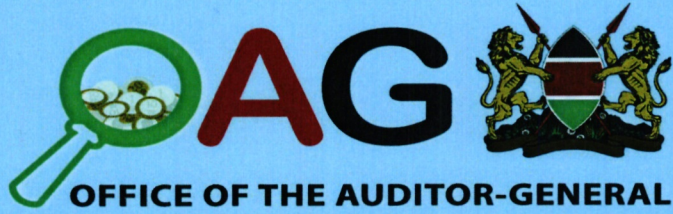


85



Enhancing Accountability

REPORT	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 FEB 2021	DAY: Thursday
TABLED BY: Lon	
CLERK-AT: Halima Suliman	

PARLIAMENT
OF KENYA
LIBRARY

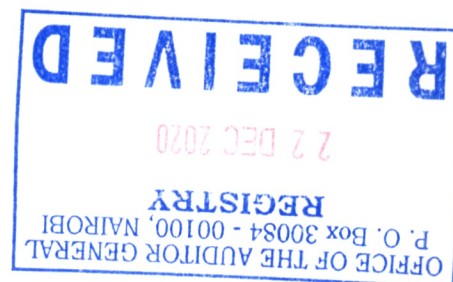
THE AUDITOR-GENERAL

ON

**NAIROBI METROPOLITAN SERVICES
IMPROVEMENT PROJECT
(IDA CREDIT NO. 5102-KE)**

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

**STATE DEPARTMENT FOR HOUSING
AND URBAN DEVELOPMENT**



NAIROBI METROPOLITAN SERVICES IMPROVEMENT PROJECT (NaMSIP)

**IMPLIMENTING ENTITY –MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING
AND URBAN DEVELOPMENT**

IDA CREDIT NUMBER 5102-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

CONTENTS

PAGE

1.	PROJECT INFORMATION AND OVERALL PERFORMANCE	ii
2.	STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xi
3.	REPORT OF THE INDEPENDENT AUDITORS ON THE NAIROBI METROPOLITAN SERVICES IMPROVEMENT PROJECT (NAMSIP).....	xii
4.	STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020.....	1
5.	STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020	2
6.	STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020.....	3
7.	STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
8.	NOTES TO THE FINANCIAL STATEMENTS	5
9.	OTHER IMPORTANT DISCLOSURES	18
10.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	19

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Nairobi Metropolitan Services Improvement Project (NaMSIP).

Objective: The key objective of the project is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya.

Address: The project headquarters is located in Nairobi County, Kenya.

The address of its registered office is:

Project Coordinator
Nairobi Metropolitan Services Improvement Project
AmBank
P O Box 30130 0100
Nairobi -Kenya

Contacts: The following are the project contacts

Project Co-ordinator
Telephone: (254-20)317224/35
E-mail Benjamin Njenga <faimacon@yahoo.com>
Website: www.naibimetro.go.ke

1.2 Project Information

Project Start Date:	The project start date is 17 th Dec 2012
Project End Date:	The project end date is 30 th September 2020
Project Manager:	The Programme Coordinator is Eng. Benjamin K. Njenga
Project Sponsor:	The project sponsor is World Bank and the Government of Kenya

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Housing and Urban Development in the Ministry of Transport, Infrastructure, and Housing and Urban Development.
Project number	P107314
Strategic goals of the project	The strategic goals of the project are as follows: (i) Strengthen Urban Services (ii) Infrastructure development.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Provision of transport (NMT,Roads and traffic Management) (ii) Storm water drainage (iii) Sewerage (Waste water collection and disposal). (iv) Facilities (Fire Fighting Equipment,Construction of Fire Stations) (v) Provision of Infrastructure (Street/Security Lighting,Public Markets and Public Parks.
Other important background information of the project	NaMSIP project started through Project Preparation Advance (PPA) Financing Agreement NoQ759 which was signed between the Government of Kenya (GOK) and the International Development Association (IDA-“World Bank”) on 21 st June, 2012. The advance was to the tune of USD2,700,000.00 The Refinancing date was set for 30 th June 2012 The project effective date is 17 th December 2012 The project extension date was 16 th May 2017 The project extension date revised to 30 th September 2020 The Project Component costs is USD330 million as follows: 1.Institutional Reforms and Planning USD 15 million 2. Critical local government infrastructure and services. USD 60 million 3. Critical Metropolitan Infrastructure Services. USD250 million

***Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020***

	4.Project Management, Monitoring and Evaluation	<u>USD 5 million</u> <u>USD 330million</u>
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Rapid Urbanisation. (ii) Lack of infrastructure	
Project duration	The project became effective on 17 th Dec,2012 with an end date of 30 th September 2020	

1.4 Bankers

The following are the bankers for the current year:

(i) Special Account –B

Account No.0810299949176

Depository Bank: Equity Bank of Kenya

P.O.Box. H/Q, Equity Centre, Hospital Road

A/c No 1000317876

(ii) Project Account (IDA)

Account No.10003966954

Depository Bank: Central Bank of Kenya

P.O.Box. 60000 Nairobi, Kenya

(iii) Project CounterPart Fund Account (GOK)

Account No.1000396938

Depository Bank: Central Bank of Kenya

P.O.Box. 60000 Nairobi, Kenya

1.5 Auditors

The project is audited by Auditor General, Office of Auditor General, and P.O Box 30084 – 00100 Nairobi.

