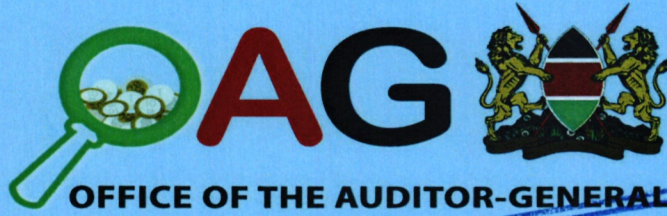


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID
REPORT
DATE: 18 FEB 2021 DAY: Thursday

TABLED BY: OF L.D.M.
CLERK-AT-TABLE: Anne Musandii

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THE AUDITOR-GENERAL

ON

**MOMBASA-NAIROBI-ADDIS ABABA ROAD
CORRIDOR PROJECT PHASE III (TURBI –
MOYALE) NO. P-ZI-DBO-095 LOAN
NO. 2100150025546**

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

**KENYA NATIONAL HIGHWAYS
AUTHORITY**

87





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



**PROJECT NAME: MOMBASA-NAIROBI-ADDIS ABABA ROAD CORRIDOR
PROJECT PHASE III (TURBI-MOYALE ROAD PROJECT)**

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT GRANT/CREDIT NUMBER: LOAN ID NO 2100150025546
PROJECT NO P-KE-DBO-095**

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

Name: Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III-(Turbi-Moyale Road) Project

Objective:

- i) Improve Land Transport communications between Kenya and Ethiopia and contribute to enhance Trade and regional and economic integration
- ii) Provide landlocked Ethiopia with an alternative outlet to the sea through the port of Mombasa
- iii) Open up Kenyan's Northern Region (Arid Semi-Arid Lands of Kenya (ASAL) and integrate it with the rest of Kenya

Address: Barabara Plaza,
Jomo Kenyatta International Airport (JKIA)
Off Mazao Road (Opposite KCAA Headquarters)

Contacts:

Director General
Kenya National Highways Authority
Po Box 49712-00100
Nairobi
Telephone: (254) 020 495000
E-mail: dg@Kenha.co.ke
Website: www.kenha.co.ke

1.2 Project Information.

Project Start Date:	12 th October, 2012
Project End Date:	11 th October 2015
Project Engineer	Eng D.S Cherono
Project Sponsor:	Africa Development Bank(AfDB)

TURBI MOYALE ROAD REHABILITATION PROJECT REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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	P-ZI-DBO-095			
Strategic goals of the project	The strategic goals of the project are as follows: To improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region			
Other important background information of the project	The project is financed by the Government of Kenya at 6%(UAC 8,190,000.00) and the ADB at 94%(UAC 120,000,000.00) The Project Components and costs are as follows(In Million Units of Accounts-UA)			
	Components	FE	LC	Total
	1 Turbi-Moyale -Works	81.77	27.25	109.02
	2 Services	1.07	0.27	1.34
	3 Construction Supervision	2.09	0.52	2.61
	4 Trade and Transport Facilitation	0.90	0.23	1.13
	5 Study of Future Projects	5.18	1.30	6.48
	6 Monitoring of Performance of Consultants & Contractors	0.54	0.13	0.67
	7 Projects Audits	0	0.09	0.09
	Total	90.48	29.52	120.00

TURBI MOYALE ROAD REHABILITATION PROJECT REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

Current situation that the project was formed to intervene	<ul style="list-style-type: none"> i) Promote regional economic integration by enhancing the development of regional trade between Ethiopia, Kenya and the COMESA countries. Reduce transport costs, and significantly improve the offer of transport services between Ethiopia, Kenya and other counties in the sub-region; ii) Integrate the Kenya ASAL region with the rest of the country, in the administrative, economic and social context; iii) Improve accessibility and mobility to markets and other socio-economic infrastructure for the population in north-eastern region of Kenya. iv) Spur economic activity between Kenya and Ethiopia and facilitate development of SMEs and trade. v) Improve security along the corridor.
--	---

1.4 Bankers

Co-operative Bank of Kenya Ltd
Upper Hill Branch,
Po Box 30415-00100
Nairobi
Account No.01141160979900

1.5 Auditors

Auditor General
Office of the Auditor General
Po Box 30084-0100
Nairobi

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng David A . Muchilwa	Director-Development	Qualified	Oversight
Eng D.S Cherono	Deputy Director	Qualified	Team Leader
Mr Walter Nyatwanga	Deputy Director	Qualified	Safeguards Specialist
Mr Isaac Kamotho	Assistant Director	Qualified	Financial Specialist
Mr R Kilel	Assistant Director	Qualified	Procurement Specialist

