement Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

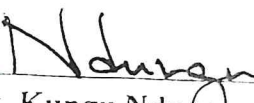
The Director General and the Project Implementation Team Leader for National Urban Transport Improvement Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

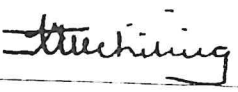
The Director General and the Project Implementation Team Leader for National Urban Transport Improvement Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Director General and the Project Implementation Team Leader for National Urban Transport Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Director General and the Project Implementation Team Leader for National Urban Transport Improvement Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General and the Project Implementation Team Leader for National Urban Transport Improvement Project on 17 AUG 2021 2021 and signed by them.

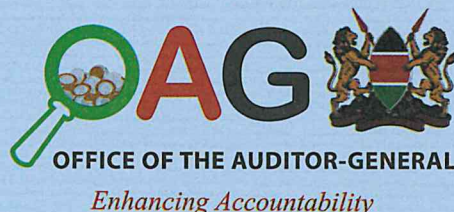

Eng. Kungu Ndungu
Director General


Eng. David A. Muchilwa
Director -Development


CPA Chanje Kera
Deputy Director (F&A)
ICPAK No. 8279

REPUBLIC OF KENYA

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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT-IDA CREDIT NO.5140-KE FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Urban Transport Improvement Project set out on pages 1 to 15, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and 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 the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Urban Transport Improvement Project Credit No.5140 - Kenya National Highways Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement IDA Credit No. 5140 - KE dated 26 September, 2012 between Republic of Kenya and International Development Association.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Urban Transport Improvement Project 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 opinion.

Key Audit Matters

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

Other Matter

Pending Bills

Note 12 to the financial statements reflects pending accounts payables totalling Kshs.4,542,434,807 as at 30 June, 2021. Although Management has committed to liaise with the line Ministry and the National Treasury for timely provision of sufficient budgetary allocations to pay the debts in the subsequent financial year, the Project is at risk of incurring significant interest costs and penalties should the bills not be paid in due time.

Report of the Auditor-General on National Urban Transport Improvement Project-IDA Cr. No.5140-KE for the year ended 30 June, 2021 - Kenya National Highways Authority

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Accrued Interest as a Result of Delayed Payments

The Project had in the year under review accrued a total of Kshs.171,171,003 being interest due to delayed payment to a contractor. The accrued interest was in respect of works carried out between May, 2019 and August, 2020. The accrued interest of Kshs.171,171,003 constitute a nugatory expenditure on the Project.

2. Delay in Project Completion

The rehabilitation and capacity enhancement of James Gichuru Road Junction to Rironi Highway (A104) was initiated on 2 August, 2016 through an agreement between the Kenya National Highways Authority and a contractor for a contract sum of Kshs.16,366,586,563 inclusive of taxes and a contract period of 48 months. The contract period comprised of 36 months for completion and 12 months defects liability period. The works began on 4 August, 2017 and the original project completion date was to be on 3 August, 2020. However, the project activities were revised with new additional activities which entailed the following;

- (i) Gitaru full clover interchange
- (ii) Reconstruction of major bridges instead of widening.
- (iii) Rironi bridge changed from 1 span to 2 spans.
- (iv) Introduction of retaining walls in line with urban roads design philosophy.

Due to the above additional works, the project sum increased to Kshs.20,414,794,998 being 25% of original cost. The increased works as planned could not be executed due to delay in land acquisition and shifting of utilities. Though the land was finally acquired on 9 June, 2021, the work could not move on as expected since the financier (IDA) pulled out in 2018 leaving the project to be funded solely by Kenya Government.

As a result of the withdrawal of the funding, there has been delay in payment of works done resulting to delays in completion of the Project.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association (IDA), I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and;
- iii. The Project's financial statements are in agreement with the accounting records and returns.

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 governance.

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

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the Project 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 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 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 Project's 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 Project'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 Project 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 Project to express an opinion on the financial statements.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


07 December, 2021

NATIONAL UKBAN IKANSRPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

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


	NOTES	2020/21			2019/20			Cumulative to-date
		Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	
		Kshs	Kshs	Kshs	Kshs(Restated)	Kshs	Kshs(Restated)	
RECEIPTS								
1	Transfer from Government entities	3,290,598,147	-	3,290,598,147	12,679,726,657	-	12,679,726,657	18,359,359,542
2	Proceeds from domestic and foreign Loans	-	-	-	-	-	-	3,127,882,038
3	Miscellaneous Income	158,285	-	158,285	132,949	-	132,949	11,856,518
	Total receipts	3,290,756,432	-	3,290,756,432	12,679,859,606	-	12,679,859,606	21,499,098,098
PAYMENTS								
4	Purchase of goods and services	200,095	-	200,095	8,072,500	-	8,072,500	165,357,351
5	Acquisition of non-financial assets	2,998,783,514	-	2,998,783,514	12,335,846,469	-	12,335,846,469	20,516,876,471
6	Miscellaneous Payments	30,448	-	30,448	7,365	-	7,365	206,782
	TOTAL PAYMENTS	2,999,014,057	-	2,999,014,057	12,343,926,334	-	12,343,926,334	20,682,440,604
	SURPLUS/DEFICIT FOR THE YEAR	291,742,375	-	291,742,375	335,933,272	-	335,933,272	816,657,494