1.6 Roles and Responsibilities

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

Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Charles M Hinga, <i>CBS</i>	Principal Secretary	Principal Secretary	Accounting officer
Eng Benjamin K Njenga	Program Coordinator	Civil Engineer	Program Co-ordination
Anthony Moire	Assistant Project Coordinator	PHD	Implementation and Coordination
Eng Silas W Gitau	Senior Principal Superintendent Engineer (Transport)	Civil Engineer	Supervisory
Ann Mugo	Director P& E	Planner	Supervisory
Elizaban Kibe	Social Infrastructure (DDSI)	Planner	Supervisory
Eng. James Mbaabu	Principal Superintendent Engineer (Mechanical Services)	Mechanical Engineer	Supervisory
Peter Bundi	Director Environment	Environmentalist	Supervisory
Arch Lawrence Muchama	Social Infrastructure & Architectural Services SAD	Architecture	Supervisory
Peter Gota	Senior Ass Director P & E	Planner	Supervisory
Peter Muriithi	Ag Ass. Director GIS	Catographer	Supervisory
Eng. Stephen N Muigai	Electrical Engineer	Electrical Engineer	Supervisory
Ephantus H Wamugunda	Chief Economist	Economist	M& E
Everline Nyanwara	CFO	Economist	Financial & Budgetary Control
Joyce Mutugi	Head of Accounting Unit	CPAK B.Com MBA	Financial Supervision Accounting and Reporting
Christopher Kingi	Deputy Head Of Accounting Unit	CPAK BBA MBA	Financial Supervisor
Lawrence K Nyaga	Accountant I	Accountant	Project Accountant
David Kinyae	Supply Chain Management	Procurement Management	Procurement

Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

1.7 Funding summary

The Project is for duration of 8years from 2012 to 2020 with an approved budget of **US\$ 330M** equivalent to **Kshs. 27.347B** as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 th June, 2020)		Undrawn balance to date	
	Donor currency USD	Kshs.	Donor currency (USD)	Kshs.	(30 th June, 2020)	
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
LOAN SUMMARY						
(i) Loan						
IDA	300,000,000	24,860,909,091	261,199,695	26,158,361,681	9,224,235	-1,297,452,590
Total Loans	300,000,000	24,860,909,091	261,199,695	26,158,361,681	9,224,235	-1,297,452,590
(ii) Counter Part funds						
Government of Kenya	30,000,000	2,486,090,909	19,219,164	1,975,814,979	10,780,836	510,275,930
Total	330,000,000	27,347,000,000	280,418,859	28,134,176,660	20,005,071	-787,176,660

1.8 Summary of Overall Project Performance:

1. LIST OF PROJECTS FUNDED USING EXTERNAL LOAN (IDA)

1. Transport - Roads.

NO	PROJECT	CONTRACT SUM (KSHS)	STATUS
1	Rehabilitation and Improvement of Ruiru Hospital Road	233,930,773.60	Complete
2	Construction of the Access Roads to Kikuyu Railway Station	270,500,722.77	Complete
3	Construction of Ngong Bus Terminus, Kajiado County	86,941,825	Complete
4	Construction of Access Road to Limuru Railway Station.	132,327,490.70	Complete
5	Construction of Access Road to Imara Daima Railway Station	406,065,371.22	Complete
6	Rehabilitation of Kenol Hospital Road	163,192,195.32	Complete
7	Juja Circuit Road and Access to Juja Railway Station	395,507,034.69	Complete
8	Rehabilitation of outfall drain and drainage infrastructure in Manyani Estate Roads	217,879,807.20	Complete
9	Rehabilitation and Construction of access Road to Thika Railway Station	168,655,619	Complete

Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

10	Rehabilitation and Construction of access Road to Embakasi Railway Station	261,197,065.27	Complete
11	Construction of Kangundo Road – Kenol, Kenol – Koma & Katumani – Mombasa Road and Rehabilitation of Kenol – Machakos Town – Katumani Link Road.	4,392,444,988.44	Complete
12	Rehabilitation and improvement of Quarry Road - Mlolongo	116,628,285.00	Complete
13	Construction of selected Roads in Kangundo Township	200,512,072.60	Complete
14	Rehabilitation and Construction of Old Nakuru Road	121,516,874.16	Complete
15	Construction of Kitengela Bus Terminus Kajiado County	94,319,204	Complete
16	Construction of Githurai Railway Station Access Roads in Kiambu County.	376,402,351	Complete
17	Rehabilitation and construction of Access Road to Mitubiri Landfill site, Muranga county	814,300,193.19	Complete
18	Construction of Parking Bays in Ngong Township	86,310,719.88	Complete
19	Construction of Parking Bays in Ongata Rongai Township	49,477,300	Complete
20	Construction of Parking Bays in Kitengela Township	60,530,602.06	Complete
21	Kikuyu Tunnel	90,508,105.13	Complete
22	Tala Township Roads	98,300,791.05	Complete
23	Construction of Kitengela Railway Access Road in Kajiado County	196,260,112.14	98% Complete

