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Enhancing Accountability



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THE AUDITOR-GENERAL

ON

**KENYA TRANSPORT SECTOR SUPPORT
PROJECT CREDIT NO. 4926-KE AND
NO. 5410-KE (MOT COMPONENT)**

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

STATE DEPARTMENT FOR TRANSPORT



KENYA TRANSPORT SECTOR SUPPORT PROJECT

STATE DEPARTMENT FOR TRANSPORT

PROJECT GRANT/CREDIT NUMBER 4926-KE AND 5410-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)**

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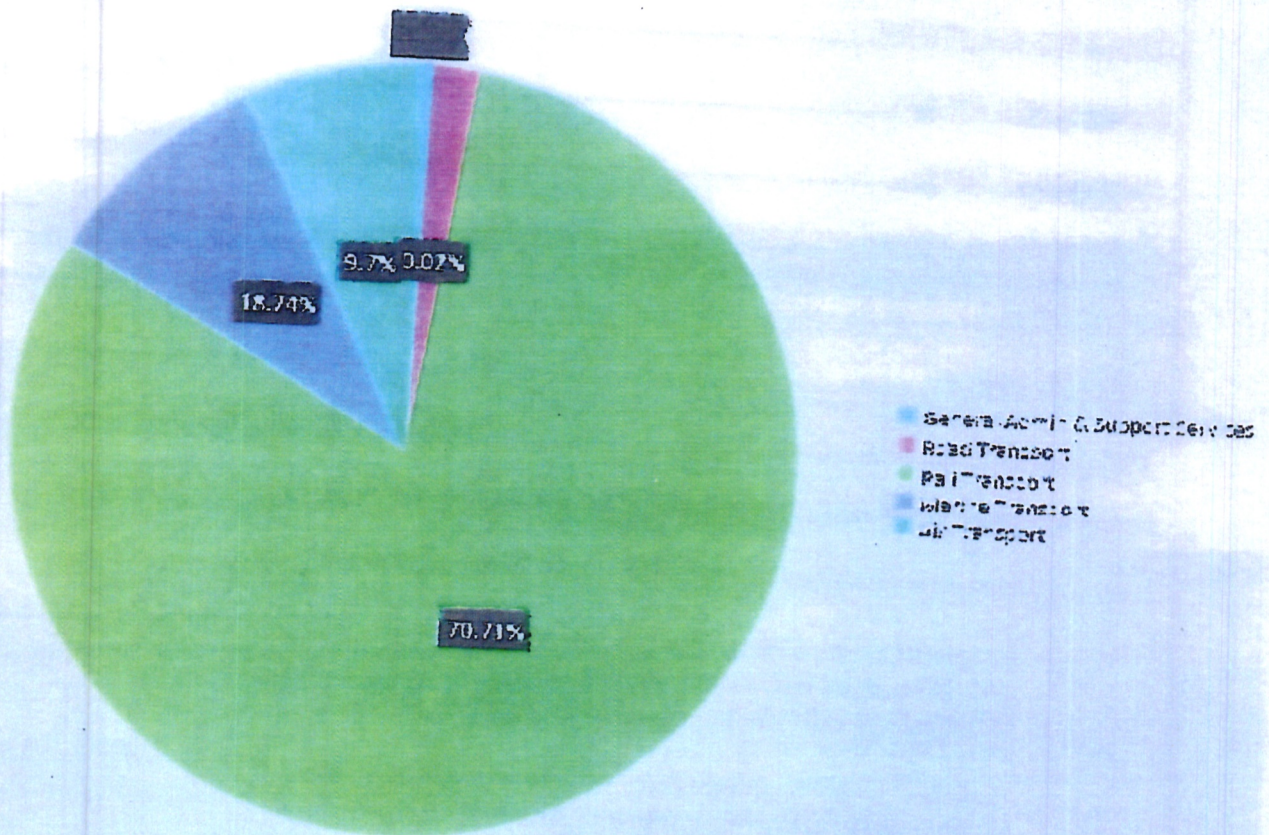
I. FORWARD BY THE CABINET SECRETARY

The mandate of the State Department for Transport (SDOT) for the financial year 2019/2020 was Transport Policy Management, Management and Infrastructure Development for Rail, Marine and Air Transport, Fast Tracking of Identified Northern Corridor Integration Projects, Oversight & Coordination of Lamu South Sudan Ethiopia Transport Corridor (LAPSSET) Programme Implementation, Civil Aviation Management & Training, National Roads Development Policy Management, Development and Maintenance of Aerodromes

The total budget for the State Department was Kshs.103,966,601,040, Recurrent Kshs. 9,768,110,285 Development Kshs. 94,198,490,755.

The pie chart below depicts the budget allocation by Programs and proportional percentage of the total budget allocation. Rail Transport- 70.71 % Road Transport 0.02%, Marine Transport 18.74%, Air Transport Services 9.7%, and General Administration and Support Services 0.83%.

BUDGET ALLOCATION BY PROGRAMMES



The utilization of this budget as per the Economic items is depicted in the table below

Budget Utilization as Per Economic Items			
	Approved Budget Allocation	Actual Payments	% of Actual payment to Approved Budget Allocation per Economic Item
Compensation of Employees	216,528,045	198,567,233	91.71%
Use of goods and services	499,785,286	249,114,785	49.84%
Subsidies	-	-	0.00%
Transfers to Other Government Units	39,643,103,944	32,412,939,824	81.76%
Other grants and transfers	-	-	0.00%
Social Security Benefits	4,701,504	4,631,431	98.51%
Acquisition of Assets	63,602,482,261	64,181,798,587	100.91%
Finance Costs, including Loan Interest	-	-	0.00%
Repayment of principal on Domestic and Foreign borrowing	-	-	0.00%
Other Expenses	-	-	0.00%
Total Payments	103,966,601,040	97,047,051,860	93.34%

As per the table, the overall Budget Utilization per the Economic items was at 93.34%.

