


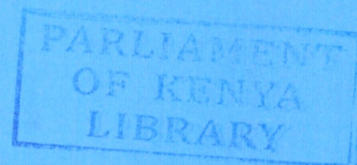
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

		OF
THE NATIONAL ASSEMBLY PAPERS LAID		
DATE: 03 FEB 2022		THE AUDITOR-GENERAL
TABLED BY:	LDA	
CLERK-AT THE-TABLE:	L. Wanjiru	ON



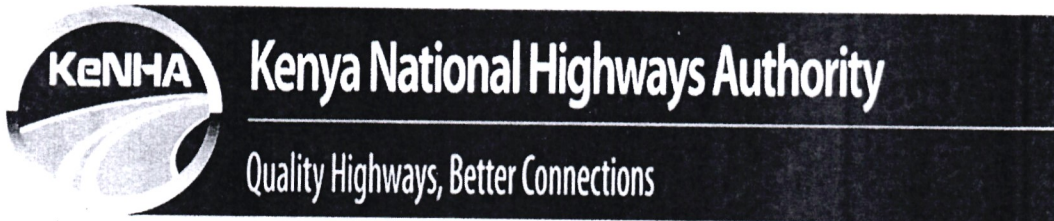
NORTHERN CORRIDOR REHABILITATION PROGRAMME PHASE III

FOR THE YEAR ENDED
30 JUNE, 2021

KENYA NATIONAL HIGHWAYS AUTHORITY



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



PROJECT NAME: NORTHERN CORRIDOR REHABILITATION PROGRAMME –
PHASE III (ELDORET-TURBO-WEBUYE-MALABA ROAD IMPROVEMENT
PROJECT)

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

FINANCING AGREEMENT NO. 9774KE

PROJECT IDENTIFICATION NO. KE/004/07

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

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I. PROJECT INFORMATION AND OVERALL PERFORMANCE

I.1 Name and registered office

Project Name	Northern Corridor Rehabilitation Programme – Phase III (Eldoret-Turbo-Webuye-Malaba Road Improvement Project)
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Project Objectives	<p>(a) The Agreement’s objectives are in conformity with GOK/EC 2003-2007 CSP, which identifies road infrastructure as one of its main sectors, setting at its principal aim the sustainable contribution by the roads infrastructure sector poverty reduction, and economic and social development in Kenya</p> <p>(b) Consequently, the overall objective of Northern Corridor Rehabilitation Programme Phase III is to contribute to the economic growth, the improvement of living standards and higher regional integration between Kenya and the neighbouring land locked countries through a sustainable and safe national road network of which the Northern Corridor (from the part of Mombasa through to the Uganda Border at Malaba) constitutes its backbone.</p>
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Project Registered Office and Physical Location:	The project headquarters offices are at Barabara Plaza, Jomo Kenyatta International Airport, Nairobi, Off Mazao Road (Opposite KCAA Headquarters)
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Project Address	P.O. Box 49712-00100 Nairobi
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Contacts:	Telephone: 020-8013842; Email dg@kenha.co.ke ; Website www.kenha.co.ke
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1.2 Project Information

Project Start Date:	The project start date is:
Eldoret - Webuye - Lot 1	26 November 2010
Webuye - Malaba Lot 2	11 November 2010
Project End Date:	The project end date is:
Eldoret - Webuye - Lot 1	31 October 2015
Webuye - Malaba Lot 2	13 August 2015
Project Manager:	Eng. George Amingh
Project Sponsor:	The project sponsor is The European Union-EU

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works
Project number	Finance Agreement 9774KE & Project Identification No. KE/004/07
Strategic goals of the Project	Traffic conditions on the Northern Corridor between Eldoret and Malaba are improved with better road safety, lower operating and journey costs and substantial time savings.
Other important background information of the project	<p>The project which is being implemented in two stages situated within the Rift Valley Province and Western Province, thus from Eldoret – Turbo – Webuye Road (A 104) approximately about 41 Kms and Webuye - Bungoma approximately about 50 Kms whose activities include construction works and construction of roadside socio-economic infrastructure and services.</p> <p>The sections proposed are as follows:-</p> <p>LOT 1 - Eldoret – Turbo – Webuye Road Project -Length 41 Kms</p> <p>LOT 2 - Webuye – Malaba - Length 50 Kms</p> <p>The project is financed jointly by Government of Kenya at a rate of 22.08 % plus taxes and excluding taxes by European Union at 77.92%.</p>
Project duration	Lot 1 of the project started on 26th November 2010 and was expected to run until 31 October 2015 while lot II started on 11th November 2010 and was expected to end on 13th August 2015

