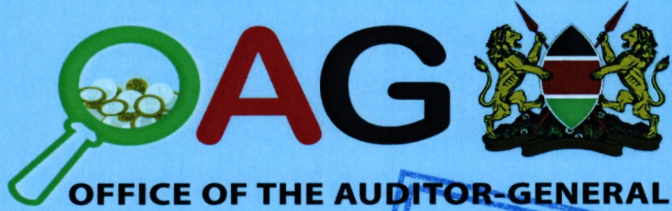


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

DATE: 09 FEB 2022

DAY:

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TABLED BY:

LOM

CLERK OF THE TABLE:

N. Kalama

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

**NATIONAL URBAN TRANSPORT
IMPROVEMENT PROJECT CREDIT
NO.5140 KE (MOT COMPONENT)**

**FOR THE YEAR ENDED
30 JUNE, 2021**

STATE DEPARTMENT FOR TRANSPORT



OF THE AUDITOR GENERAL
Box 30084 - 00100, NAIROBI
REGISTRY

15 NOV 2021

RECEIVED

NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT

STATE DEPARTMENT OF TRANSPORT

PROJECT GRANT/CREDIT NUMBER- 5140-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

*National Urban Transport Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

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**National Urban Transport Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021**

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is National Urban Transport Improvement Project (NUTRIP)

Objective: The key objective of the project is to improve the efficiency of road transport along the northern corridor and to improve the institutional capacity and arrangements in the urban sub-sector.

Address: The project headquarters offices are Nairobi City, Nairobi County, Kenya.

The address of its registered office is:

NUTRIP Project
Ministry of Transport
Transcom House
P.O. Box 40020-00200
Nairobi

Contacts: The following are the project contacts

Telephone: (254) 2729200
E-mail: ps@transport.go.ke
Website: www.go.ke

1.2 Project Information

Project Start Date:	3rd August ,2012
Project End Date:	31st December 2018
Project Manager:	Mr George Wanjau
Project Sponsor:	International Development Association (WORLD BANK)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport and Infrastructure..
Project number	5140-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) To reduce road fatality, training and capacity building of staff in transport sector.

**National Urban Transport Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021**

	(ii) To have a harmonized urban transport system.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Implementation of various road safety interventions. (ii) Undertaking consultancy on various urban transport system
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Implementation of various road safety interventions. (ii) Undertaking consultancy on various urban transport system
Project duration	The project started on 3 rd August 2012 and ended on 31st December 2018

1.4 Bankers

The following are the bankers for the current year:

(i) Local project account
Equity Bank
Centre Branch
P.O Box 75104-00200
Nairobi, Kenya

(ii) Special deposit account
Commercial Bank of Africa

1.5 Auditors

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

National Urban Transport Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
George Wanjau	D.Chief economist	Qualified	Deputy Team leader
Paul Kingori	Economist	Qualified	Project Coordinator
Tobias Olambo	Accountant	Qualified	Project Accountant

1.7 Funding summary

The Project is for duration of six years from 2012 to 2018 with an approved budget of US\$ 16.9 equivalent to Kshs 1.5 Billion as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date		Undrawn balance to date	
			(30th June, 2021)		(30th June, 2021)	
	USD	KShs	(USD)	KShs	(USD)	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
LOAN SUMMARY						
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
IDA WORLD BANK	13,400,000	1,152,400,000	9,263,856	935,649,481	4,136,144	216,750,519
Counter Part funds						
GOVERNMENT OF KENYA	3,500,000	347,600,000	1,092,938	108,544,369	2,407,062	239,055,631
Total Funding Summary	16,900,000	1,500,000,000	10,356,794	1,044,193,850	6,543,206	455,806,150

National Urban Transport Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021

B. Application of Funds

Application of funds	Amount received to date(30 th June 2021)		Cumulative Amount paid to date(30 th June 2021)	Unutilized balance to date (30 th June 2021))	
	USD	Kshs	Kshs	USD	shs
	(A)	(A')	(B')	(A)-(B)	A')-(B')
Loan					
IDA WORLD BANK	9,263,856.00	935,649,481	935,649,481	0	
Counterpart funds					
Government of Kenya	1,092,938	108,544,369	108,544,369	0	0
Total	10,356,794	1,044,193,850	1,044,193,850	0	0

1.8 Summary of Overall Project Performance:

The Project had no activities for the year under review. The outstanding account balances were transferred to the National Treasury.

