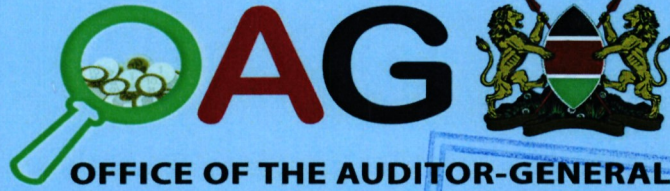


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

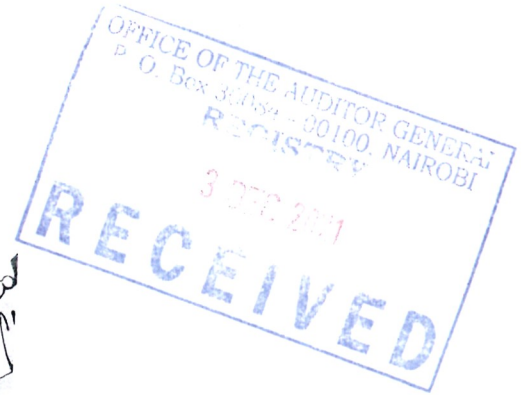
**NORTHERN CORRIDOR TRANSPORT
IMPROVEMENT PROJECT IDA
CREDIT NO.3930-KE & NO.4571-KE**

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

**KENYA NATIONAL HIGHWAYS
AUTHORITY**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 09 FEB 2022	DAY: Wed
TABLED BY:	LDM
CLERK-AT THE TABLE:	S. Kalamu





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



Kenya National Highways Authority

Quality Highways, Better Connections

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

KENYA NATIONAL HIGHWAYS AUTHORITY

IDA CREDIT No. 3930-KE & 4571-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

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NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

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

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Northern Corridor Transport Improvement Project

Objective: The objective of the project is to enhance the efficiency and effectiveness of the borrower's transport sector through:

- (a) Increasing the efficiency of road transport; and
- (b) Promoting private sector participation in the management, financing and maintenance of road assets.

Address: Barabara Plaza
Jomo Kenyatta International Airport (JKIA)
Off Mazao Road
Nairobi, Kenya

Contacts: Director General
Kenya National Highways Authority
P.O. Box 49712-00100
Nairobi

Telephone: +254-20-495000

E-mail: dg@kenha.co.ke

Website: www.kenha.co.ke

1.2 Project Information

Project Start Date:	25 June 2004
Project End Date:	30 December 2015
Project Manager:	Eng. Kung'u Ndung'u
Project Sponsor:	International Development Association (IDA)

1.3 Project Overview

Line Ministry/State Department of the project	Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works
Project number	P082615
Strategic goals of the project	The strategic goals of the project are as follows: (i) Increasing the efficiency of road transport; and (ii) Promoting private sector participation in the management, financing and maintenance of road assets

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

Achievement strategic goals of	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Rehabilitation of Northern Corridor and Emergency Restoration of Damaged Public Assets (ii) Private Sector Participation in Road Management and Maintenance (iii) Institutional Strengthening in Road Sector and Technical Assistance (iv) Strengthening Governance in Construction Industry
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) Reduction in freight and passenger travel times from Mombasa to Malaba & Busia (ii) The un-rehabilitated road sections covered by the additional financing also experienced much greater deterioration than expected over the last few years, due partly to the heavy growth in traffic, partly due to damage resulting from unusually heavy rains and floods (iii) The post-election crisis in the country saw extensive damage to some critical infrastructure, public buildings, vehicles and equipment
Project duration	The project started on 25 June 2004 and ended on 30 December 2015

1.4 Bankers
 NCBA Bank Limited
 NIC House Branch
 P.O. Box 44599
 Nairobi

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

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. D.A. Muchilwa	Director Development	Qualified	Project Technical Team Leader
Eng. K. Ndung'u	Project Director	Qualified	Project Manager