However there were variations in some Economic items of $\pm 10\%$ such as:

- i) Acquisition of Assets; Budget utilization was at 100.91%. This was caused by a reduction in budget under supplementary II after the payment of a commitment on Mombasa to Nairobi-Standard Gauge Railway (SGR)
- ii) Transfer to other government entities; Budget utilization was at 81.76%. This was occasioned by delay in payment of Mombasa Port Development Project by JKIA.
- iii) Use of goods and services; Budget utilization was at 49.84% due to slow procurement processes.

The State Department is committed to facilitating the achievement of the Vision - 2030 Long-Term Development Strategy of transforming Kenya into an Upper Middle-Income Country during the vision horizon. SDOT has contributed to the achievement of the big 4 Agenda in support of the country's transformation. The development of modern and efficient transport systems focusing on increasing Kenya's competitiveness in transport services in the Region.

During the period under review, major achievements were realized through implementation of various projects and programmes including ongoing development of airstrips and aerodromes in support of aviation activities. These include; Malindi International Airport; Isiolo International Airport; Lanet Airport Nakuru, Kitale, Kakamega, Kabunde and Migori Airstrips among others. This will boost, Domestic travel, Tourism and promotion of horticultural trade in the regions.

The State Department during the same period, continued in modernization of the Shipping and Maritime facilities by development of Mombasa Port Phase II and Lamu Port and ferry transport services in Likoni Channel. This is mainly to enhance Maritime transport services and timely cargo handling leading to reduction in business costs.

In the railway sub-sector, State Department continued to operationalize phase I of the Standard Gauge Railway (SGR) line between Mombasa and Nairobi and completion and operationalization of phase 2a of the SGR from Nairobi to Naivasha. This will lead to more cargo handling in Nairobi ICD and Mai Mahiu ICD. Other projects that were commenced during the year under review included ongoing rehabilitation of Nairobi Commuter Railway Rehabilitation of Nbi-Nanyuki MGR line, Naivasha SEZ and restructuring of the civil aviation sector [Kenya Aviation Authority (K.A.A) and Kenya Airways (KQ)].

The State Department continued consultation with key stakeholders in the road sub sector to enhance road transport safety with a view to reduce road fatalities.

Emerging Issues

several issues emerged during the implementation of last financial year's budget including;

- i. Lack of exchequer issues especially towards the end of 2019/20 FY leading to accumulation of pending bills.
- ii. Austerity measures and revision of budgets significantly affected resource availability for project and programmes implementation.
- iii. COVID 19 pandemic

Challenges

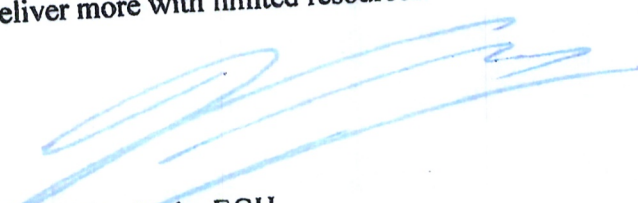
- i. Land acquisition challenges – higher than anticipated compensation costs for land and property in areas where projects were being implemented
- ii. Court litigations/Injunctions matters leading to significant delay in project implementation.
- iii. Lack of funds to support SGR operations.
- iv. Lack of adequate funds to support key programmes and projects.
- v. The impact of COVID19 Pandemic leading to low performance in the transport Subsector.
- vi. Settlement of historical pending bills.

Recommendations

- i. The National Treasury should communicate in good time on resources availability to facilitate MDAs plan effectively;
- ii. Timely engagement with stakeholders (affected parties) in respect to land acquisition and other transport related facilities;
- iii. Continuous capacity building for MDAs on budget implementation;
- iv. Engage the National Treasury and the Energy Infrastructure and ICT sector Working Group to adequately fund the transport sub sector;
- v. Provision of budgetary resources to settle pending bills;
- vi. Provision of budgetary resources to support SGR operations

CONCLUSION

The State Department for Transport managed to meet most of the targets in the 2019/20 financial year despite the above enumerated challenges. You may also note that, the State Department did not have any reported cases of misappropriation of funds during the financial year and is committed to improve the transport services rendered to the citizens. Finally, the State Department will continue to enhance efficiency by instituting cost cutting measures in order to deliver more with limited resources.



James Macharia, EGH
CABINET SECRETARY

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Kenya Transport Sector Support Project (KTSSP).

Objective: The key objectives of the project are:

- (a) To increase the efficiency of road transport along the Northern Corridor and the Tanzania-Kenya-Sudan road corridor;
- (b) To enhance aviation safety and security to meet international standards; and
- (c) To improve the institutional arrangement and capacity in the transport sector.

Address: The project headquarters offices are at Transcom house (Nairobi), Nairobi County, Kenya.

