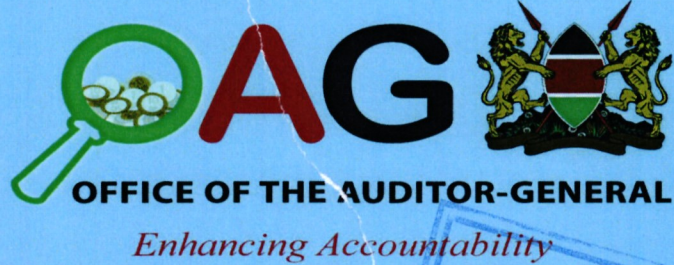
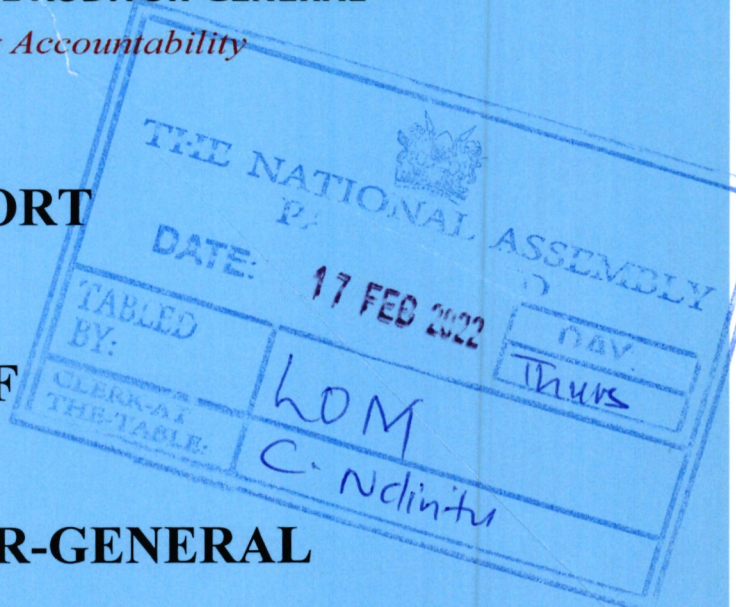
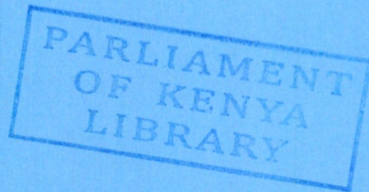


REPUBLIC OF KENYA



**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**KENYA TRANSPORT SECTOR  
SUPPORT PROJECT  
CREDIT NO.4926-KE AND NO.5410-KE**

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

**KENYA NATIONAL HIGHWAYS  
AUTHORITY**



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



**Kenya National Highways Authority**

Quality Highways, Better Connections

Project Name – KENYA TRANSPORT SECTOR SUPPORT PROJECT

Implementing Entity – KENYA NATIONAL HIGHWAYS AUTHORITY

LOAN NO: 4926-KE / 5410-KE

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021

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

*KENYA TRANSPORT SECTOR SUPPORT PROJECT*  
*Reports and Financial Statements*  
*For the financial year ended June 30, 2021*

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*KENYA TRANSPORT SECTOR SUPPORT PROJECT*  
*Statement of Budget Performance*  
*For the year ended June 30, 2021*

**I. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**I.1 Name and registered office**

Project Name:	Kenya Transport Sector Support Project
Objective:	(1) The objective of the project is to increase the efficiency of road transport along the Northern Corridor and the Tanzania – Kenya – Sudan Road Corridor (2) Enhance aviation safety and security to meet international standards; and improve the institutional arrangements and capacity in the transport sector. (3) Improve institutional Arrangements and capacity in the Transport Sector
Address:	The project headquarters offices are at Barabara Plaza, Jomo Kenyatta International Airport, Nairobi. Off Mazao Road (Opposite KCAA Headquarters)
Contacts	Telephone 020-8013842 Email <a href="mailto:dg@kenha.co.ke">dg@kenha.co.ke</a> , <a href="mailto:info@kenha.co.ke">info@kenha.co.ke</a> Website <a href="http://www.kenha.co.ke">www.kenha.co.ke</a>

**I.2 Project Information**

Project Start Date:	23 <sup>rd</sup> May, 2011
Project End Date:	31 <sup>st</sup> December, 2019
Project Manager:	Eng. D.A. Muchilwa – Director, Development Eng. C Okeyo – Project Engineer
Project Sponsor:	World Bank – International Development Association

**I.3 Project Overview**

Line Ministry/State Department of the Project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works.
Project Number	P-124109
Strategic goals of the project	The project management aims to achieve the goals through the following means:- (i) Increase efficiency of road transport along the Northern Corridor and the Tanzania – Kenya – Sudan Road Corridor by (60%) to facilitate trade and regional integration. (ii) Promote private sector participation in the management, financing and maintenance of roads assets. (iii) Increase the efficiency of road transport along the Northern Corridor and the Tanzania-Kenya-Sudan road corridor. (b)

*KENYA TRANSPORT SECTOR SUPPORT PROJECT*  
*Reports and Financial Statements*  
*For the financial year ended June 30, 2021*

	enhance aviation safety and security to meet international
Achievement of strategic goals	(i) Implementation of the project in timely, efficient and effective manner

**1.4 Bankers** NIC Bank Limited  
 NIC House Branch  
 P.O Box 44599  
 Nairobi  
 Account No. 1000017384

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

**1.6 Roles and Responsibilities**

NAMES	Title Designation	Key qualification	Responsibilities
Eng. D.A. Muchilwa	Director, Development	Qualified	Project Technical Team Leader
Eng. C. Okeyo	D.D. Special Projects	Qualified	Team Co-ordinator and Construction Specialist.
Eng. P. Omondi	D.D. Special Projects	Qualified	Design Engineer Specialist.
Mr. W. Nyatwanga	D. Director, (Environmental & Social)	Qualified	Project Environmentalist
Mr. Richard Kilel	A.D. Supply Chain Services	Qualified	Project Procurement Specialist
Mr. Isaac Kamotho	A.D. Finance & Accounts	Qualified	Project Financial specialist

