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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

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| THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 23 NOV 2021 DAY: _____ | |
| TABLED BY: | L.O.M |
| CLERK-AT THE-TABLE: | Astruc Chebat |

THE AUDITOR-GENERAL

ON

**HORN OF AFRICA GATEWAY
DEVELOPMENT PROJECT-IDA
CREDIT NO.6768KE**

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

STATE DEPARTMENT OF TRANSPORT



HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT

STATE DEPARTMENT OF TRANSPORT

PROJECT GRANT/CREDIT NUMBER-6768 -KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

*Horn of Africa Gateway Development Project-SDOT
Reports and Financial Statements
For the financial year ended June 30, 2021*

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered Office

Name: The project's official name is Horn Of Africa Gateway Development Project (HOAGDP)

Objectives: The Project Development Objectives are to improve:

- a) the movement of people and goods and digital connectivity and access to social services to communities at designated locations along the targeted sections of the Isiolo- Manderu Regional Road Corridor; and
- b) the capacity of selected transport related institutions in Kenya.

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

The address of its registered office is:

HoAGD Project
State Department for Transport
Transcom House
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: | 7 th October,2020 |
| Project End Date: | 30 th June,2028 |
| Project Manager: | Mr George Wanjau |
| Project Sponsor: | International Development Association (WORLD BANK) |

1.3 Project Overview

| | |
|---|---|
| Line Ministry/State Department of the project | The project is under the supervision of the State Department of Transport |
| Credit Number | Credit No. 6768-KE |

***Horn of Africa Gateway Development Project-SDOT
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| | |
|--|--|
| Project ID No. | P161305 |
| Conversion | Euro 0.89218004=US\$1 |
| Strategic goal of the project | The strategic goal of the project is: Strengthen the Institutional Capacity of State Department for Transport (SDoT) and Associated Institutions |
| Achievement of strategic goals | The project management aims to achieve the goals through the following means: (a) Finalizing the development of a 50-Year Integrated Multi-modal Transport Masterplan; (b) Provision of technical assistance technical assistance in enhancing institutional capacity at SDoT to effectively oversee and monitor the performance of all modes of transport in the country as well as integration the national transport infrastructure with that of the region and undertaking a study on driver insurance cover; (c) Review of the Traffic Act; (d) Undertaking studies on the appropriate studies on the appropriate locations to establish rest stops and a dry port along the Isiolo-Mandera Regional Road Corridor; (e) Support to Kenya Railways Corporation in setting up fully-fledged dedicated Commuter Rail Unit as well as Standard Gauge Railway (SGR) Unit to undertake business development and monitor operations and maintenance of the Commuter Rail Services and SGR system respectively; and (f) Enhance the capacity of the marine training school at Kisumu. |
| Current situation that the project was formed to intervene | The project was formed to intervene in the following area: Strengthen the Institutional Capacity of State Department of Transport (SDoT) and associated institutions. |
| Project duration | The project started on 7 th October 2020 and is expected to run until 30 th June 2028 |

1.4 Bankers

The following are the bankers for the current year:

Central Bank of Kenya
P.O Box 75104-00200
Nairobi, Kenya

1.5 Auditors

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 | Director of Planning | Qualified | Team leader |
| Esther Gachanja | Principal Economist | Qualified | Project Coordinator |
| Henry Thuo | Accountant | Qualified | Project Accountant |
| Brainson Kimiriny | Finance Officer | Qualified | Project Finance Officer |
| Bernard Nzau | Head-Supply Chain Management | Qualified | Project Procurement Specialist |
| Paul Kingori | Director Road and Rail | Qualified | Director Road and Rail |

1.7 Funding summary

The Project is for duration of eight years from 2020 to 2028 with an approved budget of Euro 12,668,956 equivalent to Kshs 1.5 billion as highlighted in the table below:

Below is the funding summary:

A. Source of funds

| Source of funds | Donor Commitment | | Amount received to date (30th June, 2021) | | Undrawn balance to date (30th June, 2021) | |
|------------------------------|-------------------------------|----------------------|--|-------------------|--|----------------------|
| | Donor currency Euro (A) | KShs (A') | Donor currency Euro (B) | KShs (B') | Donor currency Euro (A)-(B) | KShs (A')-(B') |
| LOAN SUMMARY | | | | | | |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| IDA WORLD BANK | 10,706,160 | 1,343,623,080 | 444,444 | 58,355,555 | 10,261,716 | 1,285,267,525 |
| Counter Part funds | | | | | | |
| GOVERNMENT OF KENYA | 1,962,796 | 246,330,898 | - | - | 1,962,796 | 246,330,898 |
| Total Funding Summary | 12,668,956 | 1,589,953,978 | 444,444 | 58,355,555 | 12,224,512 | 1,531,598,423 |

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B. Application of Funds

| Application of funds | Amount received to date – (30 th June 2021) | | Cumulative Amount paid to date – (30 th June 2021) | Unutilised balance to date (30 th June 2021) | |
|-------------------------------|--|-------------------|---|---|-------------------|
| | <i>EUR</i> | <i>Kshs</i> | | <i>EUR</i> | <i>Kshs</i> |
| | <i>(A)</i> | <i>(A')</i> | | <i>(B)</i> | <i>(A')-(B')</i> |
| (i) Grant | | | | | |
| NONE IN THE YEAR | - | - | - | - | - |
| (i) Loan | | | | | |
| IDA | 444,444 | 58,355,555 | - | 444,444 | 58,355,555 |
| (ii) Counterpart funds | | | | | |
| Government of Kenya | - | - | - | - | - |
| Total | 444,444 | 58,355,555 | - | 444,444 | 58,355,555 |

1.8 Summary of Overall Project Performance:

During the year under review, the Project received KShs 58,355,555 and no expenditure was incurred.

1.9 Receipts utilization

The Project received Kshs.58,355,555. against a final budget of Kshs 60,000,000 this represented utilization of 97%. The receipts utilization is as shown in the bar graph below:



1.10 Payments Utilization

The project had no payments in the year under review.

1.11 Summary of Project Compliance:

The Program had no activities during the year hence no compliance issues with the laws of the Republic of Kenya nor regulations and procedures.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETERMINED OBJECTIVES

2.1 Introduction

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

2.2 Objectives

The key development objective of the project’s 2020-2028 plans is to:

- a) the movement of people and goods and digital connectivity and access to social services to Communities at designated locations along the targeted sections of the Isiolo- Mander Regional Road Corridor; and
- b) the capacity of selected transport related institutions in Kenya.

2.3 Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives are made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators are identified for reasons of tracking progress and performance measurement: There was no progress in the Financial year 2020/2021

| Project | Objectives | Outcome | Indicator | Performance |
|--|--|---|--|--------------------------------------|
| Horn of Africa Gateway Development Project | To improve the movement of people and goods and digital connectivity and access to social services to communities at designated locations along the targeted sections of the Isiolo-Mandera Regional Road Corridor | Improved efficiency of road transport along the Isiolo-Mandera Regional Road Corridor | Reduction in average travel time and travel cost | Activities are at preparatory stages |

***Horn of Africa Gateway Development Project-SDOT
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| | | | | |
|--|---|---|--|--|
| | To improve the capacity of selected transport related institutions. | Improved institutional capacity and arrangements in the transport subsector | RTI strengthened CRU created and operationalized SGR Unit created and operationalized Reviewed INTP E-mobility Policy Developed 50 Year Transport Master Plan Developed | Procurement Plan forward to the Bank for clearance |
|--|---|---|--|--|

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -
None

2. Environmental performance

Overall environmental Safeguards Performance of the HOAGDP is moderately satisfactory while the Environment Risk-Rating is considered substantial because of the implementation of reviewed Integrated National Transport Policy and the 50-Year Transport Master Plan.

3. Employee welfare

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

Building the capacity of the newly established SGR/Commuter Rail Unit.

Training of staff both individual and group training.

Skills upgrade through workshops and seminars.