The address of its registered office is: P.O Box 52692 00200 Nairobi

Contacts: The following are the project contacts

Telephone: (254) 2729200

E-mail: ps@transport.go.ke

Website: www.transport.go.ke

1.2 Project Information

Project Start Date:	The project start date is 22 nd August 2011
Project End Date:	The project end date is 31 st December 2019
Project Manager:	The project manager is Mr George Wanjau
Project Sponsor:	The project sponsor is 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	4926-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) Training and capacity building of staff in Transport sector (ii) To support the Transport sector in the country.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Implementation of the various marine safety interventions. (ii) Undertaking consultancy on improved institutional arrangements for

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	the transport sector
Other important background information of the project	This is a national project with regional dimensions implemented by various agencies within the Ministry.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Weak institutional arrangements in the transport sector. (ii) Inadequate technical capacity in the sector.
Project duration	The project started on 22nd August 2011 and is expected to run until 31 December 2019

1.4 Bankers

The following are the bankers for the current year:

(i) Special Deposit Accounts

I&M Bank

1ST Floor Kenyatta Avenue

P O BOX 30238-00100 GPO

NAIROBI

(ii) Local Project Accounts

Equity Bank Kenya Limited;

Centre Branch;

P.O Box 75104-00200

Nairobi, Kenya

1.5 Auditors

The project is audited by the:

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

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1.6 Roles and Responsibilities

List the 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, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
George Wanjau	Chief Economist	Qualified	Team Leader
Esther Gacanja	Economist	Qualified	PIT
Travis Arisa	Project Accountant	Qualified	Accounting

1.7 Funding summary

The Project was for duration of 8 years from 2011 to 31st December 2019 with an approved budget of USD 19,100,000 equivalent to KShs1,639,160,000 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 (30 th JUNE 2020)	
	Donor currency USD	KShs	Donor curren cy USD	KShs	Donor currenc y	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
NONE IN THE YEAR						
(ii) Loan						
IDA(WORLD BANK)	17,470,000	1,498,980,000	12.44	1,068,516,952	5.01	430,463,048
(iii) Counter part funds						
Government of Kenya	1,630,000	140,180,000	0.33	27,513,275	1.30	112,666,725
Total	19,100,000	1,639,160,000	12.77	1,096,030,227	6.31	543,129,773

Summary of Overall Project Performance:

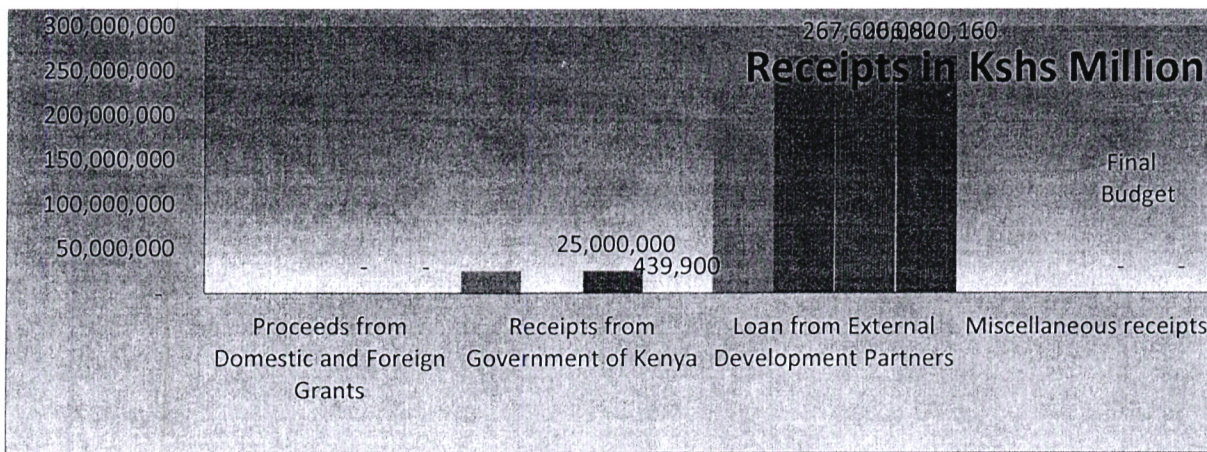
- Design and supervision Conte Design 100%
- Lecturers for Railway Training Institute (RTI) 100%
- Construction of Marine School Hostel in Kisumu 70%
- Study for enhancement of KMA oversight function is 100%
- Renovation of existing structures at RTI Kisumu 100%
- SGR Consultancy fee 10% and Lectures for Railway Training Institute (RTI) 100%

1.8 Summary of Project Compliance:

- Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- Include consequences suffered on account of non-compliance or likely to be suffered
- Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

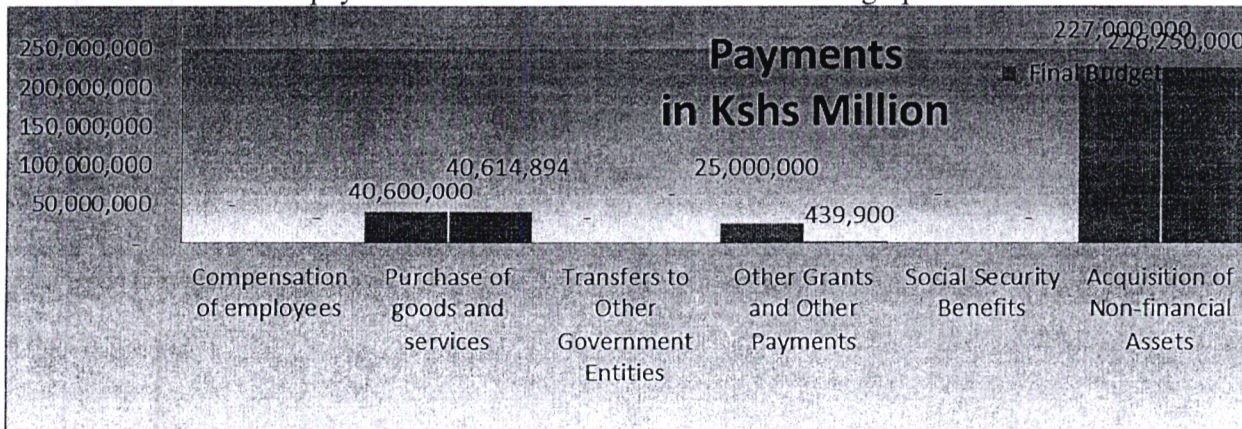
1.9 Receipts Utilization

The Project received KSh267,260,060 against a final budget of KSh292,600,000 This represented utilisation of 92%. The receipts utilisation is as shown in the bar graph below:



