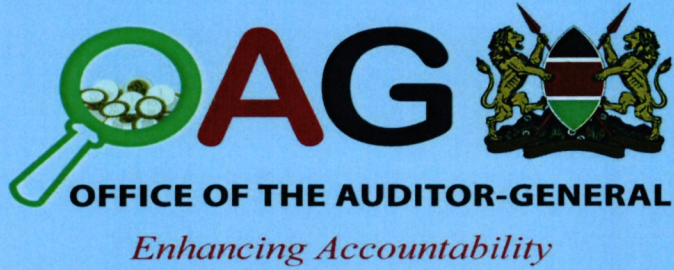


REPUBLIC OF KENYA



REPORT

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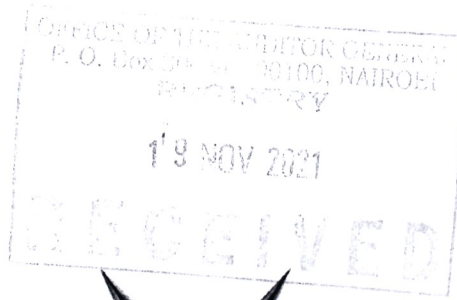
THE AUDITOR-GENERAL

ON

**SAFE ROADS/USALAMA BARABARANI
PROGRAMME (EU GRANT NO. KE/FED/037-778)**

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

**NATIONAL TRANSPORT AND SAFETY
AUTHORITY**



PROJECT NAME: SAFE ROADS/USALAMA BARABARANI

IMPLEMENTING ENTITY: NATIONAL TRANSPORT AND SAFETY AUTHORITY

PROJECT GRANT/CREDIT NUMBER: No KE/FED/037-778

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

Prepared in accordance with the Cash Basis of Accounting Method under the International

Public Sector Accounting Standards (IPSAS)

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial year ended June 30th, 2021*

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**Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)**

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: SAFE ROADS / USALAMA BARABARANI PROGRAMME

Objective: The overall objective of the grant is to contribute towards enhancing road traffic safety in Kenya through road safety programmes and projects that will see a reduction in the number of fatalities per inhabitant due to road traffic crashes by 15%.

Address: The project headquarters offices are Nairobi, Kenya.

The address of its registered office is:

**NATIONAL TRANSPORT AND SAFETY AUTHORITY (NTSA)
316, Upper Hill Chambers, 2nd Ngong Avenue**

Contacts: The following are the project contacts

Telephone: (254) MOBILE NO: +254 722 477 704

E-mail: george.njao@ntsa.go.ke

Website: www.ntsa.go.ke

1.2 Project Information

Project Start Date:	The project start date is 1 st March 2020
Project End Date:	The project end date is 31 st August 2023
Project Manager:	The project manager is Dr Duncan Kibogong
Project Sponsor:	The project sponsor is European Delegation to the Republic of Kenya P.O. Box 45119-00100 Nairobi, Kenya

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Interior & Coordination of National Government Harambee House, Harambee Avenue P.O Box 30510,00100 Nairobi. Tel: +254-20-2227411
Project number	No KE/FED/037-778
Strategic goals of the project	The strategic goal of the project is:

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	Contribute to strengthen the National Transport and Safety Authority in implementing policies related to road safety and ensuring the provision of safe, reliable and efficient road transport services
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> • Improved capacity of NTSA; • Established County Transport and Safety Committees (CTSCs) to enhance road safety management; • Increased public awareness on road safety; • Improved driver training and testing; • Developed road safety engineering and road safety audits.
Other important background information of the project	The project pilot counties are Makueni, Nairobi, Nakuru, Kericho, Kisumu and Kakamega
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>(i) Road Safety Management; including Capacity Building of NTSA, County Transport & Safety Committees and Road safety research and audits;</p> <p>(ii) Safer Road Users; including driver training and testing and Road Safety Awareness/Public Education.</p>
Project duration	The project started on 1 st March 2020 and is expected to run until 31 st August 2023

**Safe Roads/Usalama Barabarani
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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank
Kencom House, Moi Avenue
Nairobi City Center
P.o Box 4360-00100
Nairobi