*KENYA TRANSPORT SECTOR SUPPORT PROJECT*  
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1.7 Funding Summary

The project is for duration of Six years from 23<sup>rd</sup> May, 2011 with approved budget of XDR 234,225,000 equivalent to USD 325,621,937 equivalent to Kshs. 35,118,325,932 highlighted in the table below: -

A. Source of Funds

Source of funds	Donor Commitment		Amount received to 30th June 2021		Undrawn balance to 30th 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')
	USD	KSHS	USD	KSHS	USD	KSHS
(i)Loan						
International Development Association - IDA	325,621,937	35,118,325,932	288,324,163	29,495,071,705	-	-
(ii)Counterpart funds						
Government of Kenya		13,107,076,950	-	13,107,076,950	-	-
Total		48,225,402,882		42,602,148,655	-	-

Note: Exchange Rate - Kshs 107.8500 as at 30th June 2021. Credit agreement lapsed on 31 Dec 2019.

B. Application of Funds

Application of funds	Amount received to 30th June 2021		Cumulative Amount paid to 30th June 2021		Unutilised balance to 30th 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')
	USD	KSHS	USD	KSHS	USD	KSHS
(i)Loan						
International Development Association - IDA	288,324,163	29,495,071,705	288,324,163	29,495,071,705	-	-
(ii)Counterpart funds						
Government of Kenya		13,107,076,950	-	12,152,460,359	-	954,585,231
Total	288,324,163	42,602,148,655	288,324,163	41,647,532,064	-	954,585,231

*KENYA TRANSPORT SECTOR SUPPORT PROJECT  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

**1.8 Summary of Overall Project Performance**

(a) Budget performance against actual amounts for current year: -

Payments Item	FY 2019/2020		
	Budget	Actual	%
Acquisition of non-financial assets	1,434,053,584	1,851,160,393	130%
Purchase Of Goods & Services		11,275,477	
<b>Total</b>	<b>1,434,053,584</b>	<b>1,862,435,870</b>	<b>130%</b>

(b) Physical progress based on outputs, outcome and impacts since project commencement.

Kisumu – Kakamega Road Project

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
5/01/2013	7,961,527,361	7,955,291,811	100%	100%

Kakamega – Webuye Road Project

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
29/11/2016	5,210,857,261	5,033,364,700	92%	96%

Webuye - Kitale Road Project

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
10/01/2013	5,439,538,333	5,384,703,345	100%	100%

Construction of Three (3) Interchanges (Nyahururu Town Off, Njoro Turn Off and Mau Summit)

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
27/10/2014	3,194,933,604	3,194,906,848	100%	100%

Bachuma Gate - Maji Ya Chumvi Road Project

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
27/10/2014	4,986,218,101	4,985,613,246	100%	100%

*KENYA TRANSPORT SECTOR SUPPORT PROJECT  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

Dualling of Athi River - Machakos Turn-Off Road Project

Date	Outputs-Outcome		% of Physical Works Completed	Impacts
	Contract Sum Amount	Amount Certified to date		% of Time Elapsed
08/3/2016	5,288,549,208	4,204,275,346	74.9%	100.3%

Dualling of Kisumu Boys - Mamboleo Junction

Date	Outputs-Outcome		% of Physical Works Completed	Impacts
	Contract Sum Amount	Amount Certified to date		% of Time Elapsed
04/11/2020	2,837,949,930	1,972,451,789		Contract terminated

Completion of Kisumu Boys - Mamboleo Junction

Date	Outputs-Outcome		% of Physical Works Completed	Impacts
	Contract Sum Amount	Amount Certified to date		% of Time Elapsed
09/09/2020	1,314,945,369	200,239,241	12.11%	63.61%

Construction of Ahero Interchange

Date	Outputs-Outcome		% of Physical Works Completed	Impacts
	Contract Sum Amount	Amount Certified to date		% of Time Elapsed
5/11/2020	655,908,412	555,432,699		Contract terminated

Construction of Kericho Interchange

Date	Outputs-Outcome		% of Physical Works Completed	Impacts
	Contract Sum Amount	Amount Certified to date		% of Time Elapsed
5/11/2020	679,950,376	517,849,770		Contract terminated

Completion of Kericho & Ahero Interchange

Date	Outputs-Outcome		% of Physical Works Completed	Impacts
	Contract Sum Amount	Amount Certified to date		% of Time Elapsed
18/09/2020	1,388,321,424	138,832,142	62%	51.7%

Construction of Office Complex for the Road Sector Institutions

Date	Outputs-Outcome		% of Physical Works Completed	Impacts
	Contract Sum Amount	Amount Certified to date		% of Time Elapsed
13/03/2017	3,545,946,038	3,410,481,933	100%	100%

Access Road to EASA

Date	Outputs-Outcome		% of Physical Works Completed	Impacts
	Contract Sum Amount	Amount Certified to date		% of Time Elapsed
15th May 2017	351,473,428	350,995,847	100%	100%

STATUS OF PROJECTS UNDER DESIGNS PROCESS: -

- (i) Nakuru - Nyahururu - Nyeri - Marua Road Project  
Designs for the Feasibility Study, Environmental and Social Impact Assessment, Preparation of Resettlement Action Plan and the Design and Tender Documentation for Rehabilitation of the Nakuru-Nyahururu-Nyeri-Marua Road report has been completed and subsequently handed over to the Authority.
- (ii) Lake Victoria Ring Road.  
Designs for the Feasibility Study, Environmental and Social Impact Assessment, Preparation of Resettlement Action Plan and the Design and Tender Documentation for Rehabilitation of the Lake Victoria Ring Road - report has been completed and subsequently handed over to the Authority.
- (iii) Garsen-Hola-Madogo Sections  
Designs for the Feasibility Study, Environmental and Social Impact Assessment, Preparation of Resettlement Action Plan and the Design and Tender Documentation for Rehabilitation of the Garsen-Hola-Madogo Sections- report has been completed and subsequently handed over to the Authority.
- (iv) Mombasa Northern Bypass  
Designs for the Feasibility Study, Environmental and Social Impact Assessment, Preparation of Resettlement Action Plan and the Design and Tender Documentation for Rehabilitation of the Mombasa Northern Bypass - report has been completed and subsequently handed over to the Authority.