1.10 Payments Utilisation

The Project paid KSh267,304,794 against a final budget of KSh292,600,000 This represented utilisation of 92%. The payments utilisation is as shown in the bar graph below:



1.11 Summary of challenges faced

- Delays in contract due to delay in advance payment
- Delays in project implementation due to inadequate documentation
- Delays in issuance of exchequer causing delays in payment for submitted invoices

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

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.

The key development objectives of the project's 2011-2019 plans are to:

- (a) To increase the efficiency of road transport along the Northern Corridor and the Tanzania-Kenya-Sudan road corridor;
- (b) To enhance aviation safety and security to meet international standards;
- (c) To improve the institutional arrangement and capacity in the transport sector;
- (d) To restore the capacity of the international passenger terminal destroyed in the fire at JKIA; and
- (e) To strengthen the capacity of KAA in disaster preparedness and responsiveness at Kenyan airports

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-bund (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
Kenya Transport Sector Support Project	To increase the efficiency of road transport along the Northern Corridor and the Tanzania-Kenya-Sudan road corridor;	Increase road safety and efficiency	Institution established	NTSA and NaMATA established and operationalized
	To enhance aviation safety and security to meet international standards; and	Enhance action safety and security to meet international standards	ICAO standards compliance level	Achieved Cat 1 status allowing direct flight to the USA

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	To improve the institutional arrangement and capacity in the transport sector	Training of officers Acquisition of office equipment	No. of officers trained No. of items acquired	Computers, printers and other office equipment procured
	To restore the capacity of the international passenger terminal destroyed in the fire at JKIA			
	To strengthen the capacity of KAA in disaster preparedness and responsiveness at Kenyan airports			

Below is a summary of achievements under the project since inception to date:

- a. Setting up of the National Transport and Safety Authority – improved road safety in the country
- b. Setting up of the Nairobi Metropolitan Transport Authority – improved institutional arrangement for improved urban transport
- c. Development of the Legal and Regulatory Framework for Kenya Railways – draft bill in place for improved rail transport services in the country
- d. Designs for the hangar and tender documentation – The project aimed at improved air accident investigations but it did not progress to the end for the expected results due to inadequate funding
- e. Purchase of vehicle for Air Accident investigations – improved efficiency in air accident investigations due to fast response
- f. Acquisition of ICT equipment for SDoT – increased automation levels hence improved service delivery
- g. Training and capacity building (SDoT) including Air Accident Investigations department – skills enhancement for improved service delivery. 122 officers trained.
- h. Development of KMA’s Search and Rescue coordination capacity along the coast and inland waters via purchase of three boats – improved search and rescue services hence overall

improvement in marine security in the country

- i. Strengthening Maritime Oversight function (Monitoring framework) Phase I of Development of the performance indicators on delivery of maritime transport services at the port of Mombasa
- j. Recruitment of 3 consultants specialized in marine training and Benchmarks for RTI staff - The school accredited by KMA and satisfactorily offering STCW courses, the school is fully operational since February, 2018 and currently getting admissions from the Joint Admission Board
- k. Renovations of existing structures, Access road and Fence at Kisumu Marine school – the school is fully operational
- l. Design and Construction of new classroom block for RTI Kisumu - the school is fully operational
- m. Purchase of Vehicle computers and accessories for RTI Kisumu - the school is fully operational
- n. Designs, supervision of hostel construction and Construction of Hostels Block, training pool and firefighting site – work in progress – once complete will improve the school utilization as students from far and wide will get accommodation with ease
- o. Communication Expert Consultant - Improved publicity for SDoT
- p. SGR Consultants - improved efficiency in the operations for both SGR passenger and Freight services and Economic Development along the SGR Corridor.
- q. Zachary Oketch and Zachary Abiero Garly were consultants to review infrastructure gap study and investment study deliverables- acceptable reports.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile -
None
2. Environmental performance
None
3. Employee welfare
None
4. Market place practices-
 - a) Competitive practices are ensured through competitive bidding, i.e. National/ International open bidding. Parity in supplier selection. Using the prescribed methods per thresholds.

The organisation maintains good business practices by adhering to the set Guidelines and regulations, i.e. The Procurement Guidelines for borrowers, And the country's Acts and Regulations, where applicable.

- b) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practiced

Efforts under this are maintained through Pre qualifications and continuous update of suppliers' profiles by the organisation. Market trends are updated annually through market surveys published in journals, and also obtained through physical surveys and visits.

- c) Product stewardship- outline efforts to safeguard consumer rights and interests
- d) Provision of proper specifications for Goods, Works and Services, and adhering to them.

Engaging the statutory bodies charged with overseeing quality e.g. KEBS and other international standards regulatory bodies.

Carrying out due diligence whenever in doubt, especially before award of contract, to ascertain the existence or reality of what has been submitted in writing.

5. Community Engagements
None

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department for Transport and the Project Coordinator for Kenya Transport Sector Support 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 30th, 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.