1.9 Summary of Project Compliance:

The Program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed.

2 STATEMENT OF PERFORMANCE AGAINST PROJECTS' PREDETERMINED OBJECTIVES

2.1 Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

2.2 Objectives

The key development objectives of the project's 2012-2018 plans are to:

- (a) To improve the efficiency of road transport along the the northern corridor. .;
- (b) To improve the institutional capacity and arrangements in the urban transport sub sector.
- (c) To promote the private sector participation in the operation, financing and management of transport systems.

2.3 Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
National urban Transport improvement Project	To improve the efficiency of road transport along the northan corridor	Improved efficiency of road transport along the Northern Corridor	Reduction in average travel time, vehicle operating costs and number of road crashes from Junction Jomo Kenyatta International Airport.	Road safety in Kenya has substantially improved. The number of road crashes along the Northern Corridor (JKIA – Rironi section) has decreased by 30% and 22 % in 2016 and 2017, respectively exceeding the target(15%).

*National Urban Transport Improvement Project
 Reports and Financial Statements
 For the financial year ended June 30, 2021*

	To improve the institutional capacity and arrangements in the urban transport sub sector.	Improved institutional capacity and arrangements in the urban transport subsector	Nairobi Metropolitan Transport Authority established and functional, National Road Transport and Safety Authority established and functional and Urban public transport rules and regulations development and in use.	NTSA and NaMATA established and operationalized
	To promote the private sector participation in the operation, financing and management of transport systems.	Enhanced private sector participation in the operation, financing, and management of transport systems.	Offer Bus Rapid Transit corridor for thr Public Private Prtnerships (PPP), one commuter rail line for PPP.	Not achieved. Project terminated Pre-maturely.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

None

2. Environmental performance

The rehabilitation and expansion of existing roads within the existing right way which did not traverse the natural habitats.

Overall environmental Safeguards Performance of the NUTRIP was moderately satisfactory while the Environment Risk-Rating was considered substantial because of the construction works and implementation and monitoring of the occupational health and safety action plan.

3. Employee welfare

Capacity building of staff to carry out its responsibilities, including on monitoring and evaluation of the project.

Building the capacity of the newly established National Construction Authority.

Training of staff both individual and group training.

Skills upgrade through workshops and seminars.

4. Market place practices

a) Responsible Competition Practice

Competitive practices are ensured through competitive bidding, parity in supplier selection, and application of preferences for special groups where applicable, i.e. Youth, Women and Persons with disabilities.

b) Responsible Supply chain and supplier relations

The organisation maintains good business practices by adhering to the set act and regulations, i.e. The Public Procurement and Asset Disposal Act 2015 And Regulations 2020

c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

Efforts under this are maintained through Pre qualifications and continuous update of suppliers' profiles by the organisation. Market trends are updated annually through market indexes published by procurement bodies e.g. PPRA and KISM.

d) Product stewardship- outline efforts to safeguard consumer rights and interests

Provision of proper specifications for Goods, Works and Services, and adhering to them.

Engaging the statutory bodies charged with overseeing quality e.g. KEBS.

Carrying out due diligence whenever in doubt, especially before award of contracts.

5. Community Engagements

None

***National Urban Transport Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary State Department for Transport and the Project Coordinator for NUTRIP 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 Principal Secretary State Department for Transport and the Project Coordinator for NUTRIP 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 State Department for Transport and the Project Coordinator for NUTRIP project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Principal Secretary State Department for Transport and the Project Coordinator for NUTRIP 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 State Department for Transport and the Project Coordinator for NUTRIP 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 State Department for Transport and the Project Coordinator for NUTRIP project on 26th October 2021 and signed by them.

