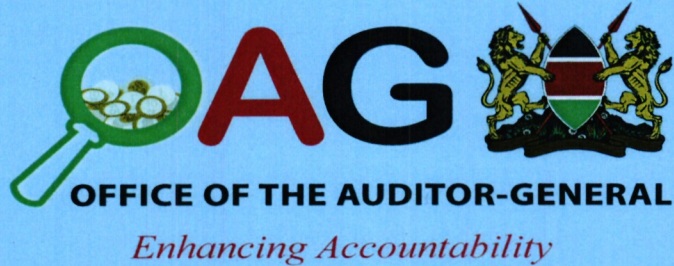


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<p>THE NATIONAL ASSEMBLY PAPERS LAID</p>	
DATE: 18 FEB 2021	DAY: Thursday
TABLED BY: C. D. M.	
CLERK-AT THE-TABLE: Susan Meritini	



REPORT

OF

THE AUDITOR-GENERAL

ON

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

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

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, 2020**

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 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

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
Reports and Financial Statements
For the financial year ended June 30, 2020

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:

Source of funds	Donor Commitment		Amount received to 30th June 2020		Undrawn balance to 30th June 2020	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant	EURO					
European Union	83,759,992	8,662,458,403	80,319,598	8,306,652,819	-	-
(ii) Counterpart funds						
Government of Kenya		5,611,844,674		5,611,844,674	-	-
Total	83,759,992	14,274,303,077	80,319,598	13,918,497,493	-	-

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year

Receipts/Payments Item	FY 2019/2020		
	Budget	Actual	%
COUNTERPART FUNDS - GOK			
Acquisition of non-financial assets	551,604,226	519,466,731	94%
GRANTS FROM DEVELOPMENT PARTNERS			
Acquisition of non-financial assets	10,000,000	-	-%
Total Payments	561,604,226	519,466,731	

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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

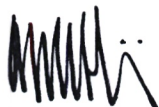
The Director General for the Kenya National Highways Authority and the Project Management for Northern Corridor Rehabilitation Programme – Phase III Project accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate 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, 2020, 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.

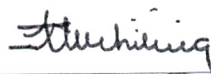
The Director General for the Kenya National Highways Authority and the Project Management for Northern Corridor Rehabilitation Programme – Phase III Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project 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 26 AUG 2020 and signed by them.



Eng. Peter M. Mundinia
Director General



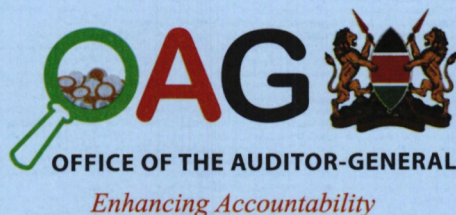
Eng. David A. Muchilwa
Director, Development



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

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 NORTHERN CORRIDOR REHABILITATION PROGRAMME PHASE III (ELDORET-TURBO-WEBUYE-MALABA ROAD IMPROVEMENT PROJECT) FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA NATIONAL HIGHWAYS AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Northern Corridor Rehabilitation Programme Phase III (Eldoret-Turbo-Webuye-Malaba Road Improvement Project) set out on pages 1 to 12, which comprise the statement of financial assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and 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 (Eldoret-Turbo-Webuye-Malaba Road Improvement Project) as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.9774-KE dated 23 November, 2007 between the European Commission and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Northern Corridor Rehabilitation Programme Phase III (Eldoret-Turbo-Webuye-Malaba Road Improvement Project) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Pending Bills

Note 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 financial year, the Project is at risk of incurring additional interest costs and penalties with the continued delay in making payments.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit

evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the European Commission, I report based on my audit that: -

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to 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 its financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

23 December, 2020

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
Reports and Financial Statements
For the financial year ended June 30, 2020