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

1.6 Roles and Responsibilities (Cont'd)

Names	Title designation	Key qualification	Responsibilities
Mr. W. M. Barongo	Deputy Director	Qualified	Project Safeguards Specialist
Eng. J. Ndinika	Deputy Director	Qualified	Project Engineer
Mr. R. Kilel	Assistant Director	Qualified	Project Procurement Specialist
Mr. I. W. Kamotho	Assistant Director	Qualified	Project Financial Management Specialist

1.7 Funding summary

The Project is for duration of 11 years from 2004 to 2015 with an approved budget of SDR 278,940,000 equivalent to USD 307,493,959 equivalent to Kshs 31,088,315,753 by International Development Association and USD 16,641,543 equivalent to Kshs 1,458,246,791 by Nordic Development fund as highlighted in the table below:

Below is the funding summary:

A) Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30.06.2021)		Undrawn balance to date (30.06.2021)	
	USD	Kshs	USD	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
International Development Association	307,493,959	31,088,315,753	307,493,959	31,088,315,753	-	-
Nordic Development Fund	16,641,543	1,458,246,791	16,641,543	1,458,246,791	-	-
(ii) Counterpart funds						
Government of Kenya	-	31,756,346,561	-	31,756,346,561	-	-
Total	324,135,502	64,302,909,105	324,135,502	64,302,909,105	-	-

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

A. 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)	
	USD	Kshs	Kshs	USD	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Loan					
International Development Association	307,493,959	31,088,315,753	31,088,315,753	-	-
Nordic Development Fund	16,641,543	1,458,246,791	1,458,246,791	-	-
(ii) Counterpart funds					
Government of Kenya	-	31,756,346,561	31,687,290,705	-	69,055,856
Total	324,135,502	64,302,909,105	64,233,853,249	-	69,055,856

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year

Source of Funds	Budget	Actual	Variance	Variance (%)
IDA	-	-	-	-
GoK	34,000,000	30,069,765	3,930,235	88%
Total	34,000,000	30,069,765	3,930,235	88%

- 1) Maji ya Chumvi - Miritini (35 km and increased to 40 km)
Contract successfully completed and handed over to Employer.
- 2) Sultan Hamud-Machakos Turnoff (55 km)
Contract successfully completed and handed over to Employer.
- 3) Machakos Turn off-JKIA 33 km (including 12 km of dual carriageway)

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

- Contract successfully completed and handed over to Employer.
- 4) Lanet-Njoro Turnoff (dual 16 km)
Contract successfully completed and handed over to Employer
 - 5) Njoro Turnoff-Timboroa (84 km)
Contract successfully completed and handed over to Employer
 - 6) Mau Summit-Kericho (57km)
Contract successfully completed and handed over to Employer.
 - 7) Kericho-Nyamasaria (76 km)
Contract successfully completed and handed over to Employer.
 - 8) Nyamasaria-Kisumu - Kisian including Kisumu Bypass road
Contract successfully completed and handed over to Employer.
 - 9) Emergency Restoration of Public Assets
Contract successfully completed and handed over to Employer.
 - 10) Rehabilitation of Kisumu Airport – Kisian Road 7km
Contract successfully completed and handed over to Employer.

1.9 Summary of Project Compliance:

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

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S OBJECTIVES

The key development objectives of the project are to:

- (i) Increasing the efficiency of road transport along the Northern corridor to facilitate trade and regional integration
- (ii) Promoting private sector participation in the management, financing and maintenance of road assets
- (iii) Restore vital infrastructure and public assets damaged as a result of the 2007 post-election crisis

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bund (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:

Project	Objective	Outcome	Indicator	Performance
Northern Corridor Transport Improvement	<p>Increasing the efficiency of road transport along the Northern corridor to facilitate trade and regional integration</p> <p>Promoting private sector participation in the management, financing and maintenance of road assets</p> <p>Restore vital infrastructure and public assets damaged as a result of the 2007 post-election crisis</p>	<p>Savings in vehicle operating costs, passenger travel time costs and road crash related costs. Kenyan products will be more competitive in regional and international markets</p> <p>Consolidate the achievements made so far, enhance the efficiency and effectiveness of service delivery, and promote good governance and professional integrity in the roads sector</p>	<p>Reduction in freight and passenger travel times from Mombasa to Malaba</p> <p>Award of one long term performance-based road maintenance and management contract to the private sector.</p>	<p>Current travel and freight movement time between Mombasa to Malaba has reduced from 14.5 hrs to under 11 hrs</p> <p>Already a section of the corridor (Nairobi Expressway Project) has been awarded to a private sector player under the Public Private Partnership framework..</p>

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.