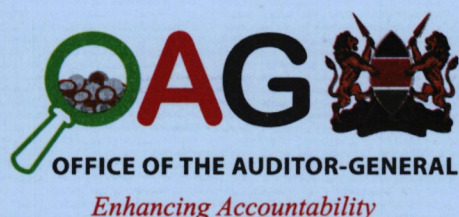

Principal Secretary
Name: Dr. Eng. Joseph Njoroge, CBS


Project Coordinator
Name: Paul Kingori


Project Accountant:
Name: P Karanja
ICPAK Member No: 70

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT CREDIT NO.5140 KE (MOT COMPONENT) FOR THE YEAR ENDED 30 JUNE, 2021 – STATE DEPARTMENT FOR TRANSPORT

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Urban Transport Improvement Project (SDT) IDA Loan No. Credit No.5140 set out on pages 1 to 17, which comprise the statement of financial assets as at 30 June, 2021, and the statement of

receipts and payments, statement of cash flows and statement of comparative of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Urban Transport Improvement Project (SDT) IDA Loan No. Credit No.5140 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 Financing Agreement Credit No.5140-KE between the Republic of Kenya and International Development Association dated 26 December, 2012.

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

Basis for Qualified Opinion

1. Un-Utilization of Donor Grant

As disclosed in the project information under Note 1.7 funding summary, IDA had committed an amount of Kshs.1,152,400,000 for utilization under the project but as at the close of the project only Kshs.935,649,481 was utilized resulting to an undrawn amount of Kshs.216,750,519. Information provided for audit review reflects USD.207,468,633 as amount cancelled as of 21 December, 2018 due to poor performance of the project. However, no reconciliation between the amount cancelled and undrawn amounts reflected in the financial statements was provided for audit review.

In the circumstances, the accuracy and validity of the donor grant received of Kshs.935,649,481 disbursed as at 30 June, 2021 could not be ascertained.

2. Unreconciled Donor Amount

The project information and overall performance under Note 1.7 funding summary, reflects amount received to-date of US Dollars.9,263,856 while the special account report of National Urban Transport Improvement Project (SDT) IDA Loan No. Credit No.5140-KE DA-C for the year ended 30 June, 2021 reflects amount advanced by IDA to the project amounting to USD.2,240,354 as at 30 June, 2021. Although USD.9,263,856 reflected as donor commitment in the financial statement was explained as cumulative disbursements to the various authorities under the State Departments (Kenya Civil Aviation, Kenya Railway Corporation and Kenya Airports Authority) the reason for capturing grants relating to other entities was not provided and the variance of USD.7,023,502 was similarly not reconciled or supported. In addition, the financial statements did not include the projects special accounts reconciliation statements as per the financial reporting template prescribed by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the actual grant advanced has been misstated.

3. Lack of Updated Fixed Assets Register

Annex 2 to the financial statements contains a summary of fixed asset register for the Project with a balance of Kshs.406,811,939. Included in this balance are office equipment, furniture and fittings and vehicles and other transport equipment worth Kshs.70,207,070 and Kshs.145,276,985 respectively. However, the physical assets register provided for audit review reflected assets totalling Kshs.23,608,500 resulting to a balance of Kshs.383,203,439 unaccounted assets.

In the circumstances, acquisition of non-financial assets cumulative balance of Kshs.406,811,939 reflected in the statement of receipts and payments could not be confirmed.

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

Key Audit Matters

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 the year under review.

Other Matter

Project Closure Report

The Project Information and Funding Summary reflected at Note 1.2 and Note 1.7 respectively indicates that the project's duration was six years from 3 August, 2012 to 31 December, 2018. However, Management did not provide completion certificates, hand-over minutes and the project completion report for audit review. In the absence of these reports and minutes, it is not possible to ascertain whether the project activities came to a close and the existence and ownership of the assets acquired under the project.