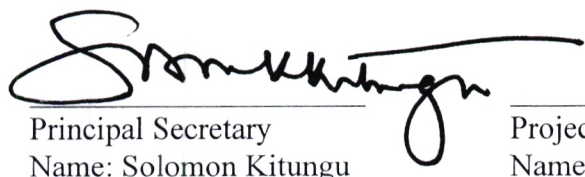
The Principal Secretary and the Project Coordinator for State Department for Transport accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for State Department for Transport and the Project Coordinator for State Department for Transport 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 30th, 2020, and of the Project's financial position as at that date. The Principal Secretary for State Department for Transport and the Project Coordinator for Kenya Transport Sector Support 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 for Transport and the Project Coordinator for KTSSP 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 30th, June 2020 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 for Transport and the Project Coordinator for KTSSP on ~~16th DECEMBER~~ ~~September~~ 2020 and signed by them.


Principal Secretary
Name: Solomon Kitungu


Project Coordinator
Name: George Wanjau


Project Accountant:
Name: Travis Arisa
ICPAK Member Number:

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR GENERAL ON KENYA TRANSPORT SECTOR SUPPORT PROJECT CREDIT NO. 4926-KE AND NO. 5410-KE (MOT COMPONENT) FOR THE YEAR ENDED 30 JUNE, 2020 – STATE DEPARTMENT FOR TRANSPORT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Transport Sector Support Project set out on pages 1 to 17 which comprise the statement of financial assets 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. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Transport Sector Support 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 Agreements Credit No. 4926-KE and No. 5410-KE (MOT Component) between the International Development Association and the Republic of Kenya dated 23 May, 2011 and 31 March, 2014 and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transactions and the closing balances have 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 Kenya Transport Sector Support 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Pending Bills

Note 11.1 to the financial statements reflects pending bills of Kshs.22,716,642 as at 30 June, 2020. Management has not provided reasons for non-payment of the balances. This is despite refunding an amount of Kshs. 29,649,678 (USD 276,980) held in the special account to the World Bank in May, 2020 upon winding up of the Project.

2. Ineligible Expenditure

As reported in 2018/2019, the Project Management procured various ICT equipment at a total cost of Kshs.3,970,000 that exceeded the budget ceiling of Kshs.1,801,600 approved by the World Bank. There is no evidence of supplementary approval having been granted in the year under review for the unapproved over-expenditure of Kshs.2,168,400.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me

to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to 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 review 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 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

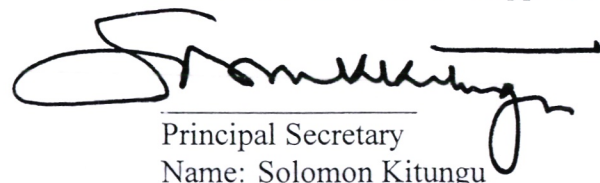
28 December, 2020


KENYA TRANSPORT SECTOR SUPPORT PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

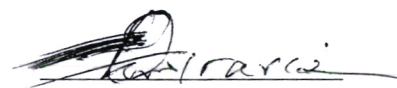
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	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						
Receipts from GOK	10.3	439,900		8,573,542		27,513,275
Miscellaneous Receipts						
Loan from external development partners	10.4	40,570,160	226,250,000	135,784,788	86,342,000	1,068,516,952
TOTAL RECEIPTS		41,010,060	226,250,000	144,358,330	8,6342,000	1,096,030,227
PAYMENTS						
Purchase of goods and services	10.5	41,054,794	-	94,504,512	86,342,000	616,308,602
Acquisition of non-financial assets	10.6	0	226,250,000	2,525,108	-	428,984,063
Transfer to KCAA	10.7			50,698,100		50,698,100
TOTAL PAYMENTS		41,054,794	226,250,000	147,727,720	86,342,000	1,095,990,765
SURPLUS/DEFICIT		(44,734)	-	(3,369,390)	-	39,462

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. . The financial statements were approved on 16th DECEMBER 2020 and signed by:


Principal Secretary
Name: Solomon Kitungu


Project Coordinator
Name: George Wanjau

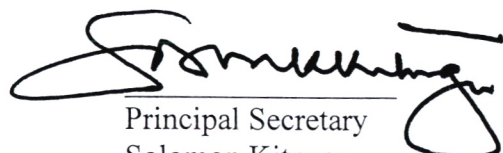

Project Accountant
Name: Travis Arisa
ICPAK Member Number:


KENYA TRANSPORT SECTOR SUPPORT PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020


7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019/20	2018/19
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10.8	39,462	84,196
Cash Balances			-
Total Cash and Cash Equivalents		39,462	84,196
TOTAL FINANCIAL ASSETS		39,462	84,196
REPRESENTED BY			
Fund balance b/fwd	10.9	84,196	3,453,585
Surplus/Deficit for the year		(44,734)	(3,369,390)
NET FINANCIAL POSITION		39,462	84,196

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 10th DECEMBER ~~September~~ 2020 and signed by:


Principal Secretary
Solomon Kitungu
Date


Project Coordinator
George Wanjau
Date

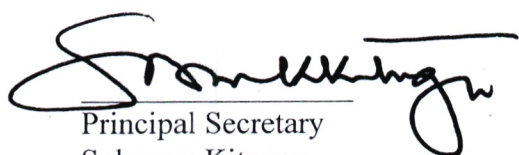

Project Accountant
Travis Arisa
Date

KENYA TRANSPORT SECTOR SUPPORT PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