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

3. Employee welfare

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

4. Market place practices

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

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

5. Community Engagements

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

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

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

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

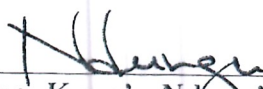
The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting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


The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2021, and of the Project's financial position as at that date. The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement 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 of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement 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 of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project on 17 AUG 2021 and signed by them.

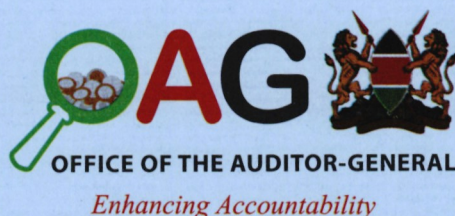

Eng. Kung'u Ndung'u
Director General


Eng. David A. Muchilwa
Director Development


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

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT IDA CREDIT NO.3930-KE & No.4571-KE FOR THE YEAR ENDED 30 JUNE, 2021-KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Northern Corridor Transport Improvement Project set out on pages 1 to 15, which comprise the statement of financial

assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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.

Basis for Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Northern Corridor Transport Improvement Project as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.3930 and 4571 dated 8 May, 2009 between International Development Association and the Government of the Republic of Kenya.

In addition, the special accounts statement present fairly, the special accounts transactions and the closing balance has been reconciled with the books of accounts.

Basis for Qualified Opinion

1. Unsupported Receipts

The statement of receipts and payments reflects transfers from Government entities of Kshs.30,069,765 as at 30 June, 2021. The transfers were however not supported with bank statements and exchequer receipts.

In the circumstances, the accuracy and completeness of the transfer of Kshs.30,069,785 could not be confirmed.

2. Unsupported Refund of Retention Money

The statement of receipts and payments reflects non-financial assets expenditure of Kshs.189,393,143 being retention money refunded to a contractor during the year under review. The expenditure was however not supported with payment vouchers and bank statements.

Consequently, the accuracy and completeness of the expenditure of Kshs.189,393,143 could not be confirmed.

3. Unsupported Bank Balance

The statement of financial assets and liabilities reflects a bank balance of Kshs.69,055,856 as at 30 June, 2021. The balance was not supported with bank reconciliation statements, confirmation certificate and bank statements.

In the circumstances, the accuracy and completeness of the bank balance of Kshs.69,055,856 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Northern Corridor Transport Improvement Project 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 qualified 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association dated 8 May, 2009, I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


20 December, 2021

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

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


	Note	2020/21		2019/20		Cumulative to-date
		Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs	
RECEIPTS						
Transfer from Government entities	10.3	30,069,765	-	466,756,469	-	31,687,582,035
Loan from external development partners	10.4	-	-	-	-	32,546,562,544
Miscellaneous receipts	10.5	2,386,815	-	2,269,203	-	68,764,526
TOTAL RECEIPTS		32,456,580	-	469,025,672	-	64,302,909,105
PAYMENTS						
Compensation of employees	10.6	-	-	-	-	52,959,675
Purchase of goods and services	10.7	63,000	-	422,030	-	185,456,726
Acquisition of non-financial assets	10.8	189,393,143	-	480,529,004	-	63,995,436,848
TOTAL PAYMENTS		189,456,143	-	480,951,034	-	64,233,853,249
SURPLUS/ (DEFICIT)		(156,999,563)	-	(11,925,362)	-	69,055,856

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


Eng. Kung'u Ndung'u
Director General

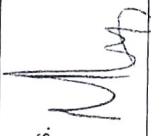
17 AUG 2021

Date


Eng. David A. Muchilwa
Director Development

17 AUG 2021

Date


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

17 AUG 2021

Date

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

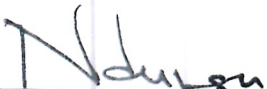
Reports and Financial Statements

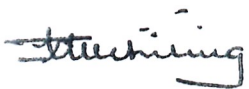
For the financial year ended June 30, 2021