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 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the 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 liquidate the Project or 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 Project's 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 entity 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 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 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 Project's 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 to express an opinion on the Project's 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

30 November, 2021

Report of the Auditor-General on National Urban Transport Improvement Project Credit No.5140 KE (MOT Component) for the year ended 30 June, 2021 – State Department For Transport

**National Urban Transport Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021**

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

Note	2020/2021			2019/2020		Totals	Cumulative to-date (From inception)
	Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Totals	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs		
RECEIPTS							
Transfer from Government entities	-	-	-	10,857,572	-	10,857,572	108,544,369
Loan from External Development Partners	-	-	-	-	-	-	935,649,481
TOTAL RECEIPTS	-	-	-	10,857,572	-	10,857,572	1,044,193,850
PAYMENTS							
Purchase of goods and services	600	-	600	-	-	-	578,792,617
Acquisition of non-financial assets	-	-	-	-	-	-	406,811,398
Transfers to other government entities	-	-	-	-	-	-	47,176,982
Other grants and transfer payments	555,281	-	555,281	10,857,572	-	10,857,572	11,412,853
Total Payment	555,881	-	555,881	10,857,572	-	10,857,572	1,044,193,850
SURPLUS/(DEFICIT)	(555,881)	-	(555,881)	-	-	-	-

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 26th October 2021 and signed by:


Principal Secretary
Name: Dr. (Eng.) Joseph Njoroge, CBS


Project Coordinator
Name: Paul Kingori


Project Accountant:
Name: P. Karanja-ICPAK Member No: 1234

National Urban Transport Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021

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

	Note	2020-2021 KShs	2019-2020 KShs
Receipts from operating activities			
GOK counter part	11.1	-	10,857,572
Payments from operating activities			
Other grants and Transfer payment	11.6	(555,281)	(10,857,572)
Purchase of goods and services	11.3	(600)	
Net cash flow from operating activities		-	-
Adjustments during the year	11.8	-	541
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets		-	-
Net cash flows from Investing Activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT			555,340
Cash and cash equivalent at BEGINNING of the year		555,881	-
Cash and cash equivalent at END of the year		-	555,881

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 26th October 2021 and signed by:



Principal Secretary
Name: Dr. Eng. Joseph Njoroge, CBS



Project Coordinator
Name: Paul Kingori
ICPAK Member No: 728

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget a	Adjustment b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c
Receipts						
Transfer from Government entities	-		-	-	-	-
Proceeds from domestic and foreign grants						
Proceeds from borrowings						
Miscellaneous receipts	-		-	-	-	-
Total Receipts						
Payments						
Compensation of employees	-		-	600	(600)	
Purchase of goods and services						
Social security benefits						
Acquisition of non-financial assets	-		-	555,281	(555,281)	(100)%
Transfers to other government entities						
Other grants and transfers	-		-	555,881	(555,881)	(100)%
Total Payments						

The negative variance was occasioned by the transfer of the Bank Account balances the National Treasury upon closure of the Bank Accounts.

Principal Secretary
 Name: Dr. (Eng.) Joseph Njoroge, CBS

Project Coordinator
 Name: Paul Kingori

Project Accountant:
 Name: Priscilla Karanja
 ICPAK Member No: 1247

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 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.

• Transfers from the Exchequer

Transfer from Exchequer is to 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.

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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.

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- **Acquisition of fixed assets**

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

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

c) In-kind donations

In-kind contributions are donations that are made to the 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

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

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 3** of this financial statement is a register of the contingent liabilities in the year.

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

g) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the 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.

i) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The 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.

j) Third party payments

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

During the year Kshs - billion being loan disbursements were received in form of direct payments from third parties.

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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.

l) Comparative figures

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

m) Subsequent events

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

n) Errors

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

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11. NOTES TO THE FINANCIAL STATEMENTS

11.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	Cumulative to-date (from inception)
	KShs	KShs	KShs
Receipts from government of Kenya	-	10,857,572.20	108,544,369
TOTAL	-	10,857,572.20	108,544,369

11.2 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount in KShs	
		USD	KShs	KShs	2020/2021	2019/20
International Development Association (IDA)				-	-	-
Total					-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.3 PURCHASE OF GOODS AND SERVICES

	F/Y 2020/2021			F/Y 2019/2020	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	-	539,153,448
Communication, supplies and services	-	-	-	-	950,000
Domestic travel and subsistence	-	-	-	-	1,053,625
Foreign travel and subsistence	-	-	-	-	9,452,317
Printing, advertising and – information supplies & services	-	-	-	-	364,500
Training payments	-	-	-	-	3,708,300
Hospitality supplies and services	-	-	-	-	7,858,978
Specialised materials and services	-	-	-	-	15,600,000
Other operating payments (Bank Charges)	600	-	600	-	651,449
Total	600	-	600	-	578,792,617