TURBI MOYALE ROAD REHABILITATION PROJECT REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

1.7 Funding summary

The Project is for duration of Four (4) years from 12th October, 2012 to 15th October 2016 with an approved budget of UA 120,000,000 equivalent to Kshs 17,456,880,000 at the exchange rate of Kshs. 145.474 and Kshs. 1,199,120,932 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date - (30/06/2020)		Undrawn balance to date (30/06/2020)	
	Donor currency(UAC)	Kshs	Donor currency(UAC)	Kshs	Donor currency(UAC)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant	-	-	-	-	-	-
(ii) Loan	120,000,000	17,456,880,000	88,404,171	12,860,508,353	-	-
(iii) Counterpart funds						
GOK	-	1,199,120,932	-	1,199,120,932	-	-
Total	120,000,000	18,656,000,932	88,404,171	14,059,629,285	-	-

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year and for cumulative to-date

Current Year		
Budget 2019/2020	Actual 2019/2020	Performance %
142,600,000	112,759,438	79%

1.9 Summary of Project Compliance:

There is no significant case of non-compliance with applicable laws and regulations and essential external financing agreements /covenants was reported during the year

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

The sector goal of the project is to promote trade and regional integration. The expected long-term impact of the project includes increased intra-regional trade between Ethiopia and Kenya and the Eastern and Horn of Africa regions. The objective of the project is to improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region. The expected outcomes of the project include (a) reduced transport and shipping costs between Kenya and Ethiopia; (b) reduced transit time for import and export goods; (c) increased volume of Ethiopian transit goods using the port of Mombasa.

Objective	Outcome	Indicator	Performance
To improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region.	<ul style="list-style-type: none"> • Transport and logistics costs between Addis Ababa and Nairobi are reduced; transit and travel times are reduced • Port of Mombasa becomes cost-effective alternative for Ethiopia's import/export shipping • Technical and Operational Capacity of Kenya Road Agencies is strengthened • Improved economic and social welfare of towns along the corridor 	<ul style="list-style-type: none"> • Volume of trade • Transport and shipping costs • Transit time for imports and exports • Volume of transit goods to/from Ethiopia using the port of Mombasa • Performance of Roads Agencies • Average household income 	<ul style="list-style-type: none"> • Trade between Ethiopia and Kenya estimated to grow from US\$ 48 M (2007) to US\$ 200 M (500%) by 2017 • Port of Mombasa transit goods to/from Ethiopia to increase from zero in 2009 to 500,000 t in 2014; and to over 1000,000 t or 20% of total Ethiopian sea fret by 2018. • Average transport cost of US\$ 0.50 per veh-km on the corridor in 2009 reduced by 20% by 2011; and by 50% by 2014. • Transit and travel time of 5 days between Addis and Nairobi in 2009 reduced by 20% (1 day) by 2011; and by 60% (3 days) by 2014

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 improving the lives of local residents through construction of roadside amenities, milk houses and processors and slaughterhouses (for goats and sheep). 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 and the Project Implementation Team Leader for Turbi-Moyale Road 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 and the Project Implementation Team Leader Turbi-Moyale Road 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 and the Project Implementation Team Leader for Turbi-Moyale Road 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, 2020, and of the Project's financial position as at that date. The Director General and the Project Implementation Team Leader for National Urban Transport 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.

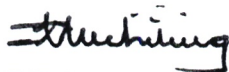
The Director General, and the Project Implementation Team Leader for Turbi-Moyale Road Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General and the Project Implementation Team Leader for Turbi-Moyale Road Project on 25 AUG 2020 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

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Website: www.oagkenya.go.ke



HEADQUARTERS
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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MOMBASA-NAIROBI-ADDIS ABABA ROAD CORRIDOR PROJECT PHASE III (TURBI - MOYALE) NO. P-ZI-DB0-095 LOAN NO. 2100150025546 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 Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale) set out on pages 1 to 14, 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 the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale) 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 Loan Agreement No. 2100150025546 dated 12 March, 2012 between the African Development Fund (ADF) 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 the Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

1. Pending Bills

Note 11.1 to the financial statements reflects pending bills amounting to Kshs.58,476,169 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 significant interest costs and penalties with the continued delay in making payments.

2. Budget Control and Performance

The statement of comparative budget and actual amounts reflects total receipts of Kshs.112,759,438 against estimated receipts of Kshs.142,600,000 resulting into a shortfall of Kshs.29,840,562 or 21%. Similarly, the statement reflects an under-expenditure of Kshs.29,840,562 or 21% of the budget which mainly occurred under acquisition of non-financial assets. The under expenditure was attributed to the fact that the project is complete and open to public use hence low operating costs.