1.4 Bankers

Co-operative Bank of Kenya Ltd
 Upper Hill Branch,
 Nairobi
 Account Number: '01141160979900

1.5 Auditors

Auditor General
 Office of the Auditor - General
 P.O. Box 30084 – 00100 GPO
 Nairobi

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. David A. Muchilwa	Director, Development	Engineer	Project Implementing Team Leader
Eng. George Amingh	Project Engineer	Engineer	Project Implementing Engineer

1.7 Funding summary

The Project funding is for duration of ten years from 2007 to 2016 with an approved grant of EURO 83,759,992 Million equivalent to Kshs 8,662,458,403 as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to 30th June 2021		Undrawn balance to 30th June 2021	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant	EURO					
European Union	81,000,000	8,373,786,000	80,319,598	8,306,652,819	-	-
(ii) Counterpart funds						
Government of Kenya		5,617,201,287		5,617,201,287	-	-
Total	81,000,000	13,990,987,287	80,319,598	13,923,854,106	-	-

B. Application of Funds

Application of funds	Amount received to 30th June 2021		Cumulative Amount paid to 30th June 2021		Unutilised balance to 30th June 2021	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant	EURO					
European Union	80,319,598	8,306,652,819	80,319,598	8,306,652,819	-	-
(ii) Loan						
(ii) Counterpart funds						
Government of Kenya		5,617,201,287		5,617,201,287	-	-
Total	80,319,598	13,923,854,106	80,319,598	13,923,854,106	-	-

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III

Reports and Financial Statements

For the financial year ended June 30, 2021

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year

Receipts/Payments Item	FY 2020/2021		
	Budget	Actual	%
COUNTERPART FUNDS - GOK			
Acquisition of non-financial assets	4,303,355	5,356,613	100%
Purchase of goods & services	-	-	-
GRANTS FROM DEVELOPMENT PARTNERS			
Acquisition of non-financial assets	-	-	0%
Total Payments	4,303,355	5,356,613	

Physical progress based on outputs, outcomes and impacts since project commencement:

Both Lots are substantially complete and has been taken over by the Employer

1.9 Summary of Project Compliance:

There were no cases of non-compliance with the applicable laws and regulations, and essential external financing agreements/covenants

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Below is a summary of the Project's performance against the predetermined objectives:

Objective	Outcome	Indicator	Performance
Contribute to the economic growth, the improvement of living standards and higher regional integration between Kenya and the neighbouring land locked countries through a sustainable and safe national road network of which the Northern Corridor (from the part of Mombasa through to the Uganda Border at Malaba) constitutes its backbone.	Traffic conditions on the Northern Corridor between Eldoret and Malaba are improved with better road safety, lower operating and journey costs and substantial time savings.	Improved Road Safety	Project is completed and opened to the public hence improving on road safety
		Operating & journey Costs	Project is completed and opened to the public hence reducing operating & journey costs
		Travel Time	Project is completed and opened to the public hence reducing travel time

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity.

The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

5. Community Engagements

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

The Contractor has been involved in various CSR activities geared towards providing the local residents through construction of water kiosks along the project road, improvement of access roads and enhancing learning and playing environment in schools along the project road. To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross cutting issues.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

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

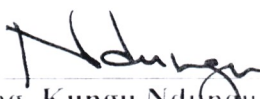
The Director General for the Kenya National Highways Authority and the Project Management for Northern Corridor Rehabilitation Programme – Phase III Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.