**Comment on value-for-money achievements.**

- Project procurement process is conducted through International Competitive Bidding (ICB) which results in excellent value for money.
- The authority (KeNHA) has put in place adequate checks & balances on appointment of the works consultant supervision who oversees the project implementation on daily basis on consultation and subsequent approvals from the employer and the bank.
- In addition to works supervision, the consultant undertakes design review before commencement of roads construction works to reduce uncertainties.
- Regular auditing of the project by Internal Auditors, External Auditors and Quality Assurance Departments.
- Project site review meetings by the Development Partners through supervision missions.
- Monthly site meetings that involve the employer, the consultant and the contractor.

**1.8 Summary of Project compliance: -**

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

*KENYA TRANSPORT SECTOR SUPPORT PROJECT*  
*Reports and Financial Statements*  
*For the financial year ended June 30, 2021*

2. **STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES**  
 Below is a summary of the Project's performance against the predetermined objectives:

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Increase the efficiency of road transport along the Northern Corridor and the Tanzania - Kenya-Sudan road corridor.	Increased efficient transportation of people, goods and services	Increase efficiency of road transport along the Northern Corridor and the Tanzania - Kenya - Sudan Road Corridor by (60%) to facilitate trade and regional integration.	Completion of the majority of projects as noted in note 1.8 (b) has led to significant increase in efficiency and trade facilitation
Improve institutional Arrangements and capacity in the Transport Sector	Construction of an Office Complex for the Road Sector Entities	Completion and Occupation of office Complex	Project Completed and opened for use by the road entities and the public at large
	Marking boundaries for the right of way to secure KeNHA's road assets	Marking of Bounderies along target roads	Project completed hence securing the road boundaries

### 3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

#### 1. Sustainability strategy and profile

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the people and prosperity. Five out of the seventeen goals are pertinent to management of projects being undertaken by the Authority. These are being addressed through the following initiatives:

- a) *Good health and well-being (SDG 3):* The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents;
- b) *Gender Equality (SDG 5):* The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment;
- c) *Industry, innovation and infrastructure (SDG 9):* The Authority develops quality, reliable, sustainable and resilient infrastructure including regional and trans-border infrastructure to support economic development and human wellbeing with a focus on affordable and equitable access for all;
- d) *Sustainable cities and communities (SDG 11):* The Authority endeavours to extend the paved road network to hitherto underserved areas in the region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13):* The Authority endeavours to combat negative impacts of road development through environmental mitigation, climate change measures and compliance with National Environment Management Authority (NEMA) requirements in all development projects

#### 2. Environmental performance

The Authority is working towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implementation of road beautification programs, enforce reinstatement of quarries and borrow pits after construction works, undertakes regular Environmental Impact Assessment (EIA) Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

### **3. Employee welfare**

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

### **4. Market place practices**

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

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

### **5. Community Engagements**

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

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

*KENYA TRANSPORT SECTOR SUPPORT PROJECT*  
*Reports and Financial Statements*  
*For the financial year ended June 30, 2021*

Some of the CSR activities implemented through the Project are tabulated below..

No.	Road Project	CSR Activity	Status of CSR activity
1	Various	Youth empowerment	The Authority provides internship, industrial attachment and apprenticeship opportunities to young people.
2	Kisumu - Kakamega Road Project	Centres along project road	Gambogi market, Chavakali shoe shine sheds, Sigalagala street lights, Kiboswa, Majengo and Khayega loop roads
		Mwoki School	The Authority constructed 10 new classrooms and administration block. (The leveled pupils' playground, kitchen and a dining hall, toilet for staff and pupils, fencing of school compound was done by the Contractor since they leased school land for quarrying)
		Magongo water supply	Installation of a borehole and an elevated water tower with one 10,000 litre tank to be used by the community.
3	Kakamega - Webuye Road Project	Lubao Market	The amenities include construction of an ablution block and market stalls - ongoing
		Kakoi Dispensary	Dispensary Block and Toilet Block - ongoing
		Bukhuywa Secondary school	Construction of two classrooms at Bukhuywa Secondary School - ongoing
		Matete Centre	A modern maternity wing was successfully completed at Matete and awaiting handing over to handed over to the Kakamega County. (The County to furnish the maternity with equipment)
4	Webuye - Kitale Road Project	Webuye Interchange	Constructed an ablution block, septic tank, a borehole, elevated water tank for the community and overhead flood light
		Kamukuywa, Misikhu, Sikhendu and Kiminini centres	The amenities include market stalls at Misikhu, Sikhendu and Kiminini with loop roads. At Kamukuywa a bus park, loop road, toilet, septic tank, borehole and shoe shine shed were constructed
5	Bachuma Gate - Maji ya Chumvi	Samburu and Taru	The amenities include two markets at Samburu and Meli Kubwa, and, three water kiosks erected along the project route. The same have been handed over to County Government for management.