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

		2019/20	2018/19
CASHFLOW FROM OPERATING ACTIVITIES	Note	KShs	KShs
Receipts for operating income		-	-
Receipts from Government of Kenya	10.3	439,900	8,573,542
Total		439,900	8,573,542
Payments for operating activities			
Purchase of goods and services	10.5	(41,054,794)	(94,504,512)
Transfer to KCAA	10.7	0	(50,698,100)
Change in receivables		0	0
Adjustments during the year		0	0
Net cash flow from operating activities		(40,614,894)	(136,629,070)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	10.6	(226,250,000)	(2,525,108)
Net cash flows from Investing Activities		(226,250,000)	(2,525,108)
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from external development partners	10.4	266,820,160	135,784,788
Net cash flow from financing activities		266,820,160	135,784,788
NET INCREASE IN CASH AND CASH EQUIVALENT		(44,734)	(3,369,390)
Cash and cash equivalent at BEGINNING of the year		84,195	3,453,585
Cash and cash equivalent at END of the year		39,461	84,196

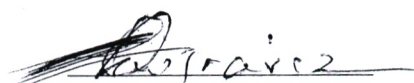
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 16th ~~September~~ ^{DECEMBER} 2020 and signed by:



Principal Secretary
Solomon Kitungu
Date



Project Coordinator
George Wanjau
Date




Project Accountant
Travis Arisa
Date

KENYA TRANSPORT SECTOR SUPPORT PROJECT**Reports and Financial Statements****For the financial year ended June 30, 2020****9. 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	30,000,000	-5,000,000	25,000,000	439,900	24,560,100	2%
Proceeds from borrowings	321,000,000	-53,400,000	267,600,000	266,820,160	779,840	100%
Total Receipts	351,000,000	58,400,000	292,600,000	267,260,060	25,339,940	91%
Payments						
Acquisition of Non-Financial assets-works	227,000,000		227,000,000	226,250,000	750,000	100%
Purchase of goods and services:-	94,000,000	-53,400,000	40,600,000	40,614,894	14,894	100%
Gok counterpart	30,000,000	-5,000,000	25,000,000	439,900	24,560,100	2%
Transfer to KCAA						%
Total Payments	351,000,000	58,400,000	292,600,000	267,304,794	25,295,206	91%

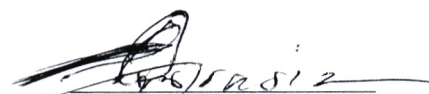
Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.



Principal Secretary
Solomon Kitungu
Date



Project Coordinator
George Wanjau
Date



Project Accountant
Travis Arisa
Date

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1 Basis of Preparation

10.1.1 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.

10.1.2 Reporting entity

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

10.1.2 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.

10.2 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 recognized 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

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 4 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.

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 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.

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 226,250,000 being loan disbursements were received in form of direct payments from third parties.

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20	2018/19	Cumulativ
	KShs	KShs	to-dat
Counterpart funding through State department for Transport	439,900	8,573,542	27,513,27
Total	<u>439,900</u>	<u>8,573,542</u>	27,513,27

Cumulative balance has been adjusted to reflect the total cumulative counterpart funds received since the project started.

10.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2019 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	Loans received as	Total amount in KShs	
			cash	direct payment*	2019/20	2018/19
			KShs	KShs		
Loans Received from Multilateral Donors (International Organisations)						
IDA WORLD BANK				17,636,737	17,636,737	
IDA WORLD BANK				26,504,739	26,504,739	
IDA WORLD BANK				64,996,403	64,996,403	
IDA WORLD BANK				49,797,592	49,797,592	50,698,100
IDA WORLD BANK				11,065,360	11,065,360	40,033,250
IDA WORLD BANK				49,998,969	49,998,969	101,810,492
IDA WORLD BANK			40,570,160	6,250,200	46,820,360	29,584,946
Total			40,570,160	226,250,000	266,820,160	222,126,788

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.5 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
Utilities, supplies and services (Consultancy)	39,157,426		39,157,426	157,082,155	971,074,389
Gok counterpart	439,900		439,900		
Domestic travel and subsistence				989,200	2,591,639
Foreign travel and subsistence	1,120,780		1,120,780	16,065,157	55,602,480
Training payments	323,775		323,775	6,670,591	40,535,421
Other operating payments	12,913		12,913	39,409	187,088
Routine maintenance – vehicles and other transport equipment				-	18,485,932
Total	41,054,794		41,054,794	180,846,512	1,088,476,949

10.6 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	2018/2019 Total Payments		
	KShs	KShs	KShs	KShs	KShs
Construction of buildings-		226,250,000	-		271,399,362
Purchase of vehicles & other transport equipment		-	-		61,034,312
Refurbishment of buildings					19,775,255
Purchase of specialised plant, equipment and machinery					42,230,634
Purchase of ICT equipment					7,100,128
Research, studies, project preparation, design & supervision					27,444,372
Total		226,250,000	2,525,108		498,569,247

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.7 TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 31st December 2019, we transferred funds to reporting government entities as shown below:

Transfers to National Government entities	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date
			FY 2019/20	FY 2018/19	
	KShs	KShs	KShs	<u>KShs</u>	<u>KShs</u>
KCAA		-		50,698,100	50,698,100
TOTAL		=		<u>50,698,100</u>	<u>50,698,100</u>

10.8 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	39,462	84,196
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding Imprests and advances	-	-
Total	39,462	84,196

The project has one project account spread within the project implementation area and none foreign currency designated accounts managed by the National Treasury as listed below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.8A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
<u>Foreign Currency Accounts</u>		
NONE		
<u>Local Currency Accounts</u>		
Equity Bank Ltd Equity Centre Branch [A/c No. 0810299741984]	39,462	84,196
Total local currency balances	<u>39,462</u>	<u>84,196</u>
Total bank account balances	<u>39,462</u>	<u>84,196</u>