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


 Eng. Kungu Nduwaya
 Director General

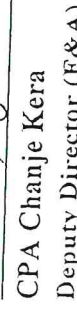
17 AUG 2021

Date


 Eng. David A. Muchilwa
 Director -Development

17 AUG 2021

Date


 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK No. 8279

17 AUG 2021

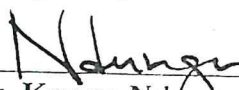
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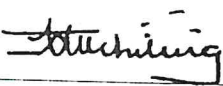
NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021


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

	Note	2020/21 Kshs	2019/20 Kshs(Restated)
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances			
TOTAL FINANCIAL ASSETS	7	816,657,494	524,915,119
		<u>816,657,494</u>	<u>524,915,119</u>
FINANCIAL LIABILITIES			
Payables - Retentions			
NET ASSETS		808,675,675	517,061,138
		<u>7,981,819</u>	<u>7,853,981</u>
REPRESENTED BY:			
Fund balance b/fwd			
Surplus/Deficit for the year	10	7,853,981	7,728,397
		127,838	125,584
NET FINANCIAL POSITION		<u>7,981,819</u>	<u>7,853,981</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 17 AUG 2021 2021 and signed by:


 Eng. Kungu Ndungu
 Director General


 Eng. David A. Muchilwa
 Director -Development

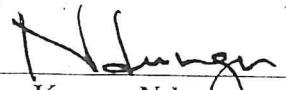

 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK No. 8279


NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021


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

Receipts for operating income		2020/21	2019/20
		Kshs	Kshs(Restated)
Transfer from Government entities	1	3,290,598,147	12,679,726,657
Payments for operating expenses			
Purchase of goods and services	4	(200,095)	(8,072,500)
Miscellaneous Expense	6	(30,448)	(7,365)
Miscellaneous Income	3	158,285	132,949
Net cash flow from operating activities		3,290,525,889	12,671,779,741
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	(2,998,783,514)	(12,335,846,469)
Net cash flows from Investing Activities		(2,998,783,514)	(12,335,846,469)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	2	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		291,742,375	335,933,272
Cash and cash equivalent at BEGINNING of the year		524,915,119	188,981,847
Cash and cash equivalent at END of the year		816,657,494	524,915,119

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 17 AUG 2021 2021 and signed by:


 Eng. Kungu Ndungu
 Director General


 Eng. David A. Muchilwa
 Director -Development



 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No.8279

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation
	a	b	c=a+b	d	e=d-c	f=d/c %
Receipts						
Transfer from Government entities	1,308,000,000	2,361,500,000	3,669,500,000	3,290,598,147	378,901,853	90%
Miscellaneous Income	-	-	-	158,285	(158,285)	0%
Total Receipts	1,308,000,000	2,361,500,000	3,669,500,000	3,290,756,432	378,743,568	90%
Payments						
Purchase of goods and services				200,095		
Land Acquisition				189,725,792		
Research, studies, project preparation, design & supervision	1,308,000,000	2,361,500,000	3,669,500,000	203,192,170	670,485,943	82%
Works Construction				2,605,865,552		
Miscellaneous Payments				30,448		
Total Payments	1,308,000,000	2,361,500,000	3,669,500,000	2,999,014,057	670,485,943	82%

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


 Eng. Kungu Ndungu
 Director General

17 AUG 2021


Date



Eng. David A. Muchilwa
 Director -Development

17 AUG 2021

Date


 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK No. 8279

17 AUG 2021

Date

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

10.3 Reporting entity

The financial statements are for the **National Urban Transport Improvement Project** under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

Significant Accounting Policies (Continued)

iii) Other receipts

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

b) Donations and grants

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

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

Use of goods and services

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

Significant Accounting Policies (Continued)

- iii) **Interest on borrowing**
- iv) Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.
- v) **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.

- i) **Acquisition of fixed assets**

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

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

- f) **In-kind donations**

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

- g) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Significant Accounting Policies (Continued)

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

h) Accounts receivable

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

i)Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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.