2. Transport - Commuter Rail Stations.

N O	Project	Contract Sum (Kshs)	Status
1	Improvement of Commuter Rail Stations - Kikuyu and Kahawa Stations	573,510,206.10	Complete
2	Improvement of Commuter Rail Stations - Ruiru Station	298,833,979.92	Complete
3	Improvement of Commuter Rail Stations - Mwiki Stations	273,625,287.53	Complete
4	Improvement of Commuter Rail Stations - Pipeline and Embakasi Village Stations	536,629,457.88	Complete
5	Improvement of Commuter Rail Stations - Athi River Station	434,389,565.20	Complete
6	Improvement of Commuter Rail Stations - Githurai and Dandora Stations	920,318,320.48	Complete
7	Improvement of Commuter Rail Stations - Donholm Stations	279,817,500	Complete
8	Lot 1: Supply, Installation, Testing and Commissioning of ICT, Turnstiles, Barriers and Ticketing/Fare Collection System for Kenya Railways Corporation	405,295,265.84	95% Complete
9	Lot 2: Supply, Installation, Testing and Commissioning of Structured Cabling, Public Address, CCTV and Access Control Systems for Commuter Railway Stations	164,246,880.60	98% Complete

3. Sewerage and Storm Water Projects

No	Project	Contractor	Contract Sum (Kshs)	Status
1	Ruiru Sewerage works	Sinohydro Corporation	2,042,497,777	Complete Complete
2	Construction of Sewerage System for Juja Urban Areas and Thika South	Nanchang Foreign Engineering Company	2,936,598,559	Complete
3	Construction of storm water Drainage in Nairobi City (Dagoretti, Langata, CBD and Embakasi), Thika (CBD and west of CBD), Mavoko and Ongata Rongai township)	Jiangxi Water and Hydropower Construction Kenya Ltd	512,469,561.63	Complete

Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

4. Solid Waste Management.

No	Project	Contractor	Contract Sum (Kshs)	Status
1	Construction of Mitubiri Sanitary Landfill Site, Muranga County	Concordia Building & Civil Engineering Co. Ltd	1,056,478,730	76% for physical works.

5. Disaster & Emergency Preparedness

No	Project	Contract Sum (Kshs)	Status
1	Fire stations – Construction of Waithaka Fire Station	132,596,607.80	Complete
2	Fire stations – Construction of Kangundo Road Fire Station	166,447,872.12	Complete
3	Rehabilitation of 2 No fire station along Tom Mboya and Enterprise Road	32,549,900	Complete
4	Purchase of firefighting equipment 7 No 5,000lts	EUR 1,918,747.98	Delivered and handed over
5	Purchase of firefighting equipment 7 No -10,000lts	EUR 2,581,182.50	20% Complete (Manufactured awaiting shipment)
6	Purchase of 3 No Water Bowsers for Nairobi County	19,608,200	Delivered and handed over
7	Purchase of Exhauster Trucks for Kikuyu and Kiamba	14,400,000	Delivered and handed over
8	Supply and deliver of flush water supply unit and 2 No Backhoe for Nairobi City County	58,568,700	Delivered and handed over
9	Drilling and Equipping of Three (3) number Boreholes and Construction of Three (3) number Elevated Steel Water Tanks in Nairobi City County	33,341,357	Complete

6. Markets

No	Project	Contract Sum (Ksh)	Status
1	Construction of Market in Mwariro	389,592,337.20	Complete
2	Rehabilitation of Market in Karandini	294,314,487.76	Complete
3	Construction for Kikuyu market in Kiambu County	326,500,373.00	Complete
4	Construction for Kihara market in Kiambu County	179,763,274.80	Complete
5	Construction of Ruiru Market in Kiambu County	276,963,268.23	Complete
6	Construction of Juja Market in Kiambu County	200,980,681.00	Complete
7	Construction of Ngong Market in Kajiado County	699,135,541.00	85% Complete

