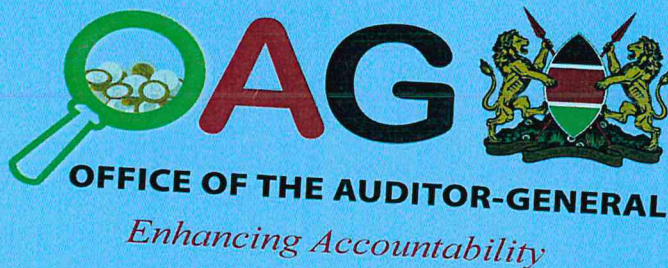


REPUBLIC OF KENYA



 REPORT	
THE NATIONAL ASSEMBLY PAPERS LAYED	
DATE: 03 FEB 2022	
DAY: Thurs	
TABLED BY:	LDM
CLERK-AT THE-TABLE:	Leah Wanjiru

THE AUDITOR-GENERAL

ON

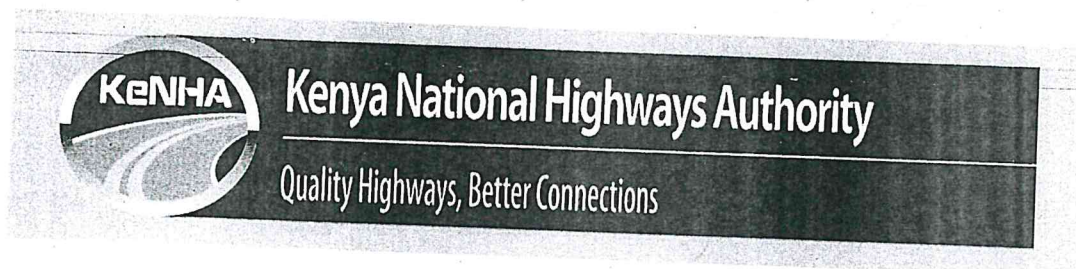
TIMBOROA-ELDORET ROAD
REHABILITATION PROJECT NO. P-KE-DBO-
019 (LOAN NO. 2100150023344)

FOR THE YEAR ENDED
30 JUNE, 2021

KENYA NATIONAL HIGHWAYS AUTHORITY



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



PROJECT NAME: TIMBOROA ELDORET ROAD REHABILITATION PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT GRANT/CREDIT NUMBER: LOAN ID NO 2100150023344
PROJECT NO P-KE-DBO-019

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)

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1 PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Timboroa Eldoret Rehabilitation Project

Objective:

The key objective of the project is to as serves as a major transit route for traffic to and from Uganda, Rwanda, Burundi, Eastern Democratic Republic of Congo and Southern Sudan, in addition to promoting the national socio-economic development and is part of the wider Northern Corridor International Trunk Road

- a) Improve the efficiency of road transport along the northern corridor
- b) Improve the institutional capacity and arrangement 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)

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:	11 th September ,2012
Project End Date:	16 th July 2016
Project Engineer	Eng George Amingh
Project Sponsor:	African Development Bank (AfDB)

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works
Project number	P-KE-DBO-19
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> • To Connect Kenya and other Part of East & Central African • Facilitate Trade and movement of people in East and Central African by improving the transit time
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> • Rehabilitation of already deteriorated road that is in poor condition to reduce transportation cost and transit time • Involving the local communities and community-based organisations in monitoring conditions along the road, including preservation of the road signs. This will assist in dealing with environmental issues and the guarding against damages and the theft to road signs and road Infrastructure
Other important background information of the project	The project is jointly financed by the African Development Bank and the Government of Kenya. In the financing agreement, AfDB contribution is 89.6% of the construction cost and GOK contribution is 10.4%. whereas consultancy is fully financed by AfDB
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: <ul style="list-style-type: none"> • Reducing Transport cost and travel time between Nairobi and Kampala. • Improvement of transportation of farm inputs and produces to and from the project area • Improvement of economic and living standard of people in towns along the corridor
Project duration	The project started on 11th September,2012 and ended on 16th July 2016

1.4 Bankers

NCBA Bank Ltd
NIC House Branch
Po Box 44599
Nairobi

1.5 Auditors

Auditor General
Office of the Auditor General
P.O Box 30084-0100
Nairobi

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.6 Roles and Responsibilities

List of the people who are working on the project.