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

Report of the Auditor-General on Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi - Moyale) No. P-ZI-DB0-095 Loan No. 2100150025546 for the year ended 30 June, 2020 – Kenya National Highways Authority

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 African Development Fund (ADF), 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to 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 financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide


Report of the Auditor-General on Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi - Moyale) No. P-ZI-DB0-095 Loan No. 2100150025546 for the year ended 30 June, 2020 – Kenya National Highways Authority

a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

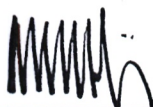
28 December, 2020

TURBI MOYALE ROAD REHABILITATION PROJECT REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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

	Note	2019/20		2018/19		Cummulative
		Kshs	Kshs	Kshs	Kshs	Kshs(Restated)
		Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	
RECEIPTS						
Transfer from Government entities	10.3	42,759,438	-	128,826,059	-	1,199,120,932
Proceeds from foreign Loans	10.4	-	70,000,000	-	28,022,750	12,860,508,353
Total receipts		42,759,438	70,000,000	128,826,059	28,022,750	14,059,629,285
PAYMENTS						
Purchase of goods and services	10.5	115,800	-	-	-	18,273,724
Acquisition of non-financial assets	10.6	42,643,638	70,000,000	128,826,059	28,022,750	13,990,727,659
TOTAL PAYMENTS		42,759,438	70,000,000	128,826,059	28,022,750	14,009,001,383
SURPLUS/DEFICIT FOR THE YEAR		-	-	-	-	50,627,902

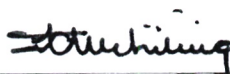
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Eng. Peter M. Mundinia
Director General

25 AUG 2020

Date



Eng. David A. Muchilwa
Director -Development

25 AUG 2020

Date



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

25 AUG 2020

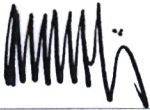
Date

TURBI MOYALE ROAD REHABILITATION PROJECT REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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

	Notes	2019/20 Kshs	2018/19 Kshs(Restated)
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10.7	50,627,902	50,627,902
TOTAL FINANCIAL ASSETS		50,627,902	50,627,902
REPRESENTED BY:			
Cash and cash equivalents b/fwd	10.7A	50,627,902	50,627,902
Surplus/Deficit for the year		-	-
NET FINANCIAL POSITION		50,627,902	50,627,902

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 25 AUG 2020 2020 and signed by:



Eng. Peter M. Mundinia
Director General



Eng. David A. Muchilwa
Director -Development

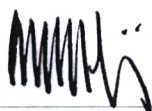


CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

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

RECEIPTS FROM OPERATING INCOME		2019/20 Kshs	2018/19 Kshs(Restated)
Transfer from Government entities	10.3	42,759,438	128,826,059
Payments for operating expenses			
Purchase of goods and services	10.5	(115,800)	-
Other payments			
Net cash flow from operating activities		42,643,638	128,826,059
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	10.6	(112,643,638)	(156,848,809)
Net cash flows from Investing Activities		(112,643,638)	(156,848,809)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	10.4	70,000,000	28,022,750
Net cash flow from financing activities		70,000,000	28,022,750
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at BEGINNING of the year		50,627,902	50,627,902
Cash and cash equivalent at END of the year		50,627,902	50,627,902

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 25 AUG 2020 2020 and signed by:



Eng. Peter M. Mundinia
Director General



Eng. David A. Muchilwa
Director -Development

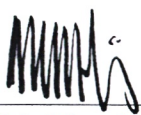


CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

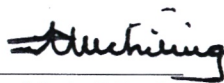
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Variance
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	72,600,000	-	72,600,000	42,759,438	29,840,562	59%
Proceeds from borrowings	70,000,000	-	70,000,000	70,000,000	-	0%
Total Receipts	142,600,000	-	142,600,000	112,759,438	29,840,562	79%
Payments						
Purchase of goods and services	142,600,000	-	142,600,000	115,800	29,840,562	79%
Acquisition of non-financial assets				112,643,638		
Total Payments	142,600,000	-	142,600,000	112,759,438	29,840,562	79%

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



Eng. David A. Muchilwa
Director -Development



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

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 Turbi Moyale Road 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 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 70 Million** being loan 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.