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

	Note	2021 Kshs	2020 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10.9A	69,055,856	226,055,419
TOTAL FINANCIAL ASSETS		69,055,856	226,055,419
FINANCIAL LIABILITIES			
Payables – Retention	11	12,198,601	171,584,979
NET ASSETS		56,857,255	54,470,440
REPRESENTED BY:			
Fund balance b/fwd	13	54,470,440	52,201,237
Surplus/Deficit for the year		2,386,815	2,269,203
NET FINANCIAL POSITION		56,857,255	54,470,440

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


Eng. Kung'u Ndung'u
Director General


Eng. David A. Muchilwa
Director Development


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

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

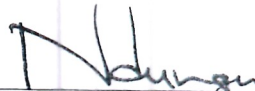
Reports and Financial Statements

For the financial year ended June 30, 2021

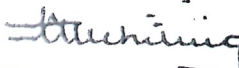
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

	2021	2020
Receipts for operating income		
Transfer from Government entities	30,069,765	466,756,469
Miscellaneous receipts	2,386,815	2,269,203
Payments for operating expenses		
Purchase of goods and services	(63,000)	(422,030)
Net cash flow from operating activities	<u>32,393,580</u>	<u>468,603,642</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of Assets	(189,393,143)	(480,529,004)
Net cash flows from Investing Activities	<u>(189,393,143)</u>	<u>(480,529,004)</u>
CASHFLOW FROM BORROWING ACTIVITIES		
Proceeds from foreign borrowings	-	-
Net cash flows from borrowing Activities	<u>-</u>	<u>-</u>
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENT	(156,999,563)	(11,925,362)
Cash and cash equivalent at BEGINNING of the year	226,055,419	237,980,781
Cash and cash equivalent at END of the year	<u>69,055,856</u>	<u>226,055,419</u>


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



Eng. Kung'u Ndung'u
Director General



Eng. David A. Muchilwa
Director Development



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

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

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	264,710,398	(230,710,398)	34,000,000	30,069,765	3,930,235	88%
Miscellaneous receipts	-	-	-	2,386,815	(2,386,815)	0%
Total Receipts	264,710,398	(230,710,398)	34,000,000	32,456,580	1,543,420	95%
Payments						
Purchase of goods and services	65,000	-	65,000	63,000	2,000	97%
Acquisition of non-financial assets	264,645,398	(230,710,398)	33,935,000	189,393,143	(155,458,143)	558%
Total Payments	264,710,398	(230,710,398)	34,000,000	189,456,143	(155,456,143)	557%

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


Eng. Kung'u Ndung'u
Director General


17 AUG 2021

Date


Eng. David A. Muchilwa
Director Development

17 AUG 2021

Date


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

17 AUG 2021

Date

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

10. SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

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

10.1 Basis of Preparation

10.1.1 Statement of compliance and basis of preparation

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

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

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

10.1.2 Reporting entity

The financial statements are for the Project Northern Corridor Transport Improvement 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.

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS (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.

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS (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

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS (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 **NO** loan disbursements were received in form of direct payments from third parties.

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS
(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, 2021.

l) Errors

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

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

10.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21 Kshs	2019/20 Kshs	Cumulative to-date
<i>Counterpart funding through MOTIH&UD</i>			
Counterpart funds Quarter 1	4,255,773	6,282,209	8,038,947,304
Counterpart funds Quarter 2	25,609,179	102,854,444	9,645,069,557
Counterpart funds Quarter 3	-	47,093,597	7,129,215,712
Counterpart funds Quarter 4	204,813	310,526,219	6,874,349,462
	30,069,765	466,756,469	31,687,582,035
	=====	=====	=====

10.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

The Financing Agreement lapsed in FY 2015/16, hence there were no funds received from Development Partners. However cumulatively an amount of Kshs 32,546,562,544 has since been received.