**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Director General, KeNHA and the Project Management of Kenya Transport Sector Support 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, KeNHA and the Project Management of Kenya Transport Sector Support 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 the International Public Sector Accounting Standards.

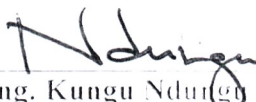
The Director General, KeNHA and Project Management of Kenya Transport Sector Support Project, are of the opinion that the Project financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June, 30, 2021 and the Project's financial position as at that date.


The Director General, KeNHA and the Project Management of Kenya Transport Sector Support 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 on the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Management of Kenya Transport Sector Support Project, confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit are 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, KeNHA and Project Management for Kenya Transport Sector Support Project on .....and signed by them.

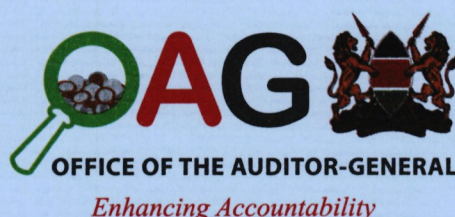
  
Eng. Kungu Ndung'u  
Director General

  
Eng. David A. Muchilwa  
Director-Development

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

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA TRANSPORT SECTOR SUPPORT PROJECT CREDIT NO.4926-KE AND NO.5410-KE FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA NATIONAL HIGHWAYS AUTHORITY**

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### **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 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**

#### **Opinion**

I have audited the accompanying financial statements of Kenya Transport Sector Support Project set out on pages 1 to 17, which comprise of the statement of financial assets and

liabilities as at 30 June, 2021, statement of receipts and payments, statement of cashflows and the statement of comparative budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with 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 Kenya Transport Sector Support 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.4926-KE dated 23 May, 2011 and as amended through Finance Agreement No.5410-KE dated 31 March, 2014 between International Development Association and the Republic of Kenya.

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

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Transport Sector Support 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 opinion.

### **Emphasis of Matter**

#### **Delays in Project Implementation**

The Project lifespan was of six (6) years from 23 May, 2011 with an approved budget of Kshs.35,118,325,932 with actual amounts received of Kshs.29,495,071,705. As at 30 June, 2021 the physical progress based on outputs, outcome and impact indicate that some components were not complete and the Project completion seems to be behind schedule. Delayed contract can lead to increased costs and objectives of the Project may not be achieved.

### **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. I have determined that there are no key audit matters in my report for the year under review.

## **Other Matter**

### **1. Pending Bills**

Note 12 to the financial statements reflects pending bills amounting to Kshs.2,301,615,924 as at 30 June, 2021. Although Management has committed to liaise with the line Ministry and The National Treasury for adequate budgetary allocation and timely Exchequer releases for prompt payments in the subsequent financial year, the Project is at risk of incurring additional significant interest costs and penalties with the continued delay in making payments

### **2. Project Closure Report**

The Project information in the financial statements provided for audit revealed that the Project was to end on the 31 December, 2019 However, the Project closure report was not availed for audit review, being more than 2 years end period.

## **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 else 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 comply, 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 IDA and financing agreements, 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 agree with the accounting records and returns.

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or 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 Project's financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements follow 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 Project's 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 Project's financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the Project's 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 continue to sustain its services.
- Evaluate the overall presentation, structure and content of the Project's 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**

**30 November, 2021**

**KENYA TRANSPORT SECTOR SUPPORT PROJECT**


Statement of Budget Performance

For the year ended June 30, 2021

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


Note	FY 2020/21				FY 2019/20				Cumulative to date
	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>RECEIPTS</b>									
Transfer from Government entities	1,775,335,840	-	1,775,335,840	4,895,939,934	-	4,895,939,934			12,759,075,071
Loan from external development partners	-	-	-	-	-	-			29,495,071,705
Miscellaneous receipts	311,968	-	311,968	4,760,826	-	4,760,826			348,001,879
<b>TOTAL RECEIPTS</b>	<b>1,775,647,808</b>	<b>-</b>	<b>1,775,647,808</b>	<b>4,900,700,760</b>	<b>-</b>	<b>4,900,700,760</b>			<b>42,602,148,655</b>
<b>PAYMENTS</b>									
Purchase of goods and services	11,275,477	-	11,275,477	20,642,354	-	20,642,354			405,704,544
Acquisition of non-financial assets	1,851,160,393	-	1,851,160,393	5,530,690,859	-	5,530,690,859			41,076,331,387
Miscellaneous Payments	-	-	-	-	-	-			165,496,133
<b>TOTAL PAYMENTS</b>	<b>1,862,435,870</b>	<b>-</b>	<b>1,862,435,870</b>	<b>5,551,333,213</b>	<b>-</b>	<b>5,551,333,213</b>			<b>41,647,532,064</b>
<b>SURPLUS/DEFICIENCY FOR THE YEAR</b>	<b>(86,788,062)</b>	<b>-</b>	<b>(86,788,062)</b>	<b>(650,632,453)</b>	<b>-</b>	<b>(650,632,453)</b>			<b>954,616,591</b>

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

  
**Eng. Kungu Ndungu**  
 Director General


17 AUG 2021

Date

  
**Eng. David A. Muchilwa**  
 Director-Development

17 AUG 2021

Date

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

17 AUG 2021

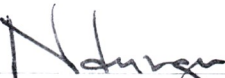
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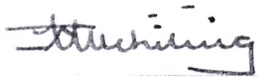
KENYA TRANSPORT SECTOR SUPPORT PROJECT  
 Statement of Budget Performance  
 For the year ended June 30, 2021