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

	2019/2020		2018/2019	
	USD	KSHS	USD	KSHS
Credit No. IDA loan Credit No.4926-KE DA-C				
(i) A/C Name [A/c No.00100581671217 Held with I&M Bank Nairobi]				
Opening balance	667,980.22	70,219,838	59.54	6,132
Total amount deposited in the account	-	-	1,513,056.07	155,282,392
Total amount withdrawn (as per Statement of Receipts & Payments)	391,000.00	40,570,160	845,135.39	85,068,686
Balance refund World Bank	276,980.22	29,649,678	-	-
Closing balance (as per SDA bank account reconciliation attached)	Nil	Nil	667,980.22	70,219,838

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.9 FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	84,196	3,453,585
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	84,196	3,453,585

10.10 PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	0	0	0
Cash in hand	0	0	0
Accounts Payables	0	0	0
Receivables	0	0	(789,620)
Total	0	0	(789,620)

11 OTHER IMPORTANT DISCLOSURES

11.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)

	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		212,864,345	191,297,703	21,566,642
Construction of civil works				
Supply of goods	498,000		498,000	
Supply of services	30,888,582	49,354,142	48,204,142	1,150,000
Total	31,386,582	262,218,487	239,999,845	22,716,642

KENYA TRANSPORT SECTOR SUPPORT PROJECT

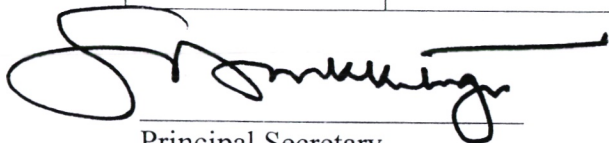
Reports and Financial Statements

For the financial year ended June 30, 2020


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)
SDT/ KTSSP/ 2018/2019 (2)	PENDING BILLS	Explained	Project coordinator / accountant	Not resolved	2020/2021 financial year
SDT/ KTSSP/ 2018/2019 (2)	OVER EXPENDITURE	Explained	Project coordinator / accountant	Not resolved	2020/2021 financial year
SDT/ KTSSP/ 2018/2019 (2)	INELIGIBLE EXPENDITURE	Explained	Project coordinator / accountant	Not resolved	2020/2021 financial year



Principal Secretary
Solomon Kitungu



Project Coordinator
George Wanjau

KENYA TRANSPORT SECTOR SUPPORT 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	25,000,000	439,900	24,560,100	2%	<i>Under expenditure was due to delayed procurement processes</i>
Proceeds from borrowings	267,600,000	266,820,160	779,840	100%	
Total Receipts	292,600,000	267,260,060	25,339,940		
Payments					
Acquisition of Non-Financial assets-works	227,000,000	226,250,000	750,000	100%	
Purchase of goods and services	40,600,000	40,614,894	14,894	100%	
Gok counterpart	25,000,000	439,900	24,560,100	2%	<i>Under expenditure was due to delayed procurement processes</i>
Total payments	292,600,000	267,304,794	25,295,206	91%	

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For the financial year ended June 30, 2020

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
	a	b	c	d=a-c		
Construction of buildings						
1. MILICON'S LTD	281,699,529	DEC,2018	260,132,887	21,566,642		
2.						
3.						
Sub-Total	281,699,529		260,132,887	21,566,642		
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7. Rosmatex Enterprises	898,000		898,000	-	498,000	
8.						
9.						
Sub-Total	898,000		898,000		498,000	
Supply of services						
10. CONTE DESIGN	27,425,560	MAY,2018	26,675,560	750,000	9,360,000	
11. SYLVESTER DOUGLAS NYAMAI	1,730,000		1,530,000	200,000		
12. SAMMY AYORO ATUGAH	2,000,000		1,800,000	200,000		
13. CPCS Transcom International LTD	59,891,170		59,891,170	-	17,636,737	
14. Zachary Abiero	1,297,285		1,297,285		1,297,285	
15. Timothy Oketch	2,594,560		2,594,560		2,594,560	

KENYA TRANSPORT SECTOR SUPPORT PROJECT

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For the financial year ended June 30, 2020

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
Sub-Total	94,938,574		93,788,574	1,150,000	30,888,582	
Grand Total	377,536,103		354,819,461	22,716,642	31,386,582	

KENYA TRANSPORT SECTOR SUPPORT PROJECT
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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/20 (a)	*Purchases/Additions in the Year (KShs) 2019/20	**Disposals in the Year (KShs) 2019/20 (c)	Closing Cost (KShs) 2019/20 (d)= (a)+ (b)-(c)
Construction of buildings-	45,149,362	226,250,000	-	271,399,362
Purchase of vehicles & other transport equipment	61,034,312		-	61,034,312
Refurbishment of buildings	19,775,255		-	19,775,255
Purchase of specialised plant, equipment and machinery	42,230,634		-	42,230,634
Purchase of ICT equipment	7,100,128		-	7,100,128
Research, studies, project preparation, design & supervision	27,444,372		-	27,444,372
Total	202,734,063	226,250,000	-	428,984,063

KENYA TRANSPORT SECTOR SUPPORT PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

APPENDICES

- i. Bank Reconciliations as at 30 June 2020
- ii. Certificate of bank balance as at 30 June 2020
- iii. Summary of cash book balance as at 30 June 2020

REPUBLIC OF KENYA.

Date: 30TH JUNE 2020.

Report of the Board of Survey on the Cash and Bank Balances of KTSSP STATE DEPARTMENT FOR TRANSPORT as at the close of business on 30th June, 2020.

The Board, consisting of (Names and Official Titles)

Name (s) FREDRICK KABUNGE.....Chairman.
 Name (s) MARY KINUTHIA.....Member.
 Name(s) TOBIAS OLAMBO.....Member.