4. Market place practices

a) Responsible Competition Practice

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

b) Responsible Supply chain and supplier relations

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

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

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

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

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

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

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

5. Community Engagements

None

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Department of Transport and the Team Leader for Horn of Africa Gateway Development Project (HOAGD project) are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

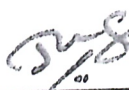
The Principal Secretary for the State Department of Transport, Infrastructure and the Team Leader for HOAGD project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance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


The Principal Secretary, State Department of Transport and the Team Leader for HOAGD project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Principal Secretary State Department of Transport and the Project Coordinator for HOAGD project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Principal Secretary, State Department of Transport and the Team Leader for HOAGD project confirm that the Project has complied fully with applicable Government Regulations and the terms of internal financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary, State Department of Transport and the Team Leader for HOAGD project on 1st November 2021


Principal Secretary
Name: Dr (Eng) Joseph K Njoroge

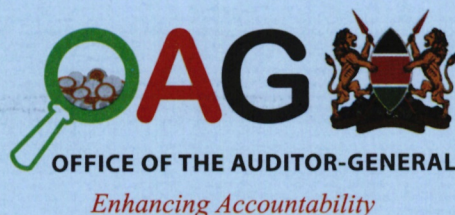

Team Leader
Name: George Wanjau


Project Accountant:
Name: Henry Thuo
ICPAK Member Number: 15872



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT-IDA CREDIT NO.6768KE FOR THE YEAR ENDED 30 JUNE, 2021 - STATE DEPARTMENT OF TRANSPORT

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 Horn of Africa Gateway Development Project-Credit No.6768KE - State Department of Transport set out on pages

Report of the Auditor-General on Horn of Africa Gateway Development Project-IDA Credit No.6768KE for the year ended 30 June, 2021 - State Department of Transport

1 to 16, 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 comparison of budget and actual amounts and the special account statement for the year then ended, and a summary of significant accounting policies and other explanatory information for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Horn of Africa Gateway Development Project Credit No.6768KE - State Department for Transport 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 between International Development Association (IDA) and the Republic of Kenya dated 07 October, 2020 and Public Finance Management Act, 2012.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Horn of Africa Gateway Development Project - State Department for Transport 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.

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 of 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

Report of the Auditor-General on Horn of Africa Gateway Development Project-IDA Credit No.6768KE for the year ended 30 June, 2021 - State Department of Transport

about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis of 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 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 cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions, and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


10 November, 2021


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Reports and Financial Statements
For the financial year ended June 30, 2021*


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

| | Note | 2020/21 | | 2019/2020 | | Cumulative to-date |
|---|------|---|--|--|--|-----------------------|
| | | Receipts and payments controlled by the entity | Payme nts made by third parties | Receipts and payment controlled by the entity | Payme nts made by third parties | |
| | | KShs | KShs | KShs | KShs | KShs |
| RECEIPTS | | | | | | |
| Transfer from Government entities | 11.1 | - | - | - | - | - |
| Loan from External Development Partners | 11.2 | 58,355,555 | - | - | - | 58,355,555 |
| TOTAL RECEIPTS | | 58,355,555 | - | - | - | 58,355,555 |
| PAYMENTS | | | | | | |
| Purchase of goods and services | 11.3 | - | - | - | - | - |
| Acquisition of non- financial assets | 11.4 | - | - | - | - | - |
| Transfers to other government entities | | - | - | - | - | - |
| Other grants and transfer payments | 11.5 | - | - | - | - | - |
| TOTAL PAYMENTS | | - | - | - | - | - |
| SURPLUS/(DEFIC IT) | | 58,355,555 | - | - | - | 58,355,555 |

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 1st November 2021 and signed by:


Principal Secretary
Name: Dr (Eng) Joseph K Njoroge


Team Leader
Name: George Wanjau


Project Accountant:
Name: Henry Thuo
ICPAK Member Number: 15872

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For the financial year ended June 30, 2021*

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

| | Note | 2020-2021 | 2019-2020 |
|--|-------|------------|-----------|
| | | KShs | KShs |
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 11.6A | 58,355,555 | - |
| Total Cash and Cash Equivalents | 11.6 | 58,355,555 | - |
| | | | |
| TOTAL FINANCIAL ASSETS | | 58,355,555 | - |
| | | | |
| REPRESENTED BY | | | |
| | | | |
| Fund balance b/fwd. | 11.7 | - | - |
| Surplus/(Deficit) for the year | | 58,355,555 | - |
| | | | |
| | | | |
| NET FINANCIAL POSITION | | 58,355,555 | - |