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

	Note	2020/21 Kshs	2019/20 Kshs
<b>FINANCIAL ASSETS</b>			
Cash and Cash Equivalents			
Bank Balances	7	954,616,591	1,041,404,653
<b>TOTAL FINANCIAL ASSETS</b>		<b>954,616,591</b>	<b>1,041,404,653</b>
<b>FINANCIAL LIABILITIES</b>			
Payables - Retentions	8	944,294,792	1,031,394,822
<b>NET ASSETS</b>		<b>10,321,799</b>	<b>10,009,831</b>
<b>REPRESENTED BY:</b>			
Fund balance b/fwd	10	10,009,831	402,078,662
Surplus/Deficit for the year		311,968	(392,068,831)
<b>NET FINANCIAL POSITION</b>		<b>10,321,799</b>	<b>10,009,831</b>

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. Kungu Ndungu  
 Director General


  
 Eng. David A. Muchilwa  
 Director-Development

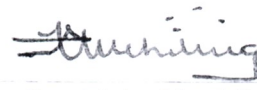
  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No. 8279


STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

	Note	2020/21 Kshs	2019/20 Kshs
Receipts for operating income			
Transfer from Government entities	1	1,775,335,840	4,895,939,934
Miscellaneous receipts	3	311,968	4,760,826
Payments for operating expenses			
Purchase of goods and services	4	(11,275,477)	(20,642,354)
<b>Net cash flow from operating activities</b>		<b>1,764,372,331</b>	<b>4,880,058,406</b>
Cashflow From Investing Activities			
Acquisition of Non-Financial Assets	5	(1,851,160,393)	(5,530,690,859)
<b>Net cash flows from Investing Activities</b>		<b>(1,851,160,393)</b>	<b>(5,530,690,859)</b>
Cashflow From Borrowing Activities			
Proceeds from Foreign Borrowings	2	-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
Net Increase In Cash And Cash Equivalent		(86,788,062)	(650,632,453)
Cash and cash equivalent at BEGINNING of the year		1,041,404,653	1,692,037,106
<b>Cash and cash equivalent at END of the year</b>		<b>954,616,591</b>	<b>1,041,404,653</b>

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

  
 Eng. Kungu Ndungu  
 Director General

  
 Eng. David A. Muchilwa  
 Director-Development

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

17 AUG 2021

17 AUG 2021

17 AUG 2021

Date

Date

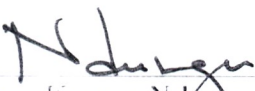
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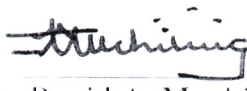
KENYA TRANSPORT SECTOR SUPPORT PROJECT  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021


STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Var
	a	b	c = a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	1,231,000,000	203,053,584	1,434,053,584	1,775,335,840	(341,282,256)	124%
Miscellaneous receipts	-	-	-	311,968	-	100%
<b>Total Receipts</b>	<b>1,231,000,000</b>	<b>203,053,584</b>	<b>1,434,053,584</b>	<b>1,775,647,808</b>	<b>(341,594,224)</b>	<b>124%</b>
<b>Payments</b>						
Purchase of goods and services	1,231,000,000	203,053,584	1,434,053,584	11,275,477	(428,382,286)	130%
Acquisition of non-financial assets:				1,851,160,393		
<b>Total Payments</b>	<b>1,231,000,000</b>	<b>203,053,584</b>	<b>1,434,053,584</b>	<b>1,862,435,870</b>	<b>(428,382,286)</b>	<b>130%</b>

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

  
 Eng. Kungu Ndungu  
 Director General

  
 Eng. David A. Muchilwa  
 Director-Development

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

17 AUG 2021

Date

17 AUG 2021

Date

17 AUG 2021

Date

## **D. 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 Kenya Transport Sector Support Project 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.

##### **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.

**f) 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.

**Significant Accounting Policies (Continued)**

**g) 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.

**h) 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 A/E holders.

This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**Significant Accounting Policies (Continued)**

**i)Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities, Letters of comfort/ support, insurance, Public Private Partnerships.

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There were no contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

**j) Contingent Assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**Significant Accounting Policies (Continued)**

**k) 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.

**l) 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.

**m) Third party payments**

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

During the year Kshs 111.1 billion being loan disbursements were received in form of direct payments from third parties.

**Significant Accounting Policies (Continued)**

**n) 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.

**o) 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.

**p) 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.

**q) 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.

## 11. NOTES TO THE FINANCIAL STATEMENTS

### 1. RECEIPTS FROM GOVERNMENT OF KENYA

	2020/21	2019/20	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	246,294,781	209,466,066	1,979,439,383
Counterpart funds Quarter 2	679,592,124	349,820,084	2,176,634,575
Counterpart funds Quarter 3	190,897,189	372,733,918	1,724,262,560
Counterpart funds Quarter 4	658,551,746	3,963,919,866	6,878,738,553
<b>Total</b>	<b>1,775,335,840</b>	<b>4,895,939,934</b>	<b>12,759,075,071</b>

### 2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

The Project's financing agreement lapsed on 31 December 2019 hence no funding from Development Partners was received in form of loans negotiated by the National Treasury in the current FY (FY 2019/20 Kshs Nil). An accumulative amount of Kshs 29.5 billion was however utilised in the project.