Names	Title designation	Key qualification	Responsibilities
Eng.David A. Muchilwa	Director- Development	Qualified	Oversight
Eng.George Aming	Deputy Director	Qualified	Project Co-ordinator
Mr W Nyatwanga	Deputy Director, Environment	Qualified	Member
Mr I. Kamotho	Assistant Director-Finance Specialist	Qualified	Member
Mr R Kilel	Assistant Director- Procurement Specialist	Qualified	Member

1.7 Funding summary

The Project duration is from 11th September 2011 to 16th September 2016 and a defect Liability period of 12 Months with an approved budget of Unit of Account (UAC) 30,184,430 equivalent to Kshs 4,215,044,439 at the Exchange rate of Kshs. 139.643 and Kshs 1,184,410,531 as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30th June 2021/2021)		Undrawn Balance to date (30th June 2021)	
	UAC	Kshs	UAC	Kshs	UAC	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i)Loan						
African Development Bank(ADB)	30,184,430	4,215,044,349	30,184,430	4,215,044,349	-	-
(ii)Counterpart funds						
Government of Kenya	-	1,184,410,531	-	1,184,410,531	-	-
Total	30,184,430	5,399,454,880	30,184,430	5,399,454,880	-	-

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Source of funds	Amount received to date		Cumulative Amount paid to date – (30th June 2021)		Unutilised Balance to date (30th June 2021)	
	UAC	Kshs	UAC	Kshs	UAC	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i)Loan						
African Development Bank(ADB)	30,184,430	4,215,044,349	30,122,324	4,206,371,760	62,106	8,672,589
(ii)Counterpart funds						
Government of Kenya	-	1,184,410,531	-	1,184,410,531	-	-
Total	30,184,430	5,399,454,880	30,122,324	5,390,782,291	62,106	8,672,589

1.8 Summary of Overall Project Performance:

a) Budget performance against actual amounts for current year

Current Year		
Budget 2020/2021	Actual 2020/2021	Performance %
-	-	-

During the Financial year 2020/2021 there was no budgetary allocation for since the project is complete

b) Physical progress based on outputs, outcome and impacts since project commencement:-

As at 30th June, 2021, the project was 100% complete handed over to the Government and open to the public.

c) Comment on value for money achievements.

- The project procurement process is conducted through International Competitive Bidding (ICB) which results in excellent value for money.
- The authority (KeNHA) has put in place adequate checks & balances on appointment of the works consultant supervision who oversees the project implementation on daily basis on consultation and subsequent approvals from the employer and the bank.

- In addition to works supervision, the consultant undertakes design review before commencement of roads construction works to reduce uncertainties.
- Regular auditing of the project by Internal Auditors, External Auditors and Quality Assurance Departments.
- Project site review meetings by the Development Partners through supervision missions
- Monthly site meetings that involve the employer, the consultant and the contractor.

1.9 Summary of Project Compliance:

There are no significant Cases of non-Compliance with applicable laws and regulations and essential external financing agreements/Covenants which has been reported

2 STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

Project Overview

The Timboroa – Eldoret road is part of the Northern Corridor International Trunk Road, which serves as a major transit route for traffic to and from Uganda, Rwanda, Burundi, eastern Democratic Republic of Congo (DRC) and southern Sudan, in addition to promoting the national socio-economic development. The project involves the rehabilitation of 73 km of road section. The total project cost is UA 38.92 million and ADF loan will cover 89.9% (UA 35 million) and the Government of Kenya 10.1 % (UA 3.92 million). The overall project implementation time frame is four years (2011 – 2015).