1.5 Auditors

Office of the Auditor General
Anniversary Towers
P. o. Box 30084-00100
Nairobi

Expenditure verification

Deloitte Kenya
Deloittee Place
Waiyaki Way, Muthangari
P. O Box 40092 GPO. 00100
Nairobi, Kenya
Phone +254 719 039 00. Email admin@deloitte.co.ke

1.6 Roles and Responsibilities

The following key people will be working on the project;

Names	Title designation	Key qualification	Responsibilities
Mr. George Njao	Director General	Bachelor of Science degree	Overall accountability
Dr. Duncan Kibogong	Deputy Director –Road safety	Master’s Degree in Strategic Management Master’s in Public Health	Head - Project management team (PMT)
Samuel Musumba	Manager- Road safety	Masters in Project Management	Member- Project management team (PMT) Support project implementation
Michael Chege	Grant Manager	Bachelor of Commerce degree, ACCA	Budget and reporting

*Safe Roads/Usalama Barabarani
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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding summary

The Project is for duration of 3.5 years from March 2020 to August 2023 with an approved budget of EUR 5,375,000 equivalent to Kshs 645,998,675 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date. (30 th June 2021)		Undrawn balance to date (30 th June 2021)	
	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
European Commission	4,300,000	540,908,077	639,642	80,462,215	3,660,358	460,445,862
(ii) Counterpart funds						
Government of Kenya	1,075,000	135,227,019	42,676	5,368,263	1,032,324	129,858,756
Total	5,375,000	676,135,096	682,318	85,830,478	4,692,682	590,304,618

B. Application of Funds

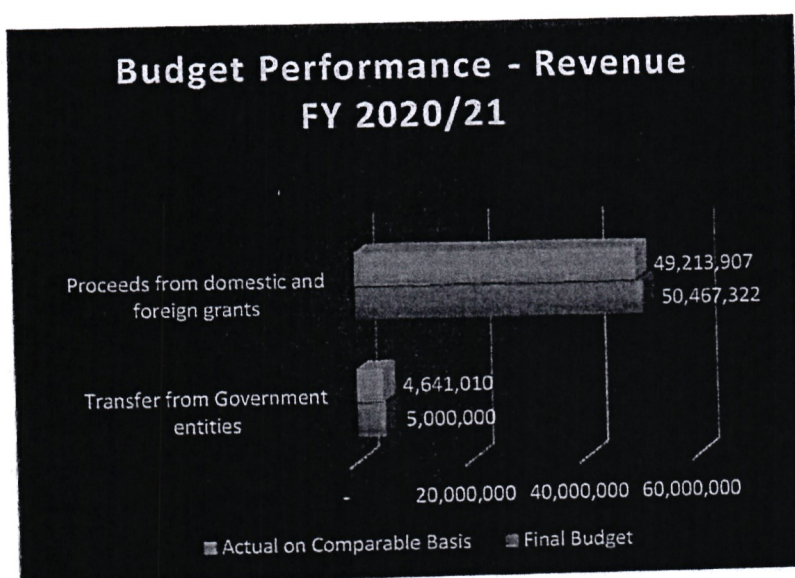
Application of funds	Amount received to date – (30 th June 2021)		Cumulative Amount paid to date – (30 th June 2021)	Unutilised balance to date (30 th June, 2021)	
	<i>EUR</i>	<i>Kshs</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
European Commission	639,642	80,462,215	31,130,448	392,168	49,331,767
(ii) Counterpart funds					
Government of Kenya	42,676	5,368,263	5,368,263	-	-
Total	682,318	85,830,478	36,498,711	392,168	49,331,767

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance:

The project is in the first year of implementation and activities undertaken during the period under review were targeted towards setting up the foundation for the achievement and performance of outputs, outcomes, and impacts.

During the period under review the budget performance was 97% for both counterpart funding and foreign grants as shown in the graph below:



The cumulative performance based on total disbursements since the start of the project was of 92% (FY 2019/20 and 2020/21).

During the period under review, the ongoing engagement with Kenya Institute of Curriculum Development (KICD) continued with a view to finalizing the development and launch of the road safety curriculum. The procurement process for various consultancies on the main project outputs was also initiated.