### 3. MISCELLANEOUS RECEIPTS

	FY 2020/21			FY 2019/20	Cumulative to-date
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Bank Interest	311,968	-	311,968	4,760,826	139,113,070
Advance Payment Guarantee Recall - Vil Ltd	-	-	-	-	208,888,809
<b>Total</b>	<b>311,968</b>	<b>-</b>	<b>311,968</b>	<b>4,760,826</b>	<b>348,001,879</b>

*KENYA TRANSPORT SECTOR SUPPORT PROJECT*

*Reports and Financial Statements*

*For the financial year ended June 30, 2021*

**4. PURCHASE OF GOODS AND SERVICES**

	FY 2020/21			FY 2019/20	Cumulative to-date
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Communication, supplies and services	-	-	-	-	15,922,489
Domestic travel and subsistence	11,275,477	-	11,275,477	19,787,534	255,111,135
Training expenses	-	-	-	854,820	134,670,920
<b>Total</b>	<b>11,275,477</b>	<b>-</b>	<b>11,275,477</b>	<b>20,642,354</b>	<b>405,704,544</b>

**5. ACQUISITION OF NON-FINANCIAL ASSETS**

	FY 2020/21			FY 2019/20	Cumulative to-date
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	1,851,160,393	-	1,851,160,393	5,134,716,022	36,773,922,917
Purchase of office furniture & general equipment	-	-	-	-	35,285,439
Research, studies, project preparation, design & supervision	-	-	-	395,974,837	4,197,339,836
Acquisition of other intangible assets	-	-	-	-	69,783,195
<b>Total</b>	<b>1,851,160,393</b>	<b>-</b>	<b>1,851,160,393</b>	<b>5,530,690,859</b>	<b>41,076,331,387</b>

6. MISCELLANEOUS EXPENDITURE

	FY 2020/21		FY 2019/20	Cumulative to-date
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments
	Kshs	Kshs	Kshs	Kshs
Interest Overcharge	-	-	-	11,015,603
Refunds to IDA in relation to Encashment of VII. Ltd Advance Payment Guarantee	-	-	-	154,480,530
	-	-	-	165,496,133

7. (i) CASH AND CASH EQUIVALENTS C/FWD

	2020/21	2019/20
	Kshs	Kshs
Bank accounts - NIC A/C No. 1-110-001524	7,407,044	7,095,076
- NIC A/C No. 1-001-936677	2,914,755	2,914,755
- NBK Retention A/C 0100132733200	944,294,792	1,031,394,822
	954,616,591	1,041,404,653

(ii) SPECIAL DEPOSIT ACCOUNT MOVEMENT SCHEDULE

	2020/21	2019/20
	Kshs	Kshs
Opening Balance	1,217	1,217
Total amount deposited in the account	-	-
Total Amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing Balances (as per SDA Bank Account Reconciliation attached)</b>	<b>1,217</b>	<b>1,217</b>

The Special Deposit Account reconciliation statement has been attached as *Appendix 01* to support these closing balances.

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**8. ACCOUNTS PAYABLES - RETENTIONS**

Description	2020-2021	2019-2020
	Kshs	Kshs
Retention	944,294,792	1,031,394,822
<b>Total</b>	<b>944,294,792</b>	<b>1,031,394,822</b>

Prior year closing retention amount of Kshs 1,031,394,822 has been reclassified from fund balance b/f to Financial Liabilities (Payables – Retention) in the Statement of Financial Assets as required by the PSASB Projects Reporting Template for FY 2020/21

**9. CHANGES IN ACCOUNTS PAYABLE –RETENTIONS**

Description	2020-2021	2019-2020
	Kshs	Kshs
Retentions as at 1 <sup>st</sup> July	1,031,394,822	1,289,958,444
Closing accounts payables as at 30 <sup>th</sup> June	944,294,792	1,031,394,822
Change in payables	<b>(87,100,030)</b>	<b>(258,563,622)</b>

**10. FUND BALANCE BROUGHT FORWARD**

	FY 2020/21	FY 2019/20
	KShs	KShs
Bank accounts	10,009,831	402,078,662
<b>Total</b>	<b>10,009,831</b>	<b>402,078,662</b>

Prior year closing retention amount of Kshs 1,031,394,822 has been reclassified from fund balance b/f to Financial Liabilities (Payables – Retention) in the Statement of Financial Assets as required by the PSASB Projects Reporting Template for FY 2020/21

**12. OTHER IMPORTANT DISCLOSURES**

**12.1 PENDING ACCOUNTS PAYABLE (Annex 3)**

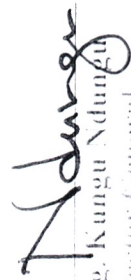
	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of Roads	1,559,282,148	2,271,239,830	1,851,160,393	1,979,361,584
Supervision Services	134,021,115	188,233,225	-	177,090,118
Supply of Goods and Services	-	11,275,477	11,275,477	-
<b>Total</b>	<b>1,693,303,263</b>	<b>2,470,748,531</b>	<b>1,862,435,870</b>	<b>2,301,615,924</b>

**KENYA TRANSPORT SECTOR SUPPORT PROJECT**  
**Statement of Budget Performance**  
**For the year ended June 30, 2021**

**13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

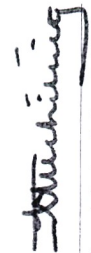
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown with the associated time frame which we expect the issues to be resolved.

Note	OBSERVATION	RESPONSE	Focal Point Person to Resolve the Issue	Status: (Resolved / Not Resolved)	Time Frame
1	Note 14 to the financial statements reflects pending bills amounting to Kshs 1,693,303,263 as at 30 June, 2020. Although Management has committed to liaise with the line Ministry and the National Treasury for adequate budgetary allocation and timely exchequer releases for prompt payments in the subsequent financial year, the project is at risk of incurring additional significant interest costs and penalties with the continued delay in making payments.	The Authority will continue liaising with line Ministry and National Treasury, to make sure that timely payments are made for all the certified works. In the current financial year, the Authority secured funding amounting to Kshs 1.4 billion which were utilized towards settlement of pending bills as well as new works certificates.	Eng. C.D Okeyo	Continuous	Continuous

  
**Eng. Kungu Ndungu**  
 Director-General

17 AUG 2021

Date

  
**Eng. David A. Muchilwa**  
 Director-Development

17 AUG 2021

Date

ANNEX 1 - TRANSPORT SECTOR SUPPORT PROJECT  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021

