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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT CREDIT NO. 5140-KE

FOR THE YEAR ENDED 30 JUNE 2016

KENYA NATIONAL HIGHWAYS AUTHORITY

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MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING & URBAN DEVELOPMENT

Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT CREDIT NUMBER: LOAN ID 5140-KE
PROJECT NO P-126321

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: National Urban Transport Improvement Project

Objective:

a) Improve the efficiency of road transport along the Northern Corridor

b) Improve the institutional capacity and arrangements in the urban transport Subsector

c)Promote private sector participation in operation ,Financing and Management of transport sector

Address: Blue Shield Tower,
Hospital Road Upper Hill
Nairobi Kenya

Contacts:

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

1.2 Project Information

Project Start Date:	24th December 2012
Project End Date:	31st December 2018
Project Engineer	Eng Dennis Odeck
Project Sponsor:	International Development Agency(IDA)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, and Housing & Urban Development
Project number	P-126321
Strategic goals of the	The strategic goals of the project are as follows:

project	
Achievement of strategic goals	The project management aims to achieve the goals through the following means: 1. The Implementation of policy and Institutional reforms in transport Particularly urban Public Transport 2. Financing infrastructure improvements to decongest major towns necessary to support Kenya's long term Development strategy 3. Creation of Institutional capacity to provide oversight and regulatory functions to support the delivery of urban Public the delivery of urban Public Transport Services 4. The Preparation of appropriate investment interventions that would promote urban public mass transit systems
Other important background information of the project	Upgrade the Urban Road Transport Infrastructure (total cost US$311.15 million, of which IDA US$223.26 million). Infrastructure (total cost US$311.15 million, of which IDA US$223.26 million) . This component will involve: 1. Expanding and upgrading the Northern Corridor road section through Nairobi from JKIA turnoff to Rironi 2. Constructing the Kisumu Northern Bypass road 3. Constructing and rehabilitating non-motorized transport facilities including foot paths, cycle tracks, pedestrian bridges and underpasses.
Current situation that the project was formed to intervene	1. Kenya's economic development strategy 2. Address the mounting pressures on the major urban centres, mainly Nairobi, road and related transport infrastructure and laying the foundation for developing an efficient urban public transport system 3. prepare a model mass transport system aimed at providing affordable and efficient public transport services in urban areas particularly for serving the low-income populations, especially in the CBD of Nairobi and along the developed high density corridors; and 4. build the operational and managerial capacity and efficiency of urban transport agencies in dealing with urbanization and transportation
Project duration	The project started on 24th December 2012 and is expected to run until 31st December 2018

1.4 Bankers

Kenya Commercial Bank
Moi Avenue Branch
Po Box 30081-00100
Nairobi

1.5 Auditors

Auditor General
Office of the Auditor General
Kenya National Audit Office
P.o Box 30084-0100
Nairobi

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. David A.Muchilwa	General Manager Special Project	Qualified	Team Leader
Eng. Dennis Odeck	Manager,Special Project	Qualified	Team Coordinator & Construction Specialist
Mr Isaac Kamotho	Senior Accountant	Qualified	Financial Specialist
Mr Walter Nyatwanga	Manager, Environment	Qualified	Safeguards Specialist
Mr R Kilel	Senior Procurement Officer	Qualified	Procurement Specialist

1.7 Funding summary

The Project is for duration of 6 years from 24th December 2012 to 31st December 2018 with an approved budget of XDR 179,987,500 equivalent to Kshs 23,932,176,759 of which the donor will be financing 80% of the total sum as highlighted in the table below:

Source of funds	Donor Commitment-		Amount received to date – (30/06/2016)		Undrawn balance to date (30/06/2016)	
	SDR	*Kshs*	*SDR*	*Kshs*	*SDR*	*Kshs*
	(A)	*(A')*	*(B)*	(B')	*(A)-(B)*	*(A')-(B')*
(i)Loan	143,990,000	19,140,160,545	1,205,911	170,688,400	142,784,089	18,997,376,456
(ii)Counterpart funds						
Government of Kenya (GOK	35,997,500	4,792,016,214	2,693,374	381,228,419	33,304,126	4,758,712,088
Total	**179,987,500**	**23,932,176,759**	**3,899,285**	**551,916,819**	**176,088,215**	**23,756,088,544**