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 1st November 2021 and signed by:


Principal Secretary

Name: Dr (Eng) Joseph K Njoroge


Team Leader

Name: George Wanjau


Project Accountant:

Name: Henry Thuo


ICPAK Member Number: 15872

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For the financial year ended June 30, 2021*


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

| | | 2020-2021 | 2019-2020 |
|---|------|------------|-----------|
| | Note | KShs | KShs |
| Receipts from operating activities | | - | - |
| GOK counter part | 11.1 | - | - |
| Payments from operating activities | | | |
| Purchase of goods and services | 11.3 | - | - |
| Transfers to other government entities | | - | - |
| Transfers to other government entities | 11.5 | - | - |
| Net cash flow from operating activities | | - | - |
| Adjustments during the year | 12 | - | - |
| | | | |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of Assets | 11.4 | - | - |
| Net cash flows from Investing Activities | | - | - |
| | | | |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | 11.2 | 58,355,555 | - |
| Net cash flow from financing activities | | 58,355,555 | - |
| | | | |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | 58,355,555 | - |
| Cash and cash equivalent at BEGINNING of the year | | - | - |
| Cash and cash equivalent at END of the year | | 58,355,555 | - |


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 1st November 2021


Principal Secretary

Name: Dr (Eng) Joseph K. Njoroge


Team Leader

Name: George Wanjau


Project Accountant:

Name: Henry Thuo

ICPAK Member Number: 15872

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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 | | | | | | |
| Proceeds from domestic and foreign grants | | | | | | |
| Proceeds from borrowings | 200,000,000 | (50,000,000) | 150,000,000 | 58,355,555 | 91,644,445 | 39% |
| Miscellaneous receipts | | | | | | |
| Total Receipts | 200,000,000 | | 150,000,000 | 58,355,555 | 91,644,445 | 39% |
| Payments | | | | | | |
| Compensation of employees | | | | | | |
| Purchase of goods and services | 60,000,000 | | 60,000,000 | - | 60,000,000 | 0% |
| Social security benefits | | | | | | |
| Acquisition of non-financial assets | 140,000,000 | (50,000,000) | 90,000,000 | - | 90,000,000 | 0% |
| Transfers to other government entities | | | | | | |
| Other grants and transfers | | | | | | |
| Total Payments | 200,000,000 | (50,000,000) | 150,000,000 | - | 150,000,000 | 0% |



Principal Secretary
Name: Dr (Eng) Joseph K Njoroge



Team Leader
Name: George Wanjau



Project Accountant
Name: Henry Thuo
ICPAK Member No: 15872

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

10.1.3 Reporting currency

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

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

• External Assistance

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

11. SIGNIFICANT ACCOUNTING POLICIES

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

- **Other receipts**

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

b) Recognition of payments

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

- **Compensation of employees**

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

- **Use of goods and services**

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

- **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- **Acquisition of fixed assets**

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

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

c) In-kind donations

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

d) Cash and cash equivalents

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

Restriction on cash

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

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Pending bills

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

i) Budget

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

j) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year Kshs - billion being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Exchange rate differences

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

l) Comparative figures

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

m) Subsequent events

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

n) Errors

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

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NOTES TO THE FINANCIAL STATEMENTS

11.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

| | Amount Budgeted Kshs | Amount Received Kshs | Total amount Received in Kshs | |
|-----------------------------------|----------------------|----------------------|-------------------------------|---------|
| | | | 2020-2021 | 2019/20 |
| | | | KShs | KShs) |
| Receipts from government of Kenya | | | | |
| | | | | |

11.2 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

| Name of Donor | Date received | Amount in loan currency(Euros) | Loans received in cash | Loans received as direct payment* | Total amount in KShs | |
|---|---------------|--------------------------------|------------------------|-----------------------------------|----------------------|-----------|
| | | | KShs | KShs | 2020/21 | 2019-2020 |
| International Development Association (IDA) | 18-06-2021 | 444,444 | 58,355,555 | - | 58,355,555 | - |
| Total | | | | | - | - |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.3 PURCHASE OF GOODS AND SERVICES