14. ANNEXES

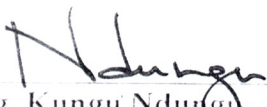
ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance	Comments on Variance
<b>Receipts</b>	a	b	c=a-b	d=b/a %	
Transfer from Government entities	1,434,053,584	1,775,335,840	(341,282,256)	124%	Internal Sourcing from RMLF in order to mitigate against stalling of the Project and FY 2019/20 receipts expended in the current Financial Year
Miscellaneous receipts	-	280,608	(280,608)	100%	
<b>Total Receipts</b>	<b>1,434,053,584</b>	<b>1,775,616,448</b>	<b>(341,562,864)</b>	<b>124%</b>	
<b>Payments</b>					
Purchase of goods and services		11,275,477			Retention released in current financial year but budgeted in prior financial years. Internal Sourcing from RMLF in order to mitigate against stalling of the Project and FY 2019/20 receipts expended in the current Financial Year
Acquisition of non-financial assets	1,434,053,584	1,851,160,393	(428,382,286)	130%	
<b>Total Payments</b>	<b>1,434,053,584</b>	<b>1,862,435,870</b>	<b>(428,382,286)</b>	<b>130%</b>	

*KENYA TRANSPORT SECTOR SUPPORT PROJECT*  
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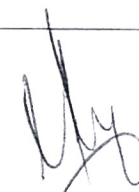
**ANNEX 2 - RECONCILIATION OF INTER-ENTITY TRANSFERS**

Kenya Transport Sector Support Project			
Break down of Transfers from the State Department of Infrastructure			
Government Counterpart Funding	Bank Statement Date	Amount (KShs)	Financial Year which the amounts relate
Quarter 1	03/07/2020	128,748,028	FY 2019/20
Quarter 1	23/09/2020	117,546,754	FY 2020/21
Quarter 2	25/11/2020	679,592,124	FY 2020/21
Quarter 3	18/03/2021	190,897,189	FY 2020/21
Quarter 4	23/04/2021	409,070,799	FY 2020/21
Quarter 4	26/05/2021	249,480,947	FY 2021/22
<b>Total</b>		<b>1,775,335,840</b>	

  
 Eng. Kungu Ndung'u  
 Director General

17 AUG 2021

Date



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

17 AUG 2021

Date

*KENYA TRANSPORT SECTOR SUPPORT PROJECT  
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For the financial year ended June 30, 2021*

**ANNEX 3 - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	IPC No	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance
					2021	2020
		a	b	c	d=a-c	
<b>Construction of Roads</b>						
<b>Works</b>						
JIANGXI ZHONGMEI	22	37,073,029	2017-12-05	-	37,073,029	
JIANGXI ZHONGMEI	31	58,351,538	2018-11-10	-	58,351,538	
JIANGXI ZHONGMEI	38	80,800,872	2020-06-25	56,940,203	23,860,669	
JIANGXI ZHONGMEI	40	52,271,643	2021-11-05	-	52,271,643	
JIANGXI ZHONGMEI	10	447,685,104	2018-11-09	424,085,462	23,599,642	
JIANGXI ZHONGMEI	12	406,562,790	2019-03-13	403,060,848	3,501,941	
JIANGXI ZHONGMEI	16A	106,647,651	2021-01-11	93,576,499	13,071,152	
CHINA DALIAN	19A	11,993,013	2017-08-31	7,000,000	4,993,013	
CHINA DALIAN	27A	30,033,716	2019-11-01	-	30,033,716	
SBI INTERNATIONAL	14	93,236,312	2018-10-29	84,451,636	8,784,675	
SBI INTERNATIONAL	16	120,989,547	2019-03-01	120,922,016	67,531	
SBI INTERNATIONAL	20	122,729,643	2020-01-02	122,335,514	394,129	
SBI INTERNATIONAL	21	126,087,384	2020-08-22	-	126,087,384	
SBI INTERNATIONAL	11	59,831,662	2019-01-18	58,687,297	1,144,365	
SBI INTERNATIONAL	10	130,367,335	2018-12-24	118,221,305	12,146,030	
SBI INTERNATIONAL	17	22,495,859	2020-07-12	-	22,495,859	
SBI INTERNATIONAL	12	16,253,143	2019-02-11	13,656,051	2,597,092	
CHINA RAILWAY 21ST	6A	593,060	2018-02-01	-	593,060	
CHINA RAILWAY 21ST	14A	4,351,769	2018-06-28	-	4,351,769	
CHINA RAILWAY 21ST	21A	1,029,101	2020-06-30	-	1,029,101	
CHINA RAILWAY 21ST	21B	206,569,708	2019-10-04	193,237,599	13,332,109	
CHINA RAILWAY 21ST	30C	119,774,560	2021-03-16	12,000,000	107,774,560	
CHINA RAILWAY 21ST	31	111,190,104	2021-06-10	27,797,526	83,392,578	
CHINA NATIONAL AERO	13A	29,933,070	2019-06-25	-	29,933,070	
CHINA NATIONAL AERO	17	46,853,055	2020-08-24	-	46,853,055	
CHINA NATIONAL AERO	18A	34,115,928	2021-04-12	-	34,115,928	
CHINA RAILWAY NO.10	2	68,744,704	2021-05-27	-	68,744,704	
<b>Land Compensation</b>						
LAND COMPENSATION		3,093,663,767	Various	2,252,668,332	840,995,435	
LAND COMPENSATION		361,493,995	Various	198,703,953	162,790,042	
LAND COMPENSATION		522,358,595	Various	368,435,006	153,923,589	
LAND COMPENSATION		60,903,555	Various	49,846,380	11,057,175	
<b>Total Construction of Roads</b>		<b>6,584,987,212</b>		<b>4,605,625,628</b>	<b>1,979,361,584</b>	<b>1,559,282,148</b>
<b>Supervision Services</b>						
EGIS INTERNATIONAL	79	4,692,368	2019-07-24	836,424	3,855,944	
EGIS INTERNATIONAL	80	3,626,807	2019-07-24	161,339	3,465,468	
EGIS INTERNATIONAL	81	3,175,331	2019-09-02	147,057	3,328,274	
EGIS INTERNATIONAL	51	6,275,578	2021-03-18	-	6,275,578	
EGIS INTERNATIONAL	52	6,324,813	2021-04-06	-	6,324,813	
EGIS INTERNATIONAL	53	6,324,747	2021-06-02	-	6,324,747	
EGIS INTERNATIONAL	54	5,824,295	2021-06-08	-	5,824,295	
TECHNIPLAN & CAS	2.32	13,663,169	2018-04-01	12,509,702	1,153,467	
TECHNIPLAN & CAS	2.33	13,663,169	2018-04-01	12,509,702	1,153,467	