TURBI MOYALE ROAD REHABILITATION PROJECT REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

10.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20	2018/19	Cumulative to-date
	Kshs	Kshs	Kshs
Counterpart funding through Ministry of Transport and Infrastructure			
Quarter 1	63,000	8,622,133	288,061,393
Quarter 2	13,437,335	16,533,042	268,033,907
Quarter 3	28,773,373	7,627,744	240,180,254
Quarter 4	485,730	96,043,140	402,845,378
	42,759,438	128,826,059	1,199,120,932

10.4. PROCEEDS FROM FOREIGN LOANS

Name of Donor	Date received	Amount received in donor currency	Loan received as direct payment	Total amount in Kshs	
				FY 2019/20	FY 2018/19
				UAC	Kshs
Loans Received from Bilateral Donors (AFDB)	FY 2019/20	486,506	70,000,000	70,000,000	28,022,750

TURBI MOYALE ROAD REHABILITATION PROJECT REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

10.5. PURCHASE OF GOODS AND SERVICES

Description	2019/20			2018/19	Cummulative to date
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	115,800	-	115,800.00	-	10,896,453
Branding & Advertising	-	-	-	-	7,377,271
Total	115,800	-	115,800.00	-	18,273,724

10.6. ACQUISITION OF NON-FINANCIAL ASSETS

Description	2019/20			2018/19	Cumulative to-Date
	Payments made by the Entity	Payments Made by Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs(Restated)
Research, studies, project preparation, design & supervision	-	-	-	21,835,430	934,534,409
Rehabilitation of Roads	42,643,638	70,000,000	112,643,638	135,013,380	12,990,870,040
Acquisition of land	-	-	-	-	65,323,211
Total	42,643,638	70,000,000	112,643,638	156,848,810	13,990,727,659

10.7 CASH AND CASH EQUIVALENTS C/FWD

	2019/20 Kshs	2018/19 Kshs(Restated)
Bank accounts (Note 10.7A)	50,627,902	50,627,902
	<u>50,627,902</u>	<u>50,627,902</u>

TURBI MOYALE ROAD REHABILITATION PROJECT REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

10.7A Bank Accounts

	2019/20 Kshs	2018/19 Kshs(Restated)
<u>Local Currency Accounts</u>		
Opening Balance	50,627,902	50,627,902
Deficit/Surplus	-	-
National Bank Of Kenya [A/c No. 01001-327332-00]	50,627,902	50,627,902

10.8 PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	50,627,902	50,627,902
Acquisition of Non - Financial Assets	14,041,355,561	(50,627,902)	13,990,727,659
	14,041,355,561	-	14,041,355,561

10.9 CHANGES IN ACCOUNTS PAYABLE – RETENTIONS - PAYMENTS CONTROLLED BY THE ENTITY

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Retentions as at 1 st July 2019 (A)	50,627,902	50,627,902
Retentions held during the year (B)	-	-
Retentions paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	50,627,902	50,627,902

11. OTHER IMPORTANT DISCLOSURES

11.1. PENDING BILLS (Annex 2A)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works	141,736,470	29,383,337	112,643,638	58,476,169
Supply of services	-	115,800	115,800	-
Total	141,736,470	29,499,137	112,759,438	58,476,169

12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

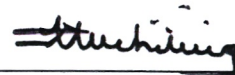
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref No	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status : (Resolved / Not Resolved)	Timeframe:
	N/A	N/A			



Eng Peter M. Mundinia
Director General

Date 23 AUG 2020



Eng David A. Muchilwa
Director- Development

Date 23 AUG 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					
Government of Kenya	72,600,000	42,759,438	29,840,562	59%	Project Substantially compete hence low operating costs
External financing	70,000,000	70,000,000	-	100%	
Total receipts	142,600,000	112,759,438	29,840,562	21%	
PAYMENTS DURING THE YEAR/PERIOD					
Purchase of goods and services		115,800			Project Substantially compete hence low operating costs
Acquisition of non-financial assets	142,600,000	112,643,638	29,840,562	79%	
Total payments	142,600,000	112,759,438	29,840,562	79%	

ANNEX 2A - ANALYSIS OF PENDING BILLS

IPC/Fee Note	Works or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
					2019/20	2018/19	
		a	b	c	d=a-c		
	Civil Works	-	-	-	-	53,156,117	
1387/004	NORKEN INTERNATIONAL	57,761,857	11-Jun-20	-	57,761,857		
JK000660/INTER3	GIBB AFRICA LTD	326,173	05-Oct-16	-	326,173		
JK000660/F47	GIBB AFRICA LTD	388,139	08-Dec-16	-	388,139		
	Consultancy				58,476,169	88,580,353	
	Land Compensation				-	-	
	Total				58,476,169	141,736,470	

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

	(KShs)	(KShs)	(KShs)	(KShs)
	2019/20	2019/20	2019/20	2019/20
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	13,878,084,021	112,643,638	-	13,990,727,659
Total	13,878,084,021	112,643,638	-	13,990,727,659

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