7 Integrated Urban Water Management (IUWM)

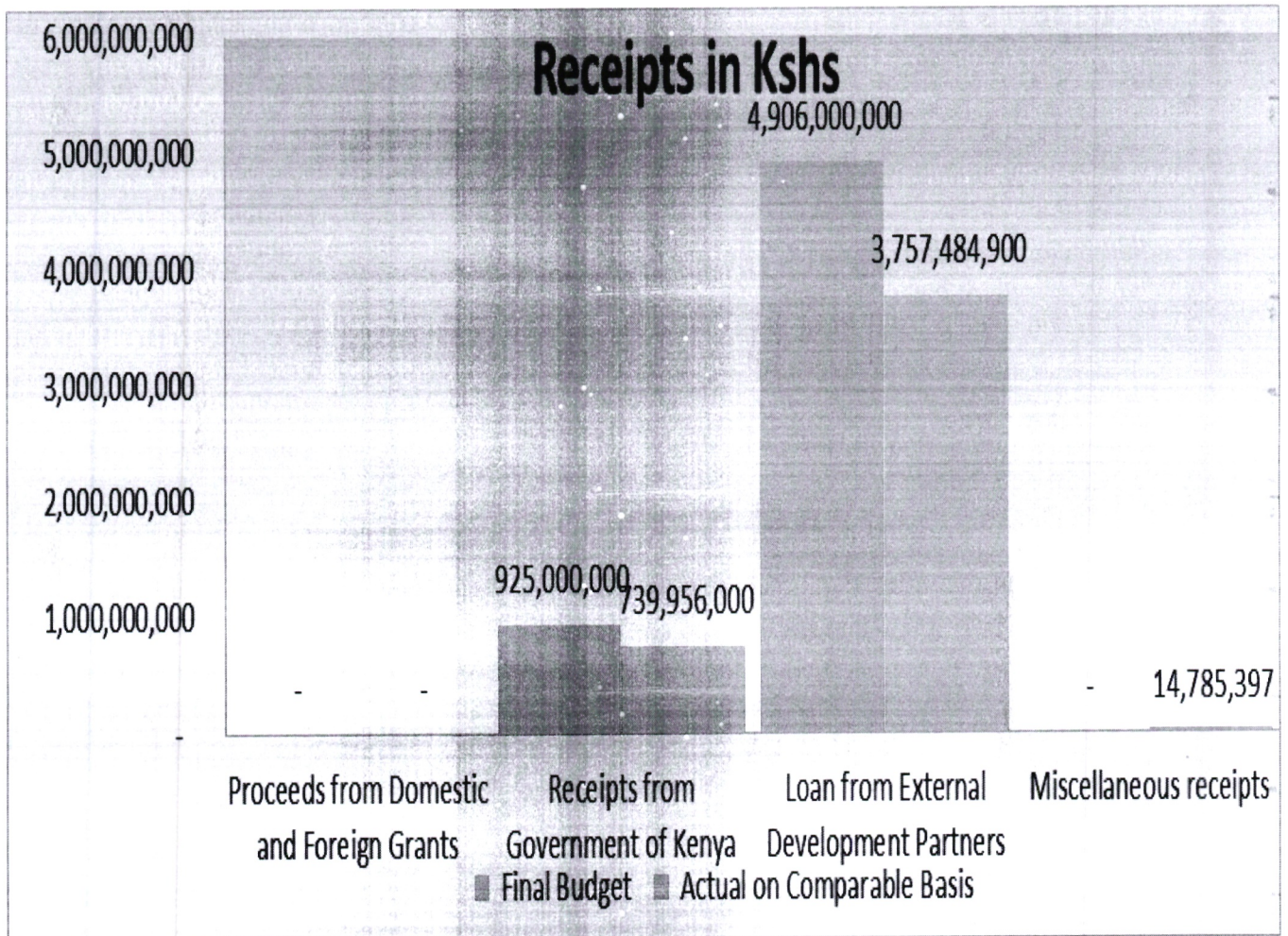
NO	Project	Contract Sum (Kshs)	Status
1	IUWM Projects Lot 1: Rehabilitation of Nairobi City Park & Lenana School Urban Agriculture Pilot Project	127,893,828.00	95% Complete
2	IUWM Projects Lot 2: Roof Catchment for Kiambu District Hospital and Muranga: Level 5 Hospital, Kiambu & Madaraka Parks Urban Parks	158,053,201.6	95% Complete
3	IUWM Projects Lot 3: Roof Catchment and Water Pan Kitengela and Machakos	41,946,584.14	98% Complete

Competitive bidding has been employed when selecting of various suppliers to ensure that there is value for money.

There was also compliance with laid down rules and regulation that bind both the bank and the government.

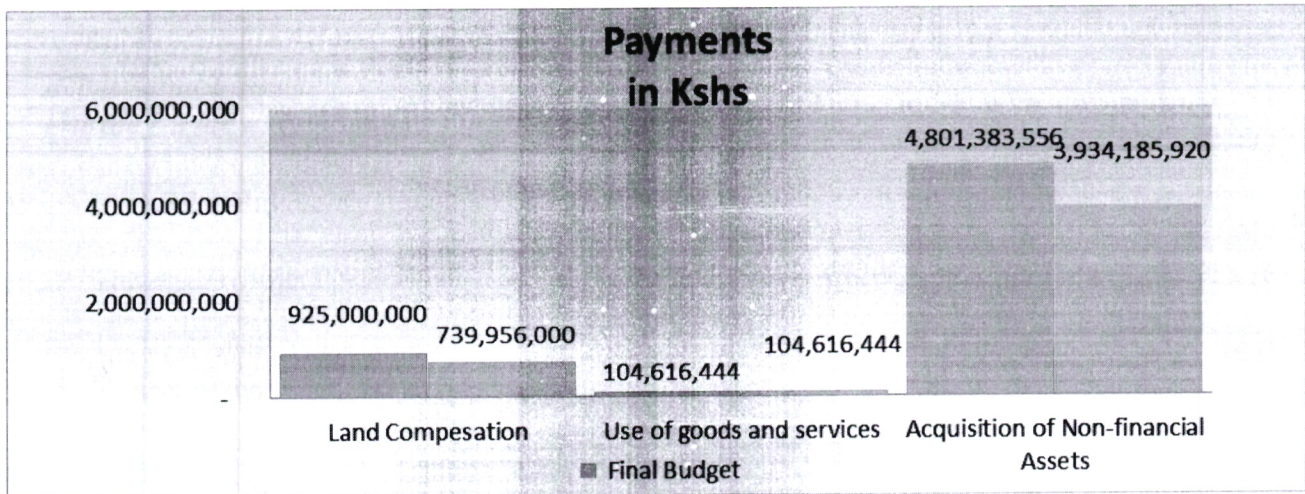
1.8.1 Receipts Utilisation

Under the period under review (2019/2020) the project received exchequer from government of Kenya amounting to Ksh785,196,000 as part of Counterpart fund and Kshs. 3,757,484,900 as proceeds from loans from external development partners i.e. from IDA. This represented 77% of the budget. The receipts utilisation is as shown in the bar graph below:



1.8.2 Payments Utilisation

The actual project performance in the period under review (2019/2020) is Kshs. 4,778,758,364.25. The performance represents 82% of the budget of the year which stands at 5,831,000,000.00. The underutilization was due to ongoing projects carried forward from previous period and carried out using used balances from previous period. The payments utilisation is as shown in the bar graph below:



1.9 Summary of Project Compliance:

There were no cases of non-compliance noted for the period under review.

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department of Housing & Urban Development and the Project Coordinator for Nairobi Metropolitan Services 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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Principal Secretary for the State Department of Housing & Urban Development and the Project Coordinator for Nairobi Metropolitan Services 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 Principal Secretary for the State Department of Housing & Urban Development and the Project Coordinator for Nairobi Metropolitan Services 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, 2020, and of the Project's financial position as at that date. The Principal Secretary for the State Department of Housing & Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement 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.

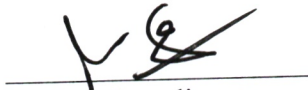
The Principal Secretary for the State Department of Housing & Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that 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 Principal Secretary for the State Department of Housing & Urban Development, and the Project Coordinator for Nairobi Metropolitan Services Improvement project on 23/9/ 2020 and signed by them.



Principal Secretary
Name: Charles M. Hinga, CBS



Project Coordinator
Name: Benjamin Njenga



Project Accountant:
Name: Christopher Kingi
ICPAK Member No: 9467

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NAIROBI METROPOLITAN SERVICES IMPROVEMENT PROJECT (IDA CREDIT NO. 5102-KE) FOR THE YEAR ENDED 30 JUNE, 2020 - STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nairobi Metropolitan Services Improvement Project (IDA Credit No.5102-KE) set out on pages 1 to 20, which comprise the statement of financial assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. and. I have not 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 Nairobi Metropolitan Services Improvement Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.5102-KE dated 21 June, 2012, between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transaction and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi Metropolitan Services Improvement 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 Matters

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

Other Matter

Pending Bills

Note 9.1 to financial statements reflects pending bills of Kshs.13,482,306 as at 30 June, 2020. Management has not provided reasons for non-payment of the bills even though the Project is at risk of incurring significant interest costs and penalties with the continued delay in making payments. Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Delay in Taking over Completed Projects

Review of Project implementation documentation revealed that Kangundo and Mathira fire stations, Athi River, Dandora, Donholm and Embakasi railway stations were complete and the defect liability period had lapsed but they were yet to be taken over from the contractor. Under the circumstances, the Projects' assets have not been put to their intended use. Value for money may not be realized from the investment with the delay in taking over the assets.

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 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 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 the International Development Association (IDA) and the Republic of Kenya, except for the matters described under the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, 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 record 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 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 overall

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

31 December, 2020

Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

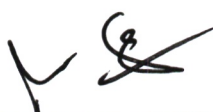
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Note	2019/20		2018/19		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
RECEIPTS						
Transfer from Government entities	8.3	739,956,000	-	-	-	1,975,815,479
Loan from external development partners	8.4	336,600,198	3,420,884,703	988,476,441	5,426,381,364	26,158,361,682
Miscellaneous Receipts	8.5 A	14,785,397	-	6,431,533	-	21,216,930
Other Receipts	8.5 B	45,240,000	-	-	-	45,240,000
TOTAL RECEIPTS		1,136,581,594	3,420,884,703	994,907,974	5,426,381,364	28,200,634,091
PAYMENTS						
Purchase of goods and services	8.6	81,892,431	22,724,014	95,441,249	153,963,554	1,141,250,284
Acquisition of non-financial assets	8.7	1,275,981,231	3,398,160,689	1,405,294,187	5,272,417,810	27,018,211,538
TOTAL PAYMENTS		1,357,873,662	3,420,884,703	1,500,735,436	5,426,381,364	28,159,461,822
SURPLUS/DEFICIT		(221,292,067)	-	(505,827,462)	-	41,172,269

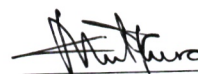
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Principal Secretary
 Name: Charles M. Hinga, CBS



Project Coordinator
 Name: Benjamin Njenga



Project Accountant
 Name: Christopher Kingi
 ICPAK Member No: 9467

*Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

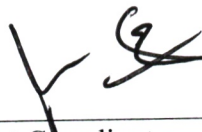
5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020