Four road safety audits were also conducted during the period under review. The reports are to be compiled and forwarded to the respective road agencies for action with an aim to reduce road fatalities and crashes.

The absorption rate for the project was 1% for FY 2019/20 and 64% for the FY 2020/21.

1.8.1 Project Implementation Challenges

- (i) WHO declaration on 11th of March 2020, that COVID-19 outbreak was a pandemic, recommending worldwide social distancing measures in order to fight the spread of the virus. This was followed by subsequent implementation of the same and other restrictions in Kenya.

- (ii) Delayed disbursement of funds after the signing of the agreement on 25th April 2019. The lack of a budget line under the State Department and National Budget further caused delays in release of funds under tranche 1. The 2nd part of the first pre-financing tranche was received on 27th May, 2021.

1.8.2 Way Forward

- (i) Implement project activities through innovative ways where possible such as virtual meetings and capacity building.
- (ii) Ensure project is adequately provided for in the Budget through early engagement with the State Department for Interior and The National Treasury.

1.9 Summary of Project Compliance:

In the period under review there were no cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

Introduction

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

The key development objective of the grant is to contribute to strengthen the National Transport and Safety Authority in implementing policies related to road safety and ensuring the provision of safe, reliable and efficient road transport.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objective to specific sectors, the development objective was made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

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Project	Objective	Outcome	Indicator	Performance	Comments
Safe Roads/Usalama Barabarani	contribute to strengthen the National Transport and Safety Authority in implementing policies related to road safety and ensuring the provision of safe, reliable and efficient road transport.	Improved capacity of the NTSA staff as a solid foundation for sustainable Road Transport system in Kenya	% of trained staff	During the FY no staff were trained.	Funds availability. Part 2 of the first tranche was received in May 2021 limiting the procurement period.
		Enhanced operations of County Transport and Safety Committees (CTSCs) in the 6 pilot counties	% progress of equipping CTSCs	In the FY 2020/21 90% progress was achieved.	Target on course for completion in the next FY
			No. of draft County Road Safety Action Plans completed	3 draft CRSAPs complete	
		Increased public education and awareness on road safety	% of school curriculum on road safety developed	5% achieved during the FY	Engagement on roadmap towards the development and TORs developed.
No. of road safety campaigns conducted	No campaigns were conducted during the FY		Plans developed during the period and campaigns to run in the next FY		

**Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)**

Project	Objective	Outcome	Indicator	Performance	Comments
		Improved driver training and testing	% completion of automation for driver testing and training	During the FY TORs were developed and agreed with the development partner	Target to be implemented in the next FY
		Reduced number of black spots through road safety audits and road safety improvement programmes	No. of road safety audits conducted	During the FY four RSAs were conducted.	

Programme Launch



The project was officially launched at the NTSA Headquarters on 28th October 2020. The Chief Guest was the Cabinet Secretary, Dr. Fred Matian'gi and the event was also graced by various key stakeholders including representatives from the EU delegation and key road agencies.



Official flagging off of the 6 vehicles to support the 6 pilot CTSCs in the pilot counties of Nakuru, Nairobi, Makueni, Kericho, Kakamenga and Kisumu.

***Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)***

County Launches and Inaugural CTSCs meetings

During the period under review, the project was also launched in 5 pilot counties and inaugural CTSC meeting held.



Makueni County meeting with HE Governor Kivutha Kibwana on the launch day



Kakamega County: HE Governor Kakamega County, Deputy Governor, Chairperson NTSA, DG NTSA and members of the County CTSC after the official launch



Nakuru County, HE Governor Lee Kinyanjui flags off the EU Usalama Barabarani Nakuru vehicle



Kakamega County: HE Governor of Kakamega County and the NTSA Chairperson flag off the Kakamega EU Usalama Barabarani vehicle

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Below is a brief highlight of our activities that drive towards sustainability.

3.1 Sustainability strategy and profile

The action targets to initially cover and support six pilot counties out of 47 counties in the country. NTSA will continue with the implementation of interventions and road safety enhancement strategies identified through the project in all the remaining counties to ensure that the programme achieves a sustained positive effect.