| | 2020/21 | | 2019/20 | Cumulative to- date |
|---|-------------------------------------|--------------------------------|----------------|---------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | |
| | KShs | KShs | KShs | KShs |
| Utilities, supplies and services | - | - | - | - |
| Communication, supplies and services | - | - | - | - |
| Domestic travel and subsistence | - | - | - | - |
| Foreign travel and subsistence | - | - | - | - |
| Printing, advertising and information supplies & services | - | - | - | - |
| Training payments | - | - | - | - |
| Hospitality supplies and services | - | - | - | - |
| Specialised materials and services | - | - | - | - |
| Other operating payments | - | - | - | - |
| Total | - | - | - | - |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.4 ACQUISITION OF NON-FINANCIAL ASSETS

| | 2020/21 | | | 2019/20 | Cumulative to-date |
|---|-------------------------------------|--------------------------------|----------------|---------|--------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | | |
| | KShs | KShs | KShs | KShs | KShs |
| Purchase of vehicles & other transport equipment | - | - | - | - | - |
| Purchase of household furniture & institutional equipment | - | - | - | - | - |
| Contracted professional services | - | - | - | - | - |
| Pre-feasibility studies | - | - | - | - | - |
| Total | - | - | - | - | - |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.5 OTHER GRANTS AND TRANSFERS AND PAYMENTS

| | 2019/20 | | | 2019/20 | Cumulative to-date |
|--|---|--------------------------------------|-----------------------|---------|-----------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payme nts | | |
| | KShs | KShs | KShs | KShs | KShs |
| | | | | | |
| | | | | | |
| | | | | | |

11.6 CASH AND CASH EQUIVALENTS CARRIED FORWARD

| | 2020/21 | 2019/20 |
|---------------|--------------------------|----------|
| | KShs | KShs |
| Bank accounts | 58,355,555 | - |
| Total | <u>58,355,555</u> | = |

10.8A Bank Accounts

Project Bank Accounts

| | 2019/20 | 2018/19 |
|---|-------------------|---------|
| | KShs | KShs |
| <u>Local Currency Accounts</u> | | |
| Central Bank of Kenya [A/c No 1000484306] | 58,355,555 | |
| Total local currency balances | 58,355,555 | |
| Total bank account balances | 58,355,555 | |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.7 FUND BALANCE BROUGHT FORWARD

| | 2020/21 | 2019/20 |
|--|-------------------|----------|
| | KShs | KShs |
| Bank accounts | 58,355,555 | - |
| Cash in hand | - | - |
| Cash equivalents (short-term deposits) | - | - |
| Outstanding imprests and advances | - | - |
| Total | 58,355,555 | - |

12. PRIOR YEAR ADJUSTMENTS

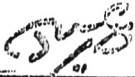
| | 2020/21 | 2019/20 |
|--|----------|----------|
| | KShs | KShs |
| Receivables | - | - |
| Cash in hand | - | - |
| Cash equivalents (short-term deposits) | - | - |
| Outstanding imprests and advances | - | - |
| Total | - | - |

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**13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S
 RECOMMENDATIONS**

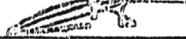
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| 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) |
|---|--|----------------------------|---|--|---|
| | | | | | |
| | | | | | |



Principal Secretary
 1/11/2021

Date



Project Coordinator
 01/11/2021

Date

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ANNEXES

**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 | | | | | |
| Proceeds from domestic and foreign grants | | | | | |
| Proceeds from borrowings | 60,000,000 | 58,355,555 | 1,644,445 | 97% | |
| Miscellaneous receipts | - | - | - | - | |
| Total Receipts | 60,000,000 | 58,355,555 | 1,644,445 | 97% | |
| Payments | | | | | |
| Purchase of goods and services | 60,000,000 | - | 60,000,000 | 0% | The non-absorption was due to technical challenges in procurement given the limited time frame upon receipt of funds at the closure of financial year. |
| Other grants and transfers | | | | | |
| Total payments | 60,000,000 | - | 60,000,000 | 0% | |

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**ANNEX 3
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) |
| Office equipment, furniture and fittings | | - | - | |
| Vehicles and other transport equipment | | - | - | |
| Contracted professional services | | | | |
| Pre-feasibility Studies | | - | - | |
| Total | | - | - | |

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APPENDICES

- i. Bank Reconciliations
- ii. Cash Count Certificate