	Note	2019/20	2018/19
		Kshs.	Kshs.
FINANCIAL ASSETS			
Cash and Cash Equivalents	8.8		
Bank Balances	8.8 A	41,677,663	263,462,656
Total Cash and Cash Equivalents		41,677,663	263,462,656
Accounts receivables – Imprest and Advances	8.9	492,926	-
TOTAL FINANCIAL ASSETS		42,170,589	263,462,656
REPRESENTED BY			
Fund balance b/fwd	8.10	263,462,656	769,290,118
Surplus/Deficit for the year		(221,292,067)	(505,827,462)
NET FINANCIAL POSITION		42,170,589	263,462,656

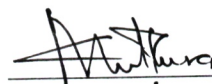
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23/9/2020 and signed by:



Principal Secretary
Name: Charles M. Hinga, CBS



Project Coordinator
Name: Benjamin Njenga



Project Accountant
Name: Christopher Kingi
ICPAK Member No: 9467

*Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

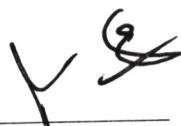
6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019/20	2018/19
	Note	Kshs.	Kshs.
Receipts for operating activities			
Transfer from Government entities	8.3	739,956,000	-
Miscellaneous Receipts	8.5 A	14,785,397	6,431,533
Other receipts	8.5 B	45,240,000	-
		799,981,397	6,431,533
Payments for operating activities			
Purchase of goods and services	8.6	(81,892,431)	(95,441,249)
Adjustments during the year(Change in receivables)	8.9	(492,926)	-
		81,892,431	89,009,716
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8.7	(1,275,981,231)	(1,405,294,187)
Net cash flows from Investing Activities		(1,275,981,231)	(1,405,294,187)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	8.4	336,600,198	988,476,441
Net cash flow from financing activities		336,600,198	988,476,441
NET INCREASE IN CASH AND CASH EQUIVALENT		(221,784,993)	(505,827,4624)
Cash and cash equivalent at BEGINNING of the year		263,462,656	769,290,117
Cash and cash equivalent at END of the year		41,677,663	263,462,656

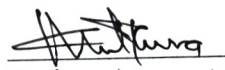
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 23/9/2020 and signed by:



Principal Secretary
Name: Charles M. Hinga, CBS



Project Coordinator
Name: Benjamin Njenga



Project Accountant
Name: Christopher Kingi
ICPAK Member No: 9467

**Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

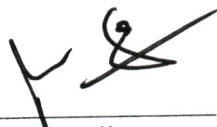
7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	300,000,000	625,000,000	925,000,000	739,956,000	185,044,000	80%
Proceeds from domestic and foreign grants						
Proceeds from borrowings	2,850,000,000	2,056,000,000	4,906,000,000	3,757,484,900	1,148,515,100	77%
Miscellaneous receipts				14,785,397	14,785,397	
Other receipts	-	-	-	45,240,000	45,240,000	%
Total Receipts	3,150,000,000	2,681,000,000	5,831,000,000	4,557,466,297	1,273,533,703	78%
Payments						
Compensation of Land	300,000,000	625,000,000	925,000,000	739,956,000	185,044,000	80%
Purchase of goods and services	104,616,444		104,616,444	104,616,444	-	100%
Social security benefits						
Acquisition of non-financial assets	2,745,383,556	2,056,000,000	4,801,383,556	3,934,185,920	867,197,636	82%
Transfers to other government entities						
Other grants and transfers						
Total Payments	3,150,000,000	2,681,000,000	5,831,000,000	4,778,758,364	1,052,241,636	82%

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



Principal Secretary
Name: Charles M. Hinga, CBS



Project Coordinator
Name: Benjamin Njenga



Project Accountant
Name: Christopher Kingi
ICPAK Member No: 9467

8. NOTES TO THE FINANCIAL STATEMENTS

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

8.1. Basis of Preparation

8.1.1. Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

8.1.2. Reporting entity

The financial statements are for Nairobi Metropolitan Services Improvement Project (NaMSIP) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

8.1.3. 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.

8.2. 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.

• Transfers from the Exchequer

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

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the 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.

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

- **Other receipts**

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

b) Recognition of payments

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

- **Use of goods and services**

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

- **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Repayment of borrowing (principal amount)**

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

- **Acquisition of fixed assets**

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

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

c) In-kind donations

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

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) 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.

g) 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 recognized 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.

h) Third party payments

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

During the year Kshs.3, 420,884,702.65 billion being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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 recognized in the statements of receipts and payments.

j) 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.

k) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30,2020.

l) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/2020	2018/2019	Cumulative
	Kshs.	Kshs.	to-date
<i>Counterpart funding through State Department for Housing and Urban Development</i>			
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	739,956,000	1,235,859,479	1,975,815,479
TOTAL	739,956,000	1,235,859,479	1,975,815,479

8.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

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

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs.	
					Kshs.	Kshs.
					FY2019/20	FY2018/19
Loans Received from Multilateral Donors (International Organizations)						
Loan received from IDA		3,289,100.77	336,600,198	3,420,884,703	3,757,484,900	6,414,857,805
Total		3,289,100.77	336,600,198	3,420,884,703	3,757,484,900	6,414,857,805

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.5A MISCELLANEOUS RECEIPTS (See Annex 2)