3.2 Employee welfare

The hiring process under the project is guided by the NTSA Human Resources manual and procedures. Staff under the project are also appraised periodically in line with Government procedure, this is undertaken at least twice a year.

Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The project ensures responsible competition practices through strict adherence to the Public Finance Management Act, 2012 and the Public Procurement and Disposal Act, 2015 amongst other Government regulations and policies.

b) Responsible Supply chain and supplier relations-

Through adherence to the aforementioned laws and regulations, the project ensures it maintains responsible supplier relations and payment practices by ensuring compliance to credit terms as set out in the various engagements/contracts.

3.3 Community Engagements

The project targets to improve the livelihoods of the community through public education and awareness on road safety. This involves distribution of IEC materials to the targeted groups under the project that includes pedestrians, youth, school children, motorcyclists amongst other key groups.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General for the National Transport and Safety Authority (NTSA) and the Head-Project Management team for Safe Roads / Usalama Barabarani programme 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 (period) ended on June 30, 2021.

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

The Director General for the National Transport and Safety Authority and the Head-Project management team for Safe Roads / Usalama Barabarani programme 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 National Transport and Safety Authority and the Head- Project management team for Safe Roads / Usalama Barabarani programme are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Director General for National Transport and Safety Authority and the Head of Project management team for Safe Roads / Usalama Barabarani programme 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.

***Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)***

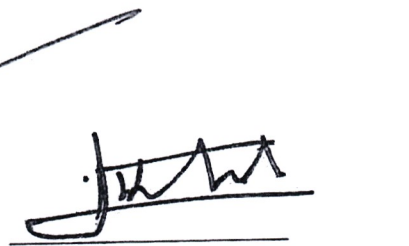
The Director General for the National Transport and Safety Authority and the Head-Project management team for Safe Roads / Usalama Barabarani programme confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds 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

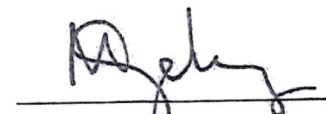
The Project financial statements were approved by the Director General for National Transport and Safety Authority and the Head-Project management team for Safe Roads / Usalama Barabarani programme on 30th June, 2021 and signed by them



Director General
George Njao



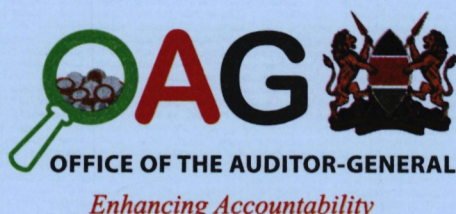
Head- Project Management Team
Duncan Kibogong



Grants Manager
Michael Chege
ACCA 1721196

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON SAFE ROADS/USALAMA BARABARANI PROGRAMME (EU GRANT NO. KE/FED/037-778) FOR THE YEAR ENDED 30 JUNE, 2021 - NATIONAL TRANSPORT AND SAFETY AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Safe Roads/Usalama Barabarani Programme set out on pages 15 to 34, which comprise the statement of

Report of the Auditor-General on Safe Roads/Usalama Barabarani Programme (EU Grant No. KE/FED/037-778) for the year ended 30 June, 2021 - National Transport and Safety Authority

financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Safe Roads/Usalama Barabarani Programme as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and the Public Finance Management Act, 2012 and comply with the Financing Agreement Grant No. KE/FED/037-778 dated 25 April, 2016 and Grant Contract No. KE/FED/2019/406-074 dated 25 April, 2019 between the European Commission and the Republic of Kenya.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Safe Roads /Usalama Barabarani Programme 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 audit 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 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

Project's Performance and Sustainability

Article 3 of the signed grant contract for the Safe Roads/Usalama Barabarani Programme specifies total eligible costs of the project as EUR 5,375,000 (an equivalent of Kshs.676,135,096). The grant is limited to 80% of the total eligible cost and the Government of Kenya (GOK) is, therefore, required to contribute counterpart funds equivalent to 20% of the total cost, that is, EUR 1,075,000 (equivalent to Kshs.135,227,019). However, as at 30 June, 2021, the total amount received as GOK counterpart financing was Kshs.5,368,263, representing 3.97% of the expected contribution.