The Director General for the Kenya National Highways Authority and the Project Management for Northern Corridor Rehabilitation Programme – Phase III Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2021, and of the Project's financial position as at that date. The Director General for the Kenya National Highways Authority and the Project Management for Northern Corridor Rehabilitation Programme – Phase III Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Director General for the Kenya National Highways Authority and the Project Management for Northern Corridor Rehabilitation Programme – Phase III Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General and the Project Management for Northern Corridor Rehabilitation Programme – Phase III Project on 17 AUG 2021 and signed by them.


Eng. Kungu Ndungu
Director General


Eng. David A. Muchilwa
Director, Development


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

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NORTHERN CORRIDOR REHABILITATION PROGRAMME PHASE III FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Northern Corridor Rehabilitation Programme Phase III set out on pages 1 to 15, 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 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 Northern Corridor Rehabilitation Programme Phase III as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.9774-KE dated 23 November, 2007 between the European Commission and the Republic of Kenya.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Northern Corridor Rehabilitation Programme Phase III 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. I have determined that there are no key audit matters in my report for the year under review.

Other Matter

1. Pending Bills

Note 12.1 to the financial statements reflects pending bills amounting to Kshs.4,101,454 as at 30, June, 2021. Although Management attributes the nonpayment to the consultant's failure to pay withholding taxes and provide compliance certificates, there is need to liaise with the consultant for the required information, and the line Ministry and National Treasury for adequate budgetary allocation and timely exchequer releases for prompt payments in the subsequent financial year considering that the Programme was expected to end on 13 August, 2015.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects equal final revenue budget and actual on comparable basis of Kshs.4,303,355 respectively and expended Kshs.5,356,613 resulting to an over expenditure of Kshs.1,053,258 or 24% of the budget. Failure by Management to observe the financial discipline may lead to the Programme not achieving desired objectives.

3. Programme Closure Report

As disclosed under Project information and overall performance 1.2, project information, the Project started on 26 November, 2010 and it was to close on 31 October, 2015.

The Project closure report was not presented for audit review 6 (six) years after the closure period.

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 Programme'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 Programme 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 Programme's financial reporting process, reviewing the effectiveness of how the Programme 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 Project's 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 Programme's policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Programme'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 Programme 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 Programme's 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 Programme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 December, 2021

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III

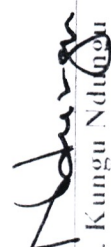
Reports and Financial Statements

For the financial year ended June 30, 2021


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

	Note	FY 2020/21			FY 2019/20			Cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
RECEIPTS								
Transfer from Government entities	1	5,356,613	-	5,356,613	519,466,731	-	519,466,731	5,617,201,287
Proceeds from domestic and foreign grants	2	-	-	-	-	-	-	8,306,652,819
Total receipts		5,356,613	-	5,356,613	519,466,731	-	519,466,731	13,923,854,106
PAYMENTS								
Purchase of goods and services	3	-	-	-	-	-	-	4,912,150
Acquisition of non-financial assets	4	5,356,613	-	5,356,613	519,466,731	-	519,466,731	13,918,941,956
Total Payments		5,356,613	-	5,356,613	519,466,731	-	519,466,731	13,923,854,106
SURPLUS/DEFICIT		-	-	-	-	-	-	-

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


 Eng. Kungu Ndung'u
 Director General

17 AUG 2021
 Date


 Eng. David A. Muchilwa
 Director, Development

17 AUG 2021
 Date



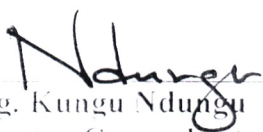
CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No: 8279

17 AUG 2021
 Date

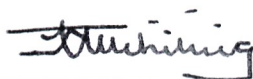
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020/21 Kshs.	2019/20 Kshs.
FINANCIAL ASSETS			
Cash and Cash Balances		-	-
TOTAL FINANCIAL ASSETS		-	-
FINANCIAL LIABILITIES			
Payables - Retentions		-	-
NET ASSETS		-	-
REPRESENTED BY:-			
Surplus/Deficit for the year		-	-
Fund balance b/fwd		-	-
NET FINANCIAL POSITION		-	-