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Supplier of Goods or Services	IPC No	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance
					2021	2020
TECHNIPLAN & CAS	2.34	13,352,379	2018-04-01	12,563,511	788,868	
TECHNIPLAN & CAS	2.35	12,255,716	2018-04-01	10,165,337	2,090,379	
TECHNIPLAN & CAS	2.36	9,605,289	2018-04-01	7,923,188	1,682,101	
TECHNIPLAN & CAS	2.37	9,605,289	2018-04-01	7,923,188	1,682,101	
TECHNIPLAN & CAS	2.38	9,605,289	2018-04-01	7,923,188	1,682,101	
TECHNIPLAN & CAS	2.40	5,304,292	2018-06-13	5,142,303	161,989	
TECHNIPLAN & CAS	2.43- 2.47	17,204,681	2018-05-31	15,919,655	1,285,026	
ICT Consultants	40	12,002,972	2020-11-03	-	12,002,972	
ICT CONSULTANTS	41	10,741,310	2020-11-03	-	10,741,310	
ICT CONSULTANTS	42	9,883,715	2020-11-03	-	9,883,715	
ICT CONSULTANTS	43	11,476,689	2020-11-03	-	11,476,689	
ICT CONSULTANTS	44	11,499,829	2020-11-03	-	11,499,829	
ICT CONSULTANTS	45	7,629,026	2020-11-03	-	7,629,026	
ICT CONSULTANTS	46	8,899,379	2020-11-03	-	8,899,379	
ICT CONSULTANTS	47	8,301,597	2020-11-03	-	8,301,597	
ICT CONSULTANTS	48	7,779,170	2020-11-03	-	7,779,170	
ICT CONSULTANTS	49	7,420,100	2020-11-03	-	7,420,100	
ICT CONSULTANTS	50	7,582,189	2020-11-03	-	7,582,189	
ICT CONSULTANTS	51	7,946,239	2020-11-03	-	7,946,239	
ICT CONSULTANTS	52	7,946,239	2020-11-03	-	7,946,239	
ICT CONSULTANTS	53(Tax)	3,719,063	2020-11-03	-	3,719,063	
ICT CONSULTANTS	54	7,183,982	2020-11-03	-	7,183,982	
ICT CONSULTANTS	55(Tax)	95,189	2020-11-03	-	95,189	
CAS CONSULTANTS	5	9,284,060	2021-03-23	-	9,284,060	
CAS CONSULTANTS	6	9,075,840	2021-10-06	-	9,075,840	
ICT CONSULTANTS	42	10,708,114	2020-11-04	10,258,786	449,328	
ICT CONSULTANTS	43	10,179,017	2020-11-04	-	10,179,017	
ICT CONSULTANTS	44	8,757,183	2020-11-04	-	8,757,183	
ICT CONSULTANTS	45	9,332,563	2020-11-04	-	9,332,563	
ICT CONSULTANTS	46	10,050,697	2020-11-04	-	10,050,697	
ICT CONSULTANTS	47	11,336,405	2020-11-04	-	11,336,405	
ICT CONSULTANTS	48	11,204,725	2020-11-04	-	11,204,725	
ICT CONSULTANTS	49	10,223,275	2020-11-04	-	10,223,275	
EGIS INTERNATIONAL	48	9,406,260	2021-01-06	3,000,000	6,406,260	
EGIS INTERNATIONAL	49	10,861,678	2021-06-10	-	10,861,678	
EGIS INTERNATIONAL	50	11,439,893	2021-06-10	-	11,439,893	
EGIS INTERNATIONAL	51	13,302,052	2021-06-10	-	13,302,052	
EGIS INTERNATIONAL	52	11,352,225	2021-06-16	-	11,352,225	
ATTAIN ENTERPRISE	1	13,150,288	2018-01-19	11,336,455	1,813,833	
<b>Total Supervision Services</b>		<b>440,574,175</b>		<b>118,319,835</b>	<b>322,254,340</b>	<b>134,021,115</b>
<b>Grand Total</b>		<b>7,025,561,388</b>		<b>4,723,945,464</b>	<b>2,301,615,924</b>	<b>1,693,303,264</b>

**KENYA TRANSPORT SECTOR SUPPORT PROJECT**

Statement of Budget Performance

For the year ended June 30, 2021

**ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Opening Cost (KShs) 2020/21	Purchases/Additions in the Year (KShs) 2020/21	Disposals in the Year (KShs) 2020/21	Closing Cost (KShs) 2020/21
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	34,922,762,524	1,851,160,393	-	36,773,922,917
Purchase of office furniture & general equipment	35,285,439	-	-	35,285,439
Research, studies, project preparation, design & supervision	4,197,339,836	-	-	4,197,339,836
Intangible assets	69,783,195	-	-	69,783,195
<b>Total</b>	<b>39,225,170,994</b>	<b>1,851,160,393</b>	<b>-</b>	<b>41,076,331,387</b>