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.4 ACQUISITION OF NON-FINANCIAL ASSETS

	2020/2021			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of vehicles & other transport equipment	-	-	-	-	145,276,444
Purchase of household furniture & institutional equipment	-	-	-	-	70,207,070
Contracted Professional Services	-	-	-	-	119,000,884
Pre-Feasibility Studies	-	-	-	-	72,327,000
Total	-	-	-	-	406,811,398

11.5 TRANSFERS TO OTHER GOVERNMENT ENTITIES

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
Transfers to National Government entities					47,176,982
TOTAL	-	-	-	-	47,176,982

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.6 OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Miscellaneous payments –World Bank Refund	-	-	-	10,857,572	10,857,572
Miscellaneous payments – Remittance to the National Treasury	555,281	-	555,281		555,281
Total	555,281	-	555,281	10,857,572	11,412,853

- i) The Remittance to the National Treasury is the transfer to the Exchequer of unspent Balances in the Project's local currency Account.
- ii) The World Bank Refund relates to the refund of unspent money to the World Bank.

11.7 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2020/2021	2019/2020
	KShs	KShs
Bank accounts	-	555,881
Total	nil	555,881

The project has had one project account spread within the project implementation area and one foreign currency designated accounts which was managed by the National Treasury.

The Project bank account has been closed as at 30th June 2021 and the bank balances remitted to the Exchequer account at the National Treasury.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.7A Bank Accounts

Project Bank Accounts

	2020/2021	2019/2020
	KShs	KShs
Local Currency Accounts		
Equity Bank [A/c No 0810260438350]	-	555,881.00
Total local currency balances	-	555,881.00
Total bank account balances	nil	555,881.00

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	KShs	KShs
(i) A/C Name [A/c No.....]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=
Closing balance (as per SDA bank account reconciliation attached)	=	=
(ii) A/c Name: CBA A/No. 6968510017		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=
Closing balance (as per SDA bank account reconciliation attached)	=	=

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11.7B FUND BALANCE BROUGHT FORWARD

	2020/2021	2019/2020
	KShs	KShs
Bank accounts	-	555,881.00
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	555,881.00

11.8 CHANGES IN RECEIVABLE

Description of the error	2020-2021	2019-2020
	KShs	KShs
Opening Receivables as at 1 st July 2019	-	-
Closing account receivables as at 30 th June 2020	-	541
Change in Receivables	-	541

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12 PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
F/Y 2019/2020	Under Absorption of Project Funds	This was occasioned by the unexpected termination of the Project in December 2018 at request of the Government due to the project's poor performance.	Project Coordinator	Not Resolved	F/Y 2021/2022
F/Y 2018/2019	Procurement of Services	Explained	Project Coordinator	Not Resolved	F/Y 2021/2022


Principal Secretary

Date

28/10/2021


Project Coordinator

Date

27/10/2021

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13. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	-		-	-	
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	-	-	-	-	
Total Receipts	-	-	-	-	
Payments					
Purchase of goods and services					
Other grants and transfers	-	600	(600)	(100)%	Bank Charges against the closure of the Bank Account
Total payments	-	555,281	(555,281)	(100)%	Transfer of Bank balances to the National Treasury upon Closure of Project Account.
		555,881	(555,881)	(100)%	Closure of Project Bank Account

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/20 (a)	*Purchases/Additions in the Year (KShs) 2019/20 (b)	**Disposals in the Year (KShs) 2018/19 (c)	Closing Cost (KShs) 2019/20 (d) = (a) + (b) - (c)
Office equipment, furniture and fittings	70,207,070	-	-	70,207,070
Vehicles and other transport equipment	145,276,985	-	-	145,276,985
Contracted Professional Services	119,000,884	-	-	119,000,884
Pre-feasibility Studies	72,327,000	-	-	72,327,000
Total	406,811,939	-	-	406,811,939

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ANNEX 3 – CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1	None				
2					
3					

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APPENDICES

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