Objective	Outcome	Indicator	Performance
To improve transport-communications between Kenya and Uganda, Rwanda, Burundi, DRC and Southern Sudan for the benefit of the region and population of the project area.	<ul style="list-style-type: none"> Transport cost and travel time between Nairobi and Kampala reduced. Improved economic and living standard of people in towns along the corridor. 2.3 Improved transportation of farm inputs and produces to and from the project area 	<ul style="list-style-type: none"> Transport and shipping costs. Travel time for imports and exports. Volume of transit goods 2.4 Agricultural output transported to major markets. Jobs created 	<ul style="list-style-type: none"> Port of Mombasa transit goods to/from Uganda Burundi, Rwanda, DRC and Southern Sudan to increase from 5.83 million tons in 2010 to 9.61 million tons in 2015. Average transport cost from Mombasa to Kampala of US\$ 0.195 per ton km from Mombasa to Kampala in 2010 reduced to USD 0.137 per ton km by 2015. Travel (journey) time for heavy vehicles of 24 hours between Nairobi and Malaba (boarder of Kenya and Uganda) in 2010 reduced by 25% to 18 hours by 2015. Tonnage of agricultural product to be transported from the

TIMBOROA ELDORET ROAD REHABILITATION PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

Objective	Outcome	Indicator	Performance
			project area to increase by 32% from 0.2 million in 2010 to 0.26 million in 2015
Contribute to improve the reliability of the transport infrastructure system to promote economic growth and socio-economic development in a socially and environmentally sustainable way.	Increased transit cargo and Intra-regional trade between Kenya and Uganda, Rwanda, Burundi, Democratic Republic of Congo and southern Sudan.	Transit cargo. 1.2 volume of trade 1.3 Incidences of poverty	Transit cargo to increase from 6.3 million tons in 2010 to 10.45 million tons in 2015.

3 CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTANBILITY 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 has been involved in various CSR activities geared towards improving local resident's lives. The people living in the project area, the local traders, business community and service providers and road users are among the direct beneficiaries of the project. In addition to reducing travel time and the traffic accidents, the project will generate employment for the domestic construction industry and the community in the project area. The project also endeavours to allocate at least 20% of unskilled jobs to women. The employees of the project as well as the local community will also benefit from the HIV/AIDS and road safety awareness programs included in the project.

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.

4 STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General and the Project Implementation Team Leader for Timboroa Eldoret Road Rehabilitation 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.

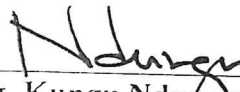
The Director General and the Project Implementation Team Leader for Timboroa Eldoret Road Rehabilitation Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance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


The Director General and the Project Implementation Team Leader for Timboroa Eldoret Road Rehabilitation 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 ended June 30, 2021, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Timboroa Eldoret Road Rehabilitation 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 Timboroa Eldoret Road Rehabilitation 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 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 Timboroa-Eldoret Road Rehabilitation Project on 17 AUG 2021 2021 and signed by them.

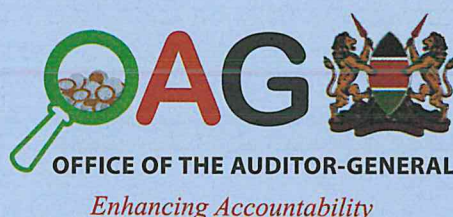

Eng. Kungu Ndungu
Director General


Eng. David A. Muchilwa
Director -Development


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

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON TIMBOROA-ELDORET ROAD REHABILITATION PROJECT NO. P-KE-DBO-019 (LOAN NO. 2100150023344) 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 controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Timboroa-Eldoret Road Rehabilitation Project set out on pages 1 to 14, which comprise the statement of financial

Report of the Auditor-General on Timboroa-Eldoret Road Rehabilitation Project No. P-KE-DBO-019 (Loan No. 2100150023344) for the year ended 30 June, 2021 - Kenya National Highways Authority

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 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 Timboroa-Eldoret Road Rehabilitation Project 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 Loan Agreement No. 2100150023344 dated 23 March, 2011 between the Republic of Kenya and the African Development Fund.