The cause of delay in release of the counterpart funding is disclosed under project information and overall performance as lack of a budget line under the State Department

for Interior and Citizen Services. However, it has not been explained why The National Treasury failed to ensure a provision for counterpart funds in the budget of the responsible State Department after signing the agreement with the development partner. Although the Management has explained that The National Treasury has made a provision for counterpart funding in the budget estimates for 2022/2023 financial year, no evidence has been provided to support this assertion.

Other Information

The Director General National Transport and Safety Authority and the Project Implementation Team are responsible for the other information, which comprise the Project Information and Overall Performance as required under the Public Financial Management Act, 2012. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which 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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of Safe Roads/Usalama Barabarani Programme to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Programme or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which 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 on whether, in all material respects, 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, 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 which 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 which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which 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 which may cast significant doubt on the ability of Safe Roads/Usalama Barabarani Programme to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Programme to cease sustaining 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 which achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Safe Roads/Usalama Barabarani Programme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Oathungu, CBS
AUDITOR-GENERAL

Nairobi

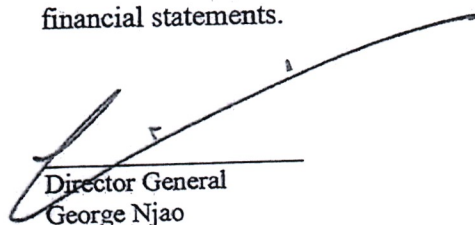
02 December, 2021


*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

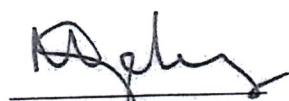
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30th JUNE 2021

	Note	2020/2021		2019/2020		Cumulative to-date (From inception)
		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	KShs
RECEIPTS						
Transfer from Government entities	1	4,641,010		727,253	-	5,368,263
Proceeds from domestic and foreign grants	2	49,213,907		31,248,308	-	80,462,215
TOTAL RECEIPTS		53,854,917	-	31,975,561	-	85,830,478
PAYMENTS						
Compensation of employees	3	10,149,941		627,253	-	10,777,194
Purchase of Goods and Services	4	4,160,034		-		4,160,034
Acquisition of non-financial assets	5	21,461,483		-		21,461,483
TOTAL PAYMENTS		35,771,458	-	627,253	-	36,398,711
SURPLUS/(DEFICIT)		18,083,459	-	31,348,308	-	49,431,767

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


Director General
George Njao


Head-Project Management Team
Dr. Duncan Kibogong


Grants Manager
Michael Chege
ACCA 1721196

21/11/2021
Date

02/11/21
Date

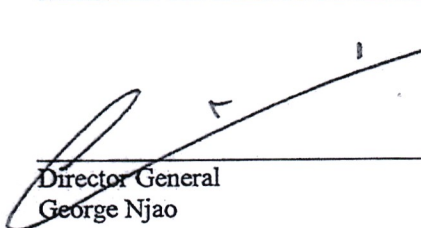
2/11/2021
Date

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

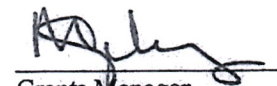
7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT JUNE 30th, 2021

	Note	2020-2021	2019-2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	49,006,924	31,348,308
Total Cash and Cash Equivalents		49,006,924	31,348,308
Accounts Receivables	7	424,843	
TOTAL FINANCIAL ASSETS		49,431,767	31,348,308
REPRESENTED BY			
Fund balance b/fwd	8	31,348,308	-
Surplus/(Deficit) for the year		18,083,459	31,348,308
NET FINANCIAL POSITION		49,431,767	31,348,308

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29/09/2021 and signed by:


Director General
George Njao


Head-Project Management Team
Dr. Duncan Kibogong



Grants Manager
Michael Chege
ACCA 1721196

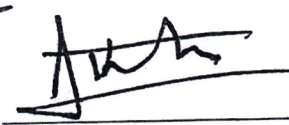
**Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)**