	2019-2020			2018-2019	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	Kshs	Kshs	Kshs		
Miscellaneous receipts	14,785,397	-	14,785,397	6,431,533	21,216,930
TOTAL	14,785,397	-	14,785,397	6,431,533	21,216,930

8.5B OTHER RECEIPTS

	2019-2020			2018-2019	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	Kshs	Kshs	Kshs		
Other receipts (From Kiambu County for Construction of Kikuyu Market)	45,240,000		45,240,000		
TOTAL	45,240,000		45,240,000		

*Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

8.6 PURCHASE OF GOODS AND SERVICES

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Other operating costs	4,930,817.30		4,930,817.30	26,730,567	99,756,391
Printing, advertising supplies & services	7,195,370.00		7,195,370.00	16,986,899	105,508,325
Training payments	14,868,916.00	1,470,600.00	16,339,516.00	28,738,024.50	141,678,527
Consultancy Services -Technical	54,897,327.35	21,253,413.80	76,150,741.15	176,949,312.10	798,307,041
Total	81,892,430.65	22,724,013.80	104,616,444.45	249,404,803	1,141,250,284.45

Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

8.7 ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Construction of roads	48,645,219.25	397,773,556.85	446,418,776.10	2,101,748,681.90	8,415,236,979.00
Construction of civil works	203,054,544.20	1,276,776,940.60	1,479,831,484.80	3,757,728,661.20	12,496,715,230.00
Purchase of vehicles & other transport equipment	-	-	-	-	59,508,000.00
Purchase of office furniture & general equipment	9,249,919.90	-	9,249,919.90	-	17,616,993.90
Purchase of specialised plant, equipment and machinery	-	-	-	170,474,321.65	638,236,132.65
Research, studies, project preparation, design & supervision	151,146,439.90	717,758,132.40	868,904,572.30	647,760,331.95	3,341,506,875.25
Acquisition of land	739,956,000.00	-	739,956,000	-	919,610,160.00
Construction of Buildings	123,929,107.70	1,005,852,059.00	1,129,781,166.70		1,129,781,166.70
Total	1,275,981,230.95	3,398,160,688.85	4,674,141,919.80	6,677,711,996.70	27,018,211,537.50

**Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

These balances and supporting documents are held by the government entities and can only be verified there. The ministry maintains a record of all expenditure returns made by the other government entities.

8.8 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	Kshs.	Kshs.
Bank accounts (Note 8.8A)	41,677,662.85	263,462,656.05
Total	41,677,662.85	263,462,656.05

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

8.8A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	Kshs.	Kshs.
Local Currency Accounts		
Central Bank of Kenya [A/c No1000396954]	31,053,425,.45	193,110,210.20
Central Bank of Kenya [A/c No1000396938]	10,624,237.40	70,352,445.85
Total local currency balances	<u>41,677,662.85</u>	<u>263,462,656.05</u>
Total bank account balances	<u>41,677,662.85</u>	<u>263,462,656.05</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2020 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

	2019/20	2018/19
	Kshs.	Kshs.
(i) A/C Nairobi Metropolitan Services Improvement Project [A/c NO: 0810299949176]		
Opening balance(USD (1,778,800*103.61+1,510,300.77*100.84)=USD3,289,100.77	344,206,521.40	22,049,160.05
Total amount deposited in the account(USD)	-	1,310,649,252.35
Total amount withdrawn (as per Statement of Receipts & Payments) (USD 1,778,800*103.61+1,510,300.77*100.84)=USD3,289,100.77	336,600,197.60	988,476,441
Exchange Gain	7,606,323.75	15,450
Closing balance (as per SDA bank account reconciliation attached	0	344,206,521.40

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix 1* support these closing balances.

*Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
8.9. OUTSTANDING IMPRESTS AND ADVANCES**

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2020</i>	<i>Balance 2019</i>	<i>Comment</i>
Merab Okwaro	464,564.60		300,256.00	164,308.60	-	Travel Restriction and Lockdown upon Covid 19 pandemic
Caroline Cherotich	464,564.60		300,256.00	164,308.60	-	Travel Restriction and Lockdown upon Covid 19 pandemic
Beth Mburu	464,564.60		300,256.00	164,308.60	-	Travel Restriction and Lockdown upon Covid 19 pandemic
TOTAL	1,393,693.80		900,768.00	492,925.80	-	

8.10 FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	Kshs.	Kshs.
Bank accounts	<u>41,677,662.85</u>	263,462,656.05
Total	<u><u>41,677,662.85</u></u>	<u>263,462,656.05</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.11 PRIOR YEAR ADJUSTMENT

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

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

8.12 CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Outstanding Imprest as at 1 st July 2019 (A)	Nil	-
Imprest issued during the year (B)	6,280,439.55	-
Imprest surrendered during the Year (C)	5,787,513.75	-
Net changes in account receivables D= A+B-C	492,925.80	-

8.13 CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	703,296,705.60	-
Deposit and Retentions held during the year (B)	277,003,130.80	-
Deposit and Retentions paid during the Year (C)	753,235,218.15	-
Net changes in account receivables D= A+B-C	227,064,618.25	-

NB: The retention money has no dedicated bank account for which these funds can be found. This is because the donor's disbursement guideline restrict payment of retention through donor exchequer or direct payment. The donor's disbursement guideline does not treat transfer of funds to a holding deposit account disbursement, but as a third party account payment hence ineligible.

*Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. OTHER IMPORTANT DISCLOSURES

9.1 PENDING ACCOUNTS PAYABLE (See Annex 3)

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	9,063,813.70	2,588,901.80	9,063,813.70	2,588,901.80
Construction of civil works	36,419,168.30	3,309,168.40	35,521,337.45	4,206,999.25
Supply of goods	5,886,718.60	1,823,501.50	5,708,528.00	2,001,692.10
Supply of services	9,776,388.30	4,684,713.00	9,776,388.30	4,684,713.00
Total	61,146,088.90	12,406,284.70	60,070,067.45	13,482,306.15

9.2 PENDING STAFF PAYABLES (See Annex 2B)

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Unionisable employees	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

9.3 OTHER PENDING PAYABLES (See Annex 2C)

	Balance b/f FY 2017/2018	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
Total	-	-	-	-

*Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

10. 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 (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Retention Monies	It is the policy of the World Bank to release fund for payment to contractors upon the Certificate of substantial completion or upon successful defect liability period or both. Therefore the contractor's retention money is held by the World Bank while the project teams maintain each contractors withheld retention money.	Management	Resolved	
	Unremitted taxes	It is true the Project Financial Statement discloses pending	Management	Resolved	

Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Bills amounting to Kshs. 61,146,088.90 As at 30th June 2019. This balance includes withheld but unremitted taxes amounting to Kshs. 53,699,245.95 being Kshs. 33,359,529.35 Vat and Kshs. 20,339,716.60 Withholding. To date these amounts have been paid, attached is the list of the paid taxes.</p>			



Principal Secretary

Date



Project Coordinator

Date

Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	925,000,000	739,956,000	185,044,000	80%	Discount on land
Proceeds from borrowings	4,906,000,000	3,757,484,900	1,148,515,100	77%	Delays in of exchequer release
Miscellaneous receipts	-	14,785,397	14,785,397	-	-
Other receipts	-	45,240,000	45,240,000	-	-
Total Receipts	5,831,000,000	4,557,466,297	1,273,533,703	78%	
Payments					
Land Compensation	925,000,000	739,956,000	185,044,000	80%	Delays in supplementary Budget approval
Purchase of goods and services	104,616,444	104,616,444	104,616,444	100%	-
Acquisition of non-financial assets	4,801,383,556	3,934,185,920	867,197,636	82%	Delays in supplementary Budget approval
Total payments	5,831,000,000	4,778,758,364	1,052,241,636	82%	

*Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

ANNEX 2 – MISCELLENEOUS RECEIPTS

Refund to IDA by GoK			
DATE	PV	PAYEE	Ksh
31-05-2019	401	NAANCHANG ENGINEERING	5,309,871.85
13-06-2019	765	VICTOR OGUTU	1,280,000.00
27-06-2019	495	EGIS EAU	7,585,372.60
28-06-2019	637	SGS KENYA LIMITED	610,152.15
		TOTAL	14,785,396.60

ANNEX 3 - PENDING ACCOUNTS PAYABLE

ACCOUNTS PAYABLE FY 2019-2020		
NO	PAYEE	AMOUNT (Ksh)
01	SCOPE DESIGN	283,500.95
02	GATH CONSULTANTS	2,754,395.45
03	G L WILLIAMS	912,323.55
04	ASHBRO INTERNATIONAL	1,396,844.85
05	CHINA TIACHENG	1,113,120.40
06	THREE ES	406,662.85
07	THREE ES	171,287.70
08	THREE ES	897,830.85
09	NATURE SURF	1,823,501.50
10	ASSOCIATED ARCHITECT	160,275.00
11	IDCG ENGINEERING	996,926.35

*Nairobi Metropolitan Services Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

12	DASAN ENGINEERING	489,615.25
13	NORTHERN WAY	1,000,000.00
14	JB GAUFF ENGINEERING CONS	178,190.60
15	THREE ES BUILDING CONTR	897,830.85
	TOTAL	13,482,306.15



ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset Class	Opening Cost (Kshs.) 2018/19	*Purchases/Additions in the Year (Kshs.) 2019/20	Total balance for the Year (Kshs.) 2019/20	Closing Cost (Kshs.) 2019
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Land	179,654,160	739,956,000	919,610,160.00	919,610,160.00
Truck mounted storm water flushing bouncers	39,708,690.80		39,708,690.80	39,708,690.80
Motor Vehicles	75,068,000		75,068,000	75,068,000
Water Bowsers (Multiline motors),	19,020,000		19,020,000	19,020,000
Office equipment, furniture and fittings	5,490,000	1,586,000	7,076,000	7,076,000
ICT Equipment, Software and Other ICT Assets	127,640,841		127,640,841	127,640,841
Other Machinery and Equipment (Firefighting Equipment ,excavators	233,807,237		233,807,237	233,807,237
Geo-information Equipment	167,869,706	7,581,885	175,451,591	175,451,591
Total	848,258,635	749,123,885	1,597,382,520.00	1,597,382,520.00

Acquisition of assets in the statement of receipts of payments involve various activities such as construction of roads that are not additions in the fixed assets register