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



Eng. Kungu Ndungu
Director General



Eng. David A. Muchilwa
Director, Development

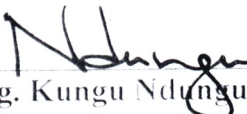



CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No: 8279


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

	Note	2021 Kshs	2020 Kshs
Receipts for operating income			
Transfer from Government entities	1	5,356,613	519,466,731
Proceeds from domestic and foreign grants	2	-	-
Payments for operating expenses			
Purchase of goods and services	3	-	-
Net cash flow from operating activities		5,356,613	519,466,731
Cashflow From Investing Activities			
Acquisition of non financial Assets	4	(5,356,613)	(519,466,731)
Net cash flows from Investing Activities		(5,356,613)	(519,466,731)
Cashflow From Borrowing Activities			
Proceeds from Foreign Borrowings		-	-
Net cash flow from financing activities		-	-
Net Increase In Cash And Cash Equivalent		-	-
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year		-	-

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


 Eng. Kungu Ndungu
 Director General

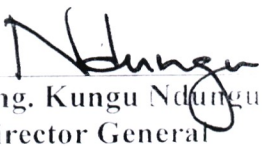

 Eng. David A. Muchilwa
 Director, Development


 CPA Charlie Kera
 Deputy Director (F&A)
 ICPAK Member No: 8279

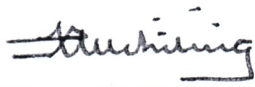
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% Var.
	a	b	c = a+b	d	e = c-d	f = d/c %
Receipts						
Transfer from Government entities	4,303,355	-	4,303,355	5,356,613	(1,053,258)	100%
Proceeds from domestic and foreign grants	-	-	-	-	-	0%
Total Receipts	4,303,355	-	4,303,355	5,356,613	(1,053,258)	
Payments						
Purchase of goods and services	-	-	-	-	-	-
Acquisition of non-financial assets	4,303,355	-	4,303,355	5,356,613	(1,053,258)	100%
Total Payments	4,303,355	-	4,303,355	5,356,613	(1,053,258)	

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


 Eng. Kungu Ndungu
 Director General

17 AUG 2021
 Date


 Eng. David A. Muchilwa
 Director, Development

17 AUG 2021
 Date


 CPX Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No: 8279

17 AUG 2021
 Date

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

The financial statements are for the Northern Corridor Rehabilitation Programme (Phase III) Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

b) Donations and grants

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

Significant Accounting Policies (Continued)

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

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

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

Restriction on cash

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

h) Accounts receivable

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

Significant Accounting Policies (Continued)

i)Contingent Liabilities

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There were no 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

j) Contingent Assets

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

k) Pending bills

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

l) Budget

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

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

m) Third party payments

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

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

Significant Accounting Policies (Continued)

n) Exchange rate differences

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

o) Comparative figures

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

p) Subsequent events

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

q) Errors

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

11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21 Kshs	2019/20 Kshs	Cumulative to-date
Counterpart funds Quarter 1	5,356,613	-	1,103,914,490
Counterpart funds Quarter 2	-	25,000,000	1,233,492,916
Counterpart funds Quarter 3	-	25,000,000	956,643,878
Counterpart funds Quarter 4	-	469,466,731	2,323,150,003
Total	5,356,613	519,466,731	5,617,201,287

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

The Project's financing agreement lapsed on 13 August 2015 hence no funding from development partners was received in form of loans negotiated by the National Treasury in the current FY (FY 2019/20 Kshs Nil). An accumulative amount of Kshs 8.3 billion was however utilised in the project.