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

		2020-2021	2019-2020
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities	1	4,641,010	727,253
Proceeds from domestic and foreign grants	2	49,213,907	31,248,308
Payments from operating activities			
Compensation of employees	3	10,149,941	627,253
Purchase of Goods and Services	4	4,160,034	
Adjustments during the year			
Decrease/(Increase) in Accounts Receivable	9	424,843	-
Net cash flow from operating activities		39,120,098	31,348,308
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	21,461,483	
Net cash flows from Investing Activities		21,461,483	-
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities			-
NET INCREASE IN CASH AND CASH EQUIVALENT		17,658,616	31,348,308
Cash and cash equivalent at BEGINNING of the year		31,348,308	-
Cash and cash equivalent at END of the year		49,006,924	31,348,308

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 29/09/2021 and signed by:


Director General
George Njao


Head-Project Management Team
Dr. Duncan Kibogong


Grants Manager
Michael Chege
ACCA 1721196

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	26,116,831	- 21,116,831	5,000,000	4,641,010	358,990	93%
Proceeds from domestic and foreign grants	120,467,322	- 70,000,000	50,467,322	49,213,907	1,253,415	98%
Total Receipts	146,584,153	- 91,116,831	55,467,322	53,854,917	1,612,405	97%
Payments						
Compensation of employees	30,000,000	- 15,000,000	15,000,000	10,149,941	4,850,059	68%
Purchase of goods and services	81,584,153	- 66,116,831	15,467,322	4,160,034	11,307,288	27%
Acquisition of non-financial assets	35,000,000	- 10,000,000	25,000,000	21,461,483	3,538,517	86%
Total Payments	146,584,153	- 91,116,831	55,467,322	35,771,458	19,695,864	64%

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

Director General
George Njao

02/11/21

Date

Head-Project Management Team
Dr. Duncan Kibogong

02/11/21

Date

Grants Manager
Michael Chege
ACCA 1721196

2/11/2021

Date

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

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

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

b) Donations and grants

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

Significant Accounting Policies (Continued)

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

Significant Accounting Policies (Continued)

f) 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.

g) 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.

Significant Accounting Policies (Continued)

h) Pending bills

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

i) Budget

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

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

Significant Accounting Policies (Continued)

j) 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.

k) 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.

l) Subsequent events

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

m) 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.

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	Cumulative to- date(from inception)
	KShs	KShs	
<i>Counterpart funding through National Transport and Safety Authority</i>			
Counterpart funds Quarter 1	994,515		994,515
Counterpart funds Quarter 2	1,893,693		1,893,693
Counterpart funds Quarter 3	1,156,649		1,156,649
Counterpart funds Quarter 4	596,152	727,253	1,323,405
Total	<u>4,641,010</u>	<u>727,253</u>	<u>5,368,263</u>

The above represents counterpart funding from the National Transport and Safety Authority. This was mainly used to finance personnel costs.

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the period to June, 30th 2021 we received grants from donors as follows:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2020/21	2019/20
						KShs	KShs
		EUR	KShs	KShs	KShs	KShs	
Grants Received from Bilateral Donors (Foreign Governments)							
European Union	26.6.2020	260,000	31,248,308	-	-		31,248,308
	27.5.2021	379,642	49,213,907			49,213,907	
Total						49,213,907	31,248,308

3. COMPENSATION OF EMPLOYEES

	2020/21			2019/20	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
-					
Basic salaries of permanent employees	4,610,379		4,610,379	627,253	5,237,632
Personal allowances paid as part of salary	4,587,463		4,587,463		4,587,463
Pension and other social security contributions	952,099		952,099		952,099
Total	<u>10,149,941</u>	=	<u>10,149,941</u>	<u>627,253</u>	<u>10,777,194</u>

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PURCHASE OF GOODS AND SERVICES

	2020/21			2019/20	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
-					
Printing, advertising and information supplies	2,157,264		2,157,264	-	2,157,264
Domestic travel and subsistence	1,390,600		1,390,600		1,390,600
Routine maintenance – vehicles and other transport equipment	594,710		594,710		594,710
Bank Charges	17,460		17,460		17,460
Total	<u>4,160,034</u>	=	<u>4,160,034</u>	=	<u>4,160,034</u>

5. ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/20	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
-					
Purchase of vehicles & other transport equipment	21,333,724		21,333,724	-	21,333,724
Purchase of office furniture & general equipment	127,759		127,759		127,759
Total	<u>21,461,483</u>	=	<u>21,461,483</u>	=	<u>21,461,483</u>

***Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)***

The total expenditure for the period under acquisition of non-financial assets was Kshs. 21,461,481 which relates to expenses incurred in the purchase of motor vehicles and furniture aimed at enhancing the operations of County Transport and Safety Committees in the 6 pilot counties.