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

j) Contingent Assets

The 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

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

Significant Accounting Policies (Continued)

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.

k) Pending bills

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

l) Budget

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

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

m) Third party payments

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

n) Exchange rate differences

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

Significant Accounting Policies (Continued)

o) Comparative figures

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

p) Subsequent events

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

q) Errors

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

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/2021	2019/20	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	569,467,180	45,695,766	1,250,041,089
Counterpart funds Quarter 2	1,412,513,735	446,161,579	2,235,027,380
Counterpart funds Quarter 3	166,047,190	754,486,088	1,287,943,911
Counterpart funds Quarter 4	1,142,570,042	11,433,383,224	13,586,347,162
Total	3,290,598,147	12,679,726,657	18,359,359,542

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the FY 2020/21 there was no Loan received from External Development Partners, since the Loan Facility was cancelled during FY 2018/19.

3. MISCELLANEOUS RECEIPTS

	2020/21	2019/20	Cumulative
	Kshs	Kshs	to date
Bank Interest	158,285	132,949	11,856,518
Total	158,285	132,949	11,856,518

4. PURCHASE OF GOODS AND SERVICES

	2020/21			2019/20	Cummulative
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total Payments	Total Payments	to date
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	200,095	-	200,095	8,072,500	165,357,351
Total	200,095	-	200,095	8,072,500	165,357,351

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

5. ACQUISITION OF NON-FINANCIAL ASSETS

Description	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity	Payments Made by Third Party	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs(Restated)	Kshs
Research, studies, project preparation, design & supervision	203,192,170	-	203,192,170	315,101,095	1,414,123,146
Rehabilitation of Roads	2,605,865,552	-	2,605,865,552	2,700,357,923	8,805,237,256
Acquisition of land	189,725,792	-	189,725,792	9,320,387,451	10,297,516,069
Total	2,998,783,514	-	2,998,783,514	12,335,846,469	20,516,876,471

6. MISCELLANEOUS PAYMENTS

	2020/21	2019/20	Cumulative to date
	Kshs	Kshs	
Bank Charges	30,448	7,365	206,782
Total	30,448	7,365	206,782

7. CASH AND CASH EQUIVALENTS C/FWD

	2020/21	2019/20
	Kshs	Kshs(Restated)
Bank accounts (Note 11.7A)	816,657,494	524,915,119
	816,657,494	524,915,119

7A BANK ACCOUNTS

	2020/21	2019/20
	KShs	KShs(Restated)
Local Currency Accounts		
Kenya Commercial Bank – NUTRIP [A/c No 1138238945]	7,981,819	7,853,981
National Bank of Kenya – RETENTION [A/c No 01001-327332-00]	808,675,675	517,061,138
Total bank account balances	816,657,494	524,915,119

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

7B Special Deposit Accounts

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

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

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	KShs	KShs
NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT CREDIT NO.5140 KE ACCOUNT NO .6968490015 COMMERCIAL BANK OF AFRICA		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn & IN Transit (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-

8. ACCOUNTS PAYABLE

Description	2020-2021	2019-2020
	Kshs	Kshs(Restated)
Retention - Payments controlled by the entity	808,675,675	517,061,138
Total	808,675,675	517,061,138

Prior year retention of Kshs. 517,061,138 has been reclassified from fund balance b/fwd to financial liabilities (Payables – Retention) in the statement of assets as required by IPSAS reporting template for FY 2020/21

9. PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
Retentions as at 30th June 2020	512,427,438	4,633,700	517,061,138
Total	512,427,438	4,633,700	517,061,138

(The prior year adjustment relates to retention money withheld in FY 2019/20 but erroneously omitted from the final schedule now included and accounts restated)

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

10. FUND BALANCE BROUGHT FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts	7,853,981	7,728,397
Total	7,853,981	7,728,397

Prior year retention of Kshs. 517,061,138 has been reclassified from fund balance b/fwd to financial liabilities (Payables – Retention) in the statement of assets as represented by IPSAS reporting template for FY 2020/21

11. CHANGES IN ACCOUNTS PAYABLE – RETENTIONS

Description	2020-2021	2019 - 2020
	KShs	KShs(Restated)
Deposit and Retentions as at 1 st July 2020	517,061,138	181,253,450
Deposit and Retentions as at 30th June 2021	808,675,675	517,061,138
Change in Payables	291,614,537	335,807,688

12. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (SEE ANNEX 3A)


	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works	359,885,751	4,525,240,925	2,809,057,722	2,076,068,954
Land Compensation	-	2,656,091,645	189,725,792	2,466,365,853
Supply of services	-	200,095	200,095	-
Total	359,885,751	7,181,532,665	2,998,983,609	4,542,434,807