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters in my report in the year under review.

Other Matter

Project Closure Report

As disclosed in the project information under Note 1.7 funding summary, the donor committed an amount of Kshs.4,215,044,349 for utilization under the project but as at the close of the project only Kshs.4,206,371,760 was utilized resulting to an unutilized amount of Kshs.8,672,589. Information provided for audit review indicate that this balance increased to Kshs.17,978,273 as at 30 June, 2021. However, no explanation has been provided as to why the unutilized funds have not been surrendered to the National Treasury considering the Project ended on 16 July, 2016.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Report of the Auditor-General on Timboroa-Eldoret Road Rehabilitation Project No. P-KE-DBO-019 (Loan No. 2100150023344) for the year ended 30 June, 2021 - Kenya National Highways Authority

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Fund (ADF), 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue 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 audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

16 December, 2021

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


	Note	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	
RECEIPTS		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer from Government entities	1	-	-	-	2,523,465	-	2,523,465	1,184,410,531
Proceeds from domestic and foreign grants	2	-	-	-	-	-	-	4,215,044,349
Miscellaneous receipts	3	754,711	-	754,711	717,340	-	717,340	15,695,357
Total receipts		754,711	-	754,711	3,240,805	-	3,240,805	5,415,150,237
PAYMENTS								
Purchase of goods and services	4	-	-	-	-	-	-	15,577,640
Acquisition of non-financial assets	5	-	-	-	2,523,465	-	2,523,465	5,375,204,651
Miscellaneous Payments	6	-	-	-	-	-	-	6,389,673
TOTAL PAYMENTS		-	-	-	2,523,465	-	2,523,465	5,397,171,964
SURPLUS/DEFICIT FOR THE YEAR		754,711	-	754,711	717,340	-	717,340	17,978,273

The accounting policies and explanatory notes to these financial statements are an integral part of the 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 Member No.8279


17 AUG 2021


Date

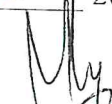
7 STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020/21	2019/20
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	17,978,273	17,223,562
TOTAL FINANCIAL ASSETS		17,978,273	17,223,562
FINANCIAL LIABILITIES			
Payables - Retentions		-	-
NET ASSETS		-	-
REPRESENTED BY:			
Fund balance b/fwd	8	17,223,562	16,506,222
Surplus/Deficit for the year		754,711	717,340
NET FINANCIAL POSITION		17,978,273	17,223,562

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

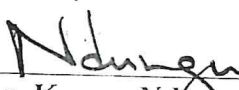

CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No.8279

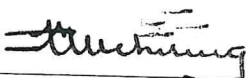
TIMBOROA ELDORET ROAD REHABILITATION PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

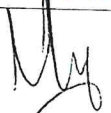
8 STATEMENT OF CASHFLOW FOR THE PERIOD ENDED 30TH JUNE 2021

Receipts for operating income	Notes	2020/2021	2019/2020
Transfer from Government entities	1	-	2,523,465
Miscellaneous receipts	3	754,711	717,340
Payments for operating expenses			
Purchase of Goods & Services	4	-	-
Miscellaneous Payments	6	-	-
Net cash flow from operating activities		754,711	3,240,805
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Non Financial Assets	5	-	(2,523,465)
Net cash flows from Investing Activities		-	(2,523,465)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	2	-	-
Net cash flow from financing activities		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		754,711	717,340
Cash and cash equivalent at BEGINNING of the year		17,223,562	16,506,222
Cash and cash equivalent at END of the year		17,978,273	17,223,562

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

9 STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Var
	a	b	c=a+b	d	e=d-c	f=d/c %
Receipts						
Transfer from Government entities						
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts	-	-	-	754,711	(754,711)	-
Payments				754,711	(754,711)	-
Civil Roads Works	-	-	-	-	-	-
Financial Charges		-	-	-	-	-
Total Payments	-	-	-	-	-	-

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 Member 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 **Timboroa - Eldoret Road Rehabilitation Project** under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

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.

ii) Use of goods and services

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

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

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 will arise and the asset's value can be

Significant Accounting Policies (Continued)

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 the earliest prior period presented.