3. PURCHASE OF GOODS AND SERVICES

	2020/21			2019/20	Cummulative Kshs
	Payments controlled by the entity Kshs	Payments made by third parties Kshs	Total Payments Kshs	Total Payments Kshs	
Domestic travel and subsistence	-	-	-	-	3,912,150
Other operating expenses-NEMA	-	-	-	-	1,000,000
Total	-	-	-	-	4,912,150

4. ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/20	Cummulative Kshs
	Payments controlled by the entity Kshs	Payments made by third parties Kshs	Total Payments Kshs	Total Payments Kshs	
Construction of roads	5,356,613	-	5,356,613	519,466,731	13,842,406,049
Acquisition of land	-	-	-	-	76,535,907
Total	5,356,613	-	5,356,613	519,466,731	13,918,941,956

12. OTHER IMPORTANT DISCLOSURES

12.1 PENDING ACCOUNTS PAYABLE (Annex 3)


	Balance c/f FY 2020/2021	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs
Construction of civil works	9,458,068	5,356,613	4,101,454
Total	9,458,068	5,356,613	4,101,454

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
Statement of Budget Performance
For the year ended June 30, 2020

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


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

Ref No	Issue / Observations from Auditor	Management comments	Focal Point person	Status:	Time frame:
	Other Matter Pending Bills				
	Note 11 to the financial statements reflects pending bills amounting to Kshs 9,458,068 as at 30 June 2020. Although Management has committed to liaise with the line Ministry and The National Treasury for adequate budgetary allocation and timely Exchequer releases for prompt payments in the subsequent year, the Project is at risk of incurring additional interest costs and penalties with the continued delay in making payments	We agree with the observation that the Project had outstanding bills amounting to Kshs 9,458,068 as at 30 June 2020 which arose from inadequate budgetary allocations. We however wish to note that there was great improvement from prior year (30.06.2019) which had pending bills amounting to Kshs 552,705,680. An amount of Kshs 5,356,614 was subsequently settled in FY 2020/21 and the balance of Kshs 4,101,454 is anticipated to be paid in FY 2021/22.	Eng. George Amingh	Ongoing	30 June 2022


Eng. Kungu Ndung'u
 Director General

17 AUG 2021

Date


Eng. David A. Muchilwa
 Director, Development

17 AUG 2021

Date

14. ANNEXES


ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS


	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=b/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Transfer from Government entities	4,303,355	5,356,613	(1,053,258)	100%	Prior year receipts expended in current financial year
Proceeds from domestic and foreign grants	-	-	-	-	Project Completed
Total receipts	4,303,355	5,356,613	(1,053,258)		
PAYMENTS DURING THE YEAR/PERIOD					
Acquisition of non-financial assets	4,303,355	5,356,613	(1,053,258)	100%	Prior year receipts expended in current financial year
Total payments	4,303,355	5,356,613	(1,053,258)		

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
Reports and Financial Statements
For the financial year ended June 30, 2021

ANNEX 2 - RECONCILIATION OF INTER-ENTITY TRANSFERS

Break down of Transfers from the State Department of Infrastructure Government Counterpart Funding			
Quarter	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
Quarter 1	08/07/2020	1,053,258	FY 2019/20
Quarter 1	31/08/2020	4,303,355	FY 2020/21
	TOTAL	5,356,613	


 Eng. Kungu Ndung'u
 Director General


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

17 AUG 2021

Date

17 AUG 2021

Date

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
 Reports and Financial Statements
 For the financial year ended June 30, 2021

ANNEX 3 - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	IPC No	PROJECT	Original Amount	Date Contracted	Amount Paid To-Date (30.06.2021)	Outstanding Balance	Outstanding Balance
						2021	2020
			a	b	c	d=a-c	d=a-c
Construction of civil works							
HYDROACH S.R.L	55	WEBUYE-MALABA	2,695,227	19-May-17	-	2,695,227	2,695,227
HYDROACH S.R.L	56	WEBUYE-MALABA	1,406,228	19-May-17	-	1,406,228	1,406,228
H. YOUNG & CO. LTD	60	WEBUYE-MALABA	524,823,345	17-Apr-19	524,823,345	-	5,356,614
Grand Total			528,924,799		524,823,345	4,101,454	9,458,068

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III

Reports and Financial Statements

For the financial year ended June 30, 2021

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2020/21	Purchases/Additions in the Year (KShs) 2020/21	Disposals in the Year (KShs) 2020/21	Closing Cost (KShs) 2020/21
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	13,837,049,436	5,356,613	-	13,842,406,049
Land	76,535,907	-	-	76,535,907
Total	13,913,585,343	5,356,613	-	13,918,941,956