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 CASH AND CASH EQUIVALENTS

	2020/21	2019/20
	KShs	KShs
Bank Accounts	49,006,924	31,348,308

The project has one project account within the project implementation area and one foreign currency designated accounts managed by the National Treasury as listed below:

6 A. Bank Accounts

	2020/21	2019/20
	KShs	KShs
<u>Foreign Currency Accounts</u>	-	
Central Bank of Kenya [A/c No. 1000426896]	-	38,719,014
Total Foreign Currency balances	=	<u>38,719,014</u>
<u>Local Currency Accounts</u>		
Kenya Commercial Bank [A/c No. 1266570756]	49,006,924	31,348,308
Total Local Currency balances	<u>49,006,924</u>	<u>31,348,308</u>
Total bank account balances	<u>49,006,924</u>	<u>70,067,322</u>

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	KShs	KShs
Central Bank of Kenya [A/c No. 1000426896]		
Opening balance	379,642	639,642
Total amount deposited in the account		-
Total amount withdrawn (as per Statement of Receipts & Payments)	- 379,642	- 260,000
Closing balance (as per SDA bank account reconciliation attached)	<u>0</u>	<u>379,642</u>

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Annex 3 support these closing balances.

7 ACCOUNT RECEIVABLES

	2020/21	2019/20
	KShs	KShs
National Transport and Safety Authority	424,843	-
<u>Total Accounts Receivable</u>	<u>424,843</u>	<u>=</u>

8 FUND BALANCE BROUGHT FORWARD

	2020/21	2019/20
	KShs	KShs
Bank Accounts	31,348,308	-
<u>Total Balance Brought Forward</u>	<u>31,348,308</u>	<u>=</u>

9. CHANGE IN ACCOUNTS RECEIVABLE

	2020/21	2019/20
	KShs	KShs
Opening Receivables as at 1 st July 2020	0	-
Closing account receivables as at 30 th June 2021	424,843	-
<u>Change in Receivables</u>	<u>- 424,843</u>	<u>=</u>

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

12. OTHER IMPORTANT DISCLOSURES

1. OTHER PENDING PAYABLES (See Annex 2)

	Balance b/fFY 2020/2021	Additions for the period	Paid during the year	Balance c/fFY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to Kenya Revenue Authority	-	412,624	-	412,624
Total	-	412,624	-	412,624

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

There were no issues raised by the external auditor during the period under review.

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Revenue/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	5,000,000	4,641,010	358,990	93%	
Proceeds from domestic and foreign grants	50,467,322	49,213,907	1,253,415	98%	
Total Receipts	55,467,322	53,854,917	1,612,405	97%	
Payments					
Compensation of employees	15,000,000	10,149,941	4,850,059	68%	Low funds absorption as a result of late funds disbursement.
Purchase of goods and services	15,467,322	4,160,034	11,307,288	27%	
Acquisition of non-financial assets	25,000,000	21,461,483	3,538,517	86%	
Total Payments	55,467,322	35,771,458	19,695,864	64%	

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2021 (KShs)*

ANNEX 2 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance June 30 th , 2021	Actual audited prior year	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1. Kenya Revenue Authority	Withholding VAT	412,624	-	-	412,624	0	
Grand Total		412,624			412,624		

ANNEX 2 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost	Donations in form of assets	*Purchases/ Additions in the Year	**Disposals in the Year	Transfers in/(out)	Closing Cost
	(KShs)	(KShs)	(KShs)	(KShs)	(KShs)	(KShs)
	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Motor Vehicles	-	-	21,708,000.00	-	-	21,708,000.00
Office equipment, furniture and fittings	-	-	129,999.99	-	-	129,999.99
Total	-	-	21,837,999.99	-	-	21,837,999.99