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

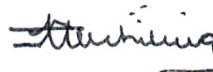
	Note	FY 2019/20		FY 2018/19		Cummulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		Kshs	Kshs	Kshs	Kshs (Restated)	Kshs
RECEIPTS						
Transfer from Government entities	10.3	519,466,731	-	128,645,052	-	5,611,844,674
Proceeds from domestic and foreign grants	10.4	-	-	-	45,608,537	8,306,652,819
Total receipts		519,466,731	-	128,645,052	45,608,537	13,918,497,493
PAYMENTS						
Purchase of goods and services	10.5	-	-	-	-	4,912,150
Acquisition of non-financial assets	10.6	519,466,731	-	128,645,052	45,608,537	13,913,585,343
Total Payments		519,466,731	-	128,645,052	45,608,537	13,918,497,493
SURPLUS/ DEFICIT		-	-	-	-	-

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



Eng. Peter M. Mundinia
Director General

26 AUG 2020
 Date



Eng. David A. Muchilwa
Director, Development

26 AUG 2020
 Date



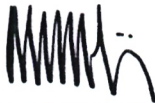
CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No: 8279

26 AUG 2020
 Date

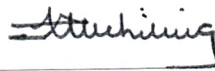
7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020

	Note	2019/20 Kshs.	2018/19 Kshs.
FINANCIAL ASSETS			
TOTAL FINANCIAL ASSETS		-	-
REPRESENTED BY:-			
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 26 AUG 2020 and signed by:



Eng. Peter M. Mundinia
 Director General



Eng. David A. Muchilwa
 Director, Development



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

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
Reports and Financial Statements
For the financial year ended June 30, 2020

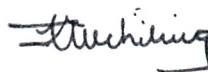
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

	Note	2020 Kshs	2019 Kshs (Restated)
Receipts for operating income			
Transfer from Government entities	10.3	519,466,731	128,645,052
Proceeds from domestic and foreign grants	10.4	-	45,608,537
Payments for operating expenses			
Purchase of goods and services	10.5	-	-
Net cash flow from operating activities		519,466,731	174,253,589
Cashflow From Investing Activities			
Acquisition of non financial Assets	10.6	(519,466,731)	(174,253,589)
Net cash flows from Investing Activities		(519,466,731)	(174,253,589)
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 26 AUG 2020 and signed by:



Eng. Peter M. Mundinia
 Director General



Eng. David A. Muchilwa
 Director, Development



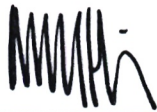
CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No: 8279

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
Reports and Financial Statements
For the financial year ended June 30, 2020

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

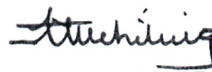
Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% Var.
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	100,000,000	451,604,226	551,604,226	519,466,731	32,137,495	94%
Proceeds from domestic and foreign grants	-	10,000,000	10,000,000	-	10,000,000	0%
Total Receipts	100,000,000	461,604,226	561,604,226	519,466,731	42,137,495	
Payments						
Purchase of goods and services	-	-	-	-	-	-
Acquisition of non-financial assets	100,000,000	461,604,226	561,604,226	519,466,731	42,137,495	92%
Total Payments	100,000,000	461,604,226	561,604,226	519,466,731	42,137,495	

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



Eng. Peter M. Mundinia
 Director General

26 AUG 2020
 Date



Eng. David A. Muchilwa
 Director, Development

26 AUG 2020
 Date



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

26 AUG 2020
 Date

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1. Basis of Preparation

10.1.1. Statement of compliance and basis of preparation

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

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

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

10.1.2. Reporting entity

The financial statements are for the 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 .