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

2. PROGRESSES ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
Note 11.1	Note 11.1 to the financial statements reflects pending accounts payables totaling Kshs. 359,885,751 as at 30 th June, 2020. Although Management has committed to liaise with the line Ministry and The National Treasury for timely provision of sufficient budgetary allocations to pay the debts in the subsequent financial year, the project is at risk of incurring significant interest costs and penalties should the bills not be paid in due time.	It is true that the bills remained outstanding as at 30 th June, 2020. This was as a result of; i. Insufficient exchequer funding ii. Inadequate budgetary allocation However, the pending bills were settled in the first quarter of the current financial year,	Eng. Mutii Kivoto	Resolved	Resolved


 Eng. Kungu Ndungu
 Director General

17 AUG 2021

Date



Eng. David A. Muchilwa
 Director Development

17 AUG 2021

Date


ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=b/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Government of Kenya	3,669,500,000	3,290,598,147	378,901,853	90%	
Miscellaneous receipts	-	158,285	(158,285)	-	Interest earned during the year
Total receipts	3,669,500,000	3,290,756,432	378,743,568	90%	
PAYMENTS DURING THE YEAR/PERIOD					
Miscellaneous Payments		30,448			
Acquisition of non-financial assets	3,669,500,000	2,998,783,514	670,485,943	82%	Bank Charges during the year
Purchase of Goods and Services		200,095			
Total payments	3,669,500,000	2,999,014,057	670,485,943	82%	

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

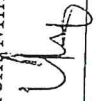
PROJECT NAME: NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT			
BREAK DOWN OF TRANSFERS FROM THE MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN DEVELOPMENT AND PUBLIC WORKS			
Government Counterpart Funding	Bank Statement Date	Amount (KShs)	FY
Counterpart funds Quarter 1	31.08.2020	569,467,180	2020/21
Counterpart funds Quarter 2	23.09.2020	1,412,513,735	2020/21
Counterpart funds Quarter 3	19.02.2021	166,047,190	2020/21
Counterpart funds Quarter 4	03.05.2021	1,142,570,042	2020/21
	Total	3,290,598,147	

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


 Eng. Kungu Ndungu
 Director General

17 AUG 2021

Date



CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No. 8279

17 AUG 2021

Date

ANNEX 3A - ANALYSIS OF PENDING BILLS

IPC/Fee Note No	Supplier of Goods or Services	Project	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance
A	Consultancy		a	b	c	2020/21	2019/20
						d=a-c	
60	Intercontinental Consultants & Technocrats Pvt	JAMES GICHURU - RIRONI	4,917,851	13-May-21	-	4,917,851	
61	Intercontinental Consultants & Technocrats Pvt	JAMES GICHURU - RIRONI	18,874,932	07-Jun-21	-	18,874,932	
Sub Total			23,792,783			23,792,783	
B	Works Construction						
13	CHINA WU YI LTD	JAMES GICHURU - RIRONI	274,970,290	13-May-19	264,162,944	10,807,346	
21	CHINA WU YI LTD	JAMES GICHURU - RIRONI	246,877,905	10-Mar-20	214,219,764	32,658,141	
22	CHINA WU YI LTD	JAMES GICHURU - RIRONI	220,048,438	10-Feb-20	165,304,281	54,744,157	
23	CHINA WU YI LTD	JAMES GICHURU - RIRONI	458,625,512	14-Aug-20	385,664,153	72,961,359	
28	CHINA WU YI LTD	JAMES GICHURU - RIRONI	800,616,033	08-Feb-21	469,443,042	331,172,991	
29	CHINA WU YI LTD	JAMES GICHURU - RIRONI	332,138,414	08-Mar-21	56,463,530	275,674,884	
30	CHINA WU YI LTD	JAMES GICHURU - RIRONI	639,543,050	09-Apr-21	108,722,319	530,820,732	
31	CHINA WU YI LTD	JAMES GICHURU - RIRONI	467,869,430	06-May-21	79,537,803	388,331,627	

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

	32	CHINA WU YI LTD	JAMES GICHURU - RIRONI	427,837,270	10-Jun-21	72,732,336	355,104,934	
				3,868,526,343		1,816,250,172	2,052,276,171	359,885,751
Land								
Compensation							2,466,365,853	
		Total		3,892,319,126		1,816,250,172	4,542,434,807	359,885,751

ANNEX 3 SUMMARY OF FIXED ASSETS

Asset class	Opening Cost	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(KShs) 2020/21	(KShs) 2020/21	(KShs) 2020/21	(KShs)
	(a)	(b)	(c)	(d) = (a) + (b) - (c)
Road Asset	7,410,302,681	2,809,057,722	-	10,219,360,403
Land Acquisition	10,107,790,276	189,725,792	-	10,297,516,068
Total	17,518,092,957	2,998,783,514	-	20,516,876,471

Appendices

1. Bank Reconciliation
2. Special Deposit Account Reconciliation Statements