TIMBOROA ELDORET ROAD REHABILITATION 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:

	2020/21	2019/20	Cumulative to - date
	Kshs	Kshs	
Counterpart Quarter 1	-	-	978,762,642
Counterpart Quarter 2	-	2,523,465	122,705,709
Counterpart Quarter 3	-	-	10,686,303
Counterpart Quarter 4	-	-	72,255,877
	-	2,523,465	1,184,410,531

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNER

During the Financial Year 2020/21 there was no Loan received from Development Partner (FY2019/2020- Nil). The financing agreement is lapsed hence no more funding is expected from the Development Partner.

3. MISCELLANEOUS RECEIPTS

	2020/21	2019/20	Cumulative
	Kshs	Kshs	Kshs
Bank Interest	754,711	717,340	15,695,357
	754,711	717,340	15,695,357

4. PURCHASE OF GOODS & SERVICES

	2020/21			2019/20	Cumulative to - date
Description	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total payment s	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	-	-	-	-	15,577,640
Total	-	-	-	-	15,577,640

TIMBOROA ELDORET ROAD REHABILITATION PROJECT
Reports and Financial Statements For the financial year ended June 30, 2021

5. ACQUISITION OF NON-FINANCIAL ASSETS

	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	Kshs
Research, studies, project preparation, design & supervision	-	-	-	-	310,191,907
Rehabilitation of Roads	-	-	-	2,523,465	5,065,012,744
Total	-	-	-	2,523,465	5,375,204,651

6. MISCELLANEOUS PAYMENTS

	2020/21	2019/20	Cumulative
	Kshs	Kshs	Kshs
Bank Charges	-	-	6,389,673
	-	-	6,389,673

7. CASH AND CASH EQUIVALENTS

	2020/21	2019/20
	Kshs	Kshs
Bank accounts(Note 11.7A)	17,978,273	17,223,562
Total local currency balances	17,978,273	17,223,562

7A Bank Accounts

	2020/21	2019/20
	Kshs	Kshs
NIC Bank Ltd(A/C No 1000017384)	17,978,273	17,223,562
Total local currency balances	17,978,273	17,223,562

8. FUND BALANCE BROUGHT FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts	17,223,562	16,506,222
Total	17,223,562	16,506,222

9. CHANGES IN ACCOUNTS PAYABLE

During the Financial year 2020/21 there was no retention money withheld (FY2019/2020 Nil)


12 OTHER IMPORTANT DISCLOSURES

During the Financial year 2020/21 there was no pending bills. (FY2019/2020 Nil)

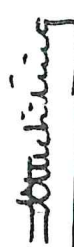
13 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	NONE	NONE			


Eng. Kungu Ndungu
Director General

Date 17 AUG 2021



Eng. David A. Muchilwa
Director Development

DATE 17 AUG 2021

ROAD REHABILITATION PROJECT
Financial Statements For the financial year ended June 30, 2021

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
RECEIPTS DURING THE YEAR/PERIOD	a	b	c=a-b	d=b/a %	
Government of Kenya	-	-	-	-	
Miscellaneous receipts	-	754,711	(754,711)	-	Bank Interest earned during the year
Total receipts	-	754,711	(754,711)	-	
PAYMENTS DURING THE YEAR/PERIOD					
Miscellaneous Payments					
Purchase of Goods & Services	-	-	-	-	
Civil Road Works	-	-	-	-	
Total payments	-	-	-	-	

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2020/2021	Purchases/Additions in the Year (KShs) 2020/2021	Disposals in the Year (KShs) 2020/2021	Closing Cost (KShs) 2020/2021
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	5,375,204,651	-	-	5,375,204,651
Total	5,375,204,651	-	-	5,375,204,651

Appendices

Bank Reconciliation