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

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• **Other receipts**

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

b) Recognition of payments

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

• **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) Pending bills

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

g) Budget

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

h) Third party payments

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange rate differences

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

j) Comparative figures

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

k) Subsequent events

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

l) Errors

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

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20 Kshs	2018/19 Kshs	Cumulative to-date
Counterpart funds Quarter 1	-	22,800,000	1,098,557,877
Counterpart funds Quarter 2	25,000,000	-	1,233,492,916
Counterpart funds Quarter 3	25,000,000	48,072,553	956,643,878
Counterpart funds Quarter 4	469,466,731	57,772,499	2,323,150,003
Total	519,466,731	128,645,052	5,611,844,674

10.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 we received grants from donors as detailed in the table below:

Name of Donor	Grants received as direct payment - Donor Currency	Grants received as direct payment - Kshs Equivalent	Total amount in Kshs	
			FY 2019/20 Kshs	FY 2018/19 Kshs (Restated)
Grants Received from Local Individuals and organisations				
European Union-EU	-	-	-	45,608,537
Total	-	-	-	45,608,537

10.5. PURCHASE OF GOODS AND SERVICES

	2019/20			2018/19	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

10.6. ACQUISITION OF NON-FINANCIAL ASSETS

	2019/20			2018/19	Cummulative
	Payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs (Restated)	
Construction of roads	519,466,731	-	519,466,731	174,253,589	13,837,049,436
Acquisition of land	-	-	-	-	76,535,907
Total	519,466,731	-	519,466,731	174,253,589	13,913,585,343

10.7. PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
	Kshs	Kshs	Kshs
Proceeds from domestic and foreign grants	-	45,608,537	45,608,537
Acquisition of non-financial assets	128,645,052	45,608,537	174,253,589
	128,645,052	91,217,074	219,862,126

Prior year adjustment has been necessitated by PSAB introduction of the note on retention in the financial statements in FY 2019/20. Retention amounts had previously been expensed and have now been introduced in the statement of Financial Assets.

10.8. CHANGES IN ACCOUNTS PAYABLE –RETENTIONS

	2019 - 2020	2018 - 2019
	KShs	KShs
Retentions as at 1 st July (A)	-	45,608,537
Retentions held during the year (B)	-	-
Retentions paid during the Year (C)	-	45,608,537
Retentions as at 30th June D= A+B-C-D	-	-

11. PENDING BILLS (Annex 2A)

	Balance b/f FY 2019/2020	Adjustment*	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Construction of civil works	552,705,680	- 23,780,881	519,466,731	9,458,068
Total	552,705,680	- 23,780,881	519,466,731	9,458,068

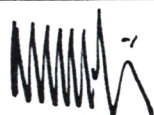
*Adjustment relates to reversal of interest overcharged on delayed payments and advance payment recovery.

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
Reports and Financial Statements
For the financial year ended June 30, 2020

12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

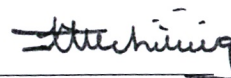
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person	Status:	Time frame :
	<p>Pending Bills Note 9 to the financial statements reflects pending bills amounting to Kshs 552,705,680 as at 30 June 2019. Although Management has committed to Liaise with the lien ministry, and the National Treasury, for adequate budgetary allocation and timely Exchequer releases for prompt payments in the subsequent financial year, the Project is at risk of incurring additional significant interest costs and penalties with the continues delay in making payments</p>	<p>It is true that the amounts remained outstanding as at 30 June 2019. This was occasioned by Exhaustion of Development Partner financing prior to project completion and Inadequate Exchequer budgetary provisions arising from Project's FY 2018/2019 Budget reduction from Kshs 335 million to Kshs 137 million in June 2019</p> <p>In the current financial year, the Government availed an amount of Kshs 519,466,731 to settle a substantial amount of the pending bills.</p> <p>The Authority is liaising with the parent ministry and the National Treasury to secure funds to settle the balance of pending bills amounting to Kshs 9,458,068</p>	Eng. George Amingh, Project Engineer	Resolved	