10.5 MISCELLANEOUS RECEIPTS

	FY 2020/21			FY 2019/20	Cumulative
	Receipts controlled by the entity	Receipts controlled by third parties	Total Receipts	Total Receipts	Total Receipts
	Kshs	Kshs	Kshs	Kshs	Kshs
Interest income	2,386,815	-	2,386,815	2,269,203	68,764,526
	2,386,815	-	2,386,815	2,269,203	68,764,526
	=====	=====	=====	=====	=====

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

10.6 COMPENSATION OF EMPLOYEES

	FY 2020/21		FY 2019/20	Cumulative
	Payments controlled by the entity	Payments controlled by third parties	Total Payments	
	Kshs	Kshs	Kshs	Kshs
Basic wages of temporal employees	-	-	-	52,959,675
	-	-	-	52,959,675
	=====	=====	=====	=====

10.7 PURCHASE OF GOODS AND SERVICES

	FY 2020/21		FY 2019/20	Cumulative
	Payments controlled by the entity	Payments controlled by third parties	Total Payments	Total Payments
	Kshs	Kshs	Kshs	Kshs
Training expenses	-	-	-	84,565,499
Domestic travel & subsistence	63,000	-	63,000	29,464,389
Foreign travel & subsistence	-	-	-	18,363,089
Hospitality supplies & services	-	-	-	7,695,073
Printing, Advertising & Information supplies & services	-	-	-	29,695,880
Routine maintenance - vehicles	-	-	-	657,264
Specialized materials & services	-	-	-	15,015,532
	63,000	-	63,000	185,456,726
	=====	=====	=====	=====

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

10.8 ACQUISITION OF NON-FINANCIAL ASSETS

			FY 2020/21	FY 2019/20	Cumulative to-date
	Payments controlled by the entity	Payments controlled by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Refurbishment of buildings	375,765	-	375,765	9,611,243	433,519,331
Construction of roads	188,407,425	-	188,407,425	457,367,189	55,163,553,919
Purchase of vehicles & other transport equipment	-	-	-	-	487,801,252
Purchase of office furniture & general equipment	-	-	-	-	392,325,104
Purchase of specialized plant, equipment and machinery	-	-	-	-	965,155,286
Studies, Project Preparation, Design & Supervision	609,953	-	609,953	10,086,635	3,737,308,189
Acquisition of land	-	-	-	-	2,757,806,524
Intangible Assets	-	-	-	3,463,937	57,967,243
	189,393,143	-	189,393,143	480,529,004	63,995,436,848
	=====	=====	=====	=====	=====

10.9 CASH AND CASH EQUIVALENTS C/FWD

	2020/21	2019/20
	Kshs	Kshs
Bank accounts (Note 10.9A)		
NIC Bank	56,857,255	54,470,440
National Bank of Kenya – Retention A/c	12,198,601	171,584,979
	69,055,856	226,055,419
	=====	=====

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

10.9A Bank Accounts

Project Bank Accounts

Local Currency Accounts

NIC Bank	56,857,255	54,470,440
National Bank of Kenya – Retention A/c	12,198,601	171,584,979
Total bank account balances	69,055,856	226,055,419

Special Deposit Accounts

The balances in the Project’s Special Deposit Account 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.

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	KShs	KShs
(i) A/C NCTIP KeNHA [A/c No 0810297087613		
Opening balance	4,548,250	4,314,124
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	4,548,250	4,314,124

This amount represents USD 42,172 held in the Special deposit account translated at Kshs 107.85 as at 30 June 2021

11. ACCOUNTS PAYABLES

Description	2020/21	2019/20
	KShs	KShs
Retention	12,198,601	171,584,979
Total	12,198,601	171,584,979

*Prior year closing retention amount of Kshs 171,584,979 has been reclassified from the Fund balance b/f to Financial liabilities – Payables- retention in the financial statements as required by PSASB reporting template for FY 2020/21

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

12. CHANGES IN ACCOUNTS PAYABLES

Description	2020/21	2019/20
	KShs	KShs
Payables & Retentions as at 1 st July (A)	171,584,979	185,779,544
Closing Account Payables Retentions held during the year (B)	12,198,601	171,584,979
Net changes in account payables D= B-A	159,386,378	14,194,565