Assembled at the Cash Office of State Department Of Transport at (time) on the 3RD JULY 2019 and the following cash was produced:-

Notes	Sh	<u>NIL</u>
Silver	Sh	<u>NIL</u>
Copper	Sh	<u>NIL</u>
Cheques (as per the details on reverse)	..	Sh	<u>NIL</u>
		SH	<u>NIL</u>

It was observed that cheques amounting to Sh.NIL..... CtsNIL..... had been on hand for more than 14 days prior to the date of the survey.

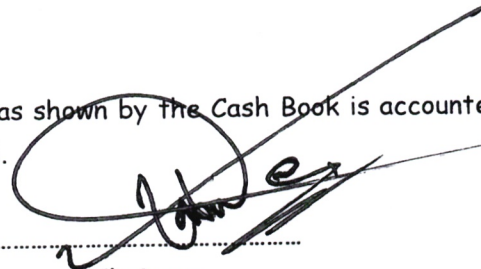
The cash consists of East African currency and does not contain any demonetized coin or notes.

The cash Book reflected the following balances as at the close of business on the 30th June, 2020.

Cash on hand	Sh.	NIL
Bank Balances	Sh.
			39,462.29

The Bank Certificate Balances showed Sh 39,462.29 Standing to the credit of the account on 30th June, 2020

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in The Bank Reconciliation Statement (F.O.30) attached.



 Chairman.

Date 02.07.2020
02.07.2020

Members Of the Board.
 [Signature] member
 [Signature] member



Our ref: EBL (K)/081/ 54307533556

You ref: MOT/ACCTS/4/26/VOL I II (190)

9th Sept 2020.

HOUSING MINISTRY OF TRANSPORT, INFRASTRUTURE, AND URBAN
DEVELOPMENT

STATE DEPARTMENT FOR TRANSPORT

NGONG ROAD

P.O BOX 52692-00200

NAIROBI, KENYA.

Dear Sirs,

RE: CERTIFICATE OF BALANCES AS AT 30TH JUNE 2020.

Your letter dated 14th July 2020 refers,

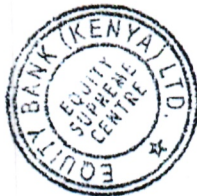
Balances held in **Ministry of Transport - Kenya Transport Sector Support Project (KTSSP)**
as at 30th June 2020.

ACCOUNT NUMBER	CCY	BAL AS AT 30-06-2020
0810299741984	KES	39,462.29 CR

Thank for the continued support.

In case of any further clarification, don't hesitate to contact the undersigned.

Your's faithfully,



Stella Njoroge.

Relationship Manager – Operations.

EQUITY SUPREME CENTRE.

BANK RECONCILIATION

F.O.30

AS AT 30TH JUNE, 2020

Balance as per Bank Statement

Less:-

- 1. Payments in cash book not recorded
in Bank Statement(Unpresented cheques)
- 2. Receipts in Bank Statement not in Cash Book

Add:-

- 3. Payments in Bank Statement not yet recorded
in Cash Book
- 4. Receipts in Cash Book not yet recorded
in bank statement

Bank balance as per cash book

				Sh.	
				39,462.29	
				1,201,320.00	
				-	
				1,201,320.00	
				-	
				39,462.29	

CB BAL

39,462.29

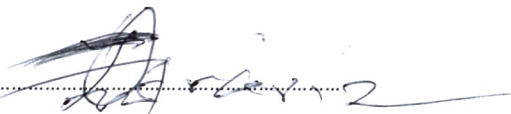
DIFFERENCE

-

I certify that I have verified the Bank balance in the Cash Book with the Bank statement and that the above Reconciliation is correct.

Prepared

TRAVIS ARISA.....



Confirmed by

BANK RECONCILIATION STATEMENT AS AT 31ST JUNE 2019
DEVELOPMENT

APPENDIX 1 PAYMENTS IN CASHBOOK NOT IN BANK STATEMENT

DATE	VCH.NO.	PAYMENT PARTICULARS	AMOUNT	REMARKS
10/6/2020		SYLVESTER DOUGLAS NYAMAI	580,000.00	
10/6/2020		SAMMY AYORO ATUGAH	580,000.00	
10/6/2020		COMMISSIONER OF VAT	40,000.00	
10/6/2020		BANK CHARGES	1320	
		TOTAL	1,201,320.00	
APPENDIX II				
		RECEIPTS IN BANK NOT IN CASHBOOK		
			-	
			-	
		TOTAL	-	
APPENDIX III				
		PAYMENTS IN BANK NOT IN CASH BOOK		
10/6/2020		SYLVESTER DOUGLAS NYAMAI	580,000.00	
10/6/2020		SAMMY AYORO ATUGAH	580,000.00	
10/6/2020		COMMISSIONER OF VAT	40,000.00	
10/6/2020		BANK CHARGES	1,320.00	
		TOTAL	1,201,320.00	
APPENDIX IV				
		RECEIPTS IN CASH BOOK NOT IN BANK STATEMENT		
			-	
			-	
			-	
		TOTAL	-	
SUMMARY				
BALANCE AS PER BANK STATEMENT			39,462.29	
LESS: PAYMENTS IN CASHBOOK NOT IN BANK STATEMENT			1,201,320.00	
LESS: RECEIPTS IN BANK NOT IN CASH BOOK			-	
ADD: PAYMENTS IN BANK NOT IN CASH BOOK			1,201,320.00	
ADD: RECEIPTS IN CASH BOOK NOT IN BANK STATEMENT			-	
BALANCE AS PER CASH BOOK			39,462.29	

Received of
the Treasurer of the
County of ...
the sum of ...