Eng. Peter M. Mundinia
 Director General

26 AUG 2020
 Date



Eng. David A. Muchilwa
 Director, Development

26 AUG 2020
 Date

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

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	551,604,226	519,466,731	32,137,495	94%	
Proceeds from domestic and foreign grants	10,000,000	-	-	-%	Project Completed
Total receipts	561,604,226	519,466,731	32,137,495		
PAYMENTS DURING THE YEAR/PERIOD					
Acquisition of non-financial assets	561,604,226	519,466,731	42,137,495	92%	
Total payments	561,604,226	519,466,731	42,137,495		

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III

Reports and Financial Statements

For the financial year ended June 30, 2020

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	IPC No	PROJECT	Original Amount	Date Contracted	Amount Paid To-Date (30.06.2020)	Outstanding Balance	Outstanding Balance
						2020	2019
			a	b	c	d=a-c	d=a-c
Construction of civil works							
MALTAURO H YOUNG	31	ELDORET-WEBUYE	244,817,667	06-Apr-16	244,817,667	-	912,169
MALTAURO H YOUNG	32	ELDORET-WEBUYE	183,884,124	14-Mar-16	183,884,124	-	1,126,630
MALTAURO H YOUNG	33	ELDORET-WEBUYE	331,649,600	02-Jun-16	331,649,600	-	5,891,447
H. YOUNG & CO. LTD	40	WEBUYE-MALABA	78,756,212	29-Sep-15	78,756,212	-	6,988
H. YOUNG & CO. LTD	41	WEBUYE-MALABA	60,073,745	23-Oct-15	60,073,745	-	3,769,883
H. YOUNG & CO. LTD	42	WEBUYE-MALABA	90,052,314	04-Dec-15	90,052,314	-	351,024
H. YOUNG & CO. LTD	43	WEBUYE-MALABA	146,503,033	20-Jan-16	146,503,033	-	266,359
H. YOUNG & CO. LTD	44	WEBUYE-MALABA	57,184,672	28-Jan-16	57,184,672	-	496,125
H. YOUNG & CO. LTD	45	WEBUYE-MALABA	88,797,044	28-Jan-16	88,797,044	-	867,271
H. YOUNG & CO. LTD	46	WEBUYE-MALABA	62,455,966	14-Feb-16	62,455,966	-	1,095,448
H. YOUNG & CO. LTD	47	WEBUYE-MALABA	84,602,715	09-May-16	84,602,715	-	1,468,051
H. YOUNG & CO. LTD	49	WEBUYE-MALABA	195,158,545	24-Oct-16	195,158,545	-	2,389,292
H. YOUNG & CO. LTD	50	WEBUYE-MALABA	67,500,142	21-Nov-16	67,500,142	-	660,120
H. YOUNG & CO. LTD	51	WEBUYE-MALABA	83,830,475	09-May-16	83,830,475	-	530,112
H. YOUNG & CO. LTD	54	WEBUYE-MALABA	249,082,325	02-Dec-17	249,082,325	-	698,811
H. YOUNG & CO. LTD	55	WEBUYE-MALABA	137,972,814	04-Apr-17	137,972,814	-	639,620
H. YOUNG & CO. LTD	56	WEBUYE-MALABA	90,017,580	28-Jun-17	90,017,580	-	2,611,531
HYDROACH S.R.L	55	WEBUYE-MALABA	2,695,227	19-May-17	2,695,227	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	1,406,228
H. YOUNG & CO. LTD	60	WEBUYE-MALABA	524,823,345	17-Apr-19	524,823,345	5,356,614	524,823,345
Grand Total			3,336,986,740		3,336,986,740	9,458,068	552,705,680

NORTHERN CORRIDOR REHABILITATION PROGRAMME – PHASE III
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/20	Purchases/Additions in the Year (KShs) 2019/20	Disposals in the Year (KShs) 2019/20	Closing Cost (KShs) 2019/20
	(a)	(b)	(c)	(d)= (a)+ (b)- (c)
Construction of Roads	13,317,582,705	519,466,731	-	13,837,049,436
Land	76,535,907	-	-	76,535,907
Total	13,394,118,612	519,466,731	-	13,913,585,343