13. FUND BALANCE CARRIED FORWARD

Description	2020/21	2019/20
	KShs	KShs
Bank Accounts	56,857,255	54,470,440
Total Bank Accounts	56,857,255	54,470,440

*Kshs 171,584,979 has been reclassified from the Fund balance b/f to Financial liabilities – Payables-retention in the financial statements as required by PSASB reporting template for FY 2020/21

14. OTHER IMPORTANT DISCLOSURES

PENDING BILLS (Annex 3)

	Balance B/F 2020/21	Additions for the Period	Paid for the Period	Balance C/F FY 2020/21
	Kshs	Kshs	Kshs	
Construction of civil works	33,511,735	-	25,609,177	7,902,558
Supply of goods	135,953	-	135,953	-
	<u>33,647,688</u>	-	-	<u>7,902,558</u>
	=====	=====	=====	=====

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT


Reports and Financial Statements

For the financial year ended June 30, 2021

1) 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Note 11	There are pending bills balance of Kshs 33,647,688. Management has not provided reasons for non-payment of bills thus the project risks incurring significant costs in interest and penalties.	These bills relate to relate to individual projects under the NCTIP, that had attained their budgetary allocations for the year, hence remained as pending to be settled in the financial year 2021/22	DD (F&A)	Not resolved	Continuous


 Eng. Kung'u Ndung'u
 Director General

17 AUG 2021

Date


 Eng. David A. Muchilwa
 Director Development

17 AUG 2021

Date

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

ANNEX I - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Variance	% of Variance
	A	B	C=A-B	D=B/A %
Receipts				
Transfer from Government entities	34,000,000	30,069,765	3,930,235	88%
Miscellaneous receipts	-	2,386,815	(2,386,815)	0%
Total Receipts	34,000,000	32,456,580	1,543,420	95%
Payments				
Purchase of goods and services	65,000	63,000	2,000	97%
Acquisition of non-financial assets	33,935,000	189,393,143	(155,458,143)	558%
Total Payments	34,000,000	189,456,143	(155,456,143)	557%

*The 557% absorption is due to the release of retention being held by the Authority amounting to Kshs 159m as detailed under note 12.

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT


Reports and Financial Statements

For the financial year ended June 30, 2021

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS


PROJECT NAME: Break down of Transfers from the State Department of Infrastructure			
a.	Government Counterpart Funding	Bank Statement Date	Amount (KShs)
			Indicate the FY to which the amounts relate
	Quarter 1	31.08.2020	4,255,773 FY 2020/21
	Quarter 2	23.09.2020	25,609,179 FY 2020/21
	Quarter 3	-	-
	Quarter 4	23.04.2021	204,813 FY 2020/21
	TOTAL		30,069,765

The above amounts have been communicated to and reconciled with the parent Ministry/state department


 Eng. Kung'u Ndung'u
 Director General

17 AUG 2021

Date


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

17 AUG 2021

Date

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021	Outstanding Balance 2020	IPC No.	Comments
	a	b	c	d=a-c	2020		
Construction of civil works							
HYOUNG	7,902,558	11-Sep-17	-	7,902,558		9	ROAD OVER RAIL BRIDGE
Grand Total	7,902,558		-	7,902,558	33,647,688		

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2020/21 (a)	Purchases/Additions in the Year (KShs) 2020/21 (b)	Disposals in the Year (KShs) 2020/21 (c)	Closing Cost (KShs) 2020/21 (d)= (a)+ (b)-(c)
Road Assets	58,711,844,730	189,017,378	-	58,900,862,108
Land	2,757,806,524	-	-	2,757,806,524
Buildings and structures	450,553,797	375,765	-	433,519,331
Transport equipment	487,801,252	-	-	487,801,252
Office equipment, furniture and fittings	392,325,104	-	-	392,325,104
ICT Equipment, Software and Other ICT Assets	-	-	-	-
Other Machinery and Equipment	965,155,286	-	-	965,155,286
Heritage and cultural assets	-	-	-	-
Intangible assets	57,967,243	-	-	57,967,243
Total	63,806,043,705	189,393,143	-	63,995,436,848