1.8 Summary of Overall Project Performance:

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

Current Year			Cumulative To Date		
Budget 2015/2016	**Actual 2015/2016**	**Performance %**	**Budget 2015/2016**	**Actual 2015/2016**	**Performance %**
2,135,020,000	99,005,285	4.64%	3,636,058,005	394,438,282	10.85%

Component	Procurement method	Estimated Cost (USD millions)	Status	Remarks
A. Support to KeNHA to Upgrade the Urban Road Transport Infrastructure				
1. James Gichuru Road Junction – Rironi	ICB	163	Contract to be signed between 8th and 12th August 2016.	commencement awaiting completion of RAP updating
2. Kisumu Northern Bypass	ICB	20	Bidding Documents under review by KeNHA	Bank comments received 29th July 2016
3. Updating designs and Supervision of Works				
a) James Gichuru - Rironi	QCBS	10	Technical Evaluation Report under review by Bank	TER resubmitted to Bank 5th August 2016
b) Kisumu Northern Bypass	QCBS	2	Technical Evaluation Report under review by KeNHA	TER to be submitted to Bank 9th August 2016
c) RAP updating for James Gichuru - Rironi	CQS	0.23	Consultancy services ongoing	Inception report submitted 5th August 2016 Completion date 20th October 2016
7. Feasibility and detailed design and studies for the improvement of arteries adjoining major towns	QCBS	8	Bypasses for Embu, Kakamega, Kisumu Eastern & Nakuru Northern to be designed. TORs for Embu & Kakamega approved by Bank in April 2015	Bank had proposed that this activity be dropped in project restructuring. KeNHA proposes its reinstatement.
8. Capacity building and Technical Assistance	Cons	3.4	2016/ 2017 tasks under compilation	
9. Training of KeNHA, External Resources Department (MoF) and the State Law Office Staff	Training	1.4	2016/ 2017 training plan under compilation	

1.9 Summary of Project Compliance:

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

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General, KeNHA and the Project Implementation Team Leader for National Urban 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, 2016. 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 Implementation Team Leader for National Urban 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 ,KeNHA and the Project Implementation Team Leader for National Urban 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/period ended June 30, 2016, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for National Urban Transport Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Director General,KeNHA and the Project Implementation Team Leader for National Urban 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, KeNHA and the Project Implementation Team Leader for National Urban Transport Improvement Project on 26th August 2016 and signed by them.

Eng. Peter M.Mundinia
Director General, KeNHA

Eng. David A. Muchilwa
General Manager (Special Project)

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT CREDIT NO. 5140-KE FOR THE YEAR ENDED 30 JUNE 2016 - KENYA NATIONAL HIGHWAYS AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Urban Transport Improvement Project Credit No.5140-KE set out on pages 1 to 13, which comprise the statement of assets and liabilities as at 30 June 2016, and the statement of receipts and payments, statement of changes in net assets, the statement of comparison of budget and actual amount, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with provisions of Article 229 of the constitution of Kenya, Section 35 the Public Audit Act, 2015 and financing agreement between the International Development Association (IDA) and the Republic of Kenya dated 26 September, 2012. 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.

Management's Responsibility for the Financial Statements

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 such 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.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statement are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements.

I believe the audit obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Urban Transport Improvement project as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and conforms to the Financing Agreement Credit No. 5140-KE dated 26 September, 2012.

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

Other Matter

Rehabilitation and Capacity Enhancement of A104 from James Gichuru Road Junction to Rironi (A104/B3 Junction)

Evidence available indicates that invitation for bids for the above road was advertised on 8 July 2015. The opening of the tender was carried out on 31 July, 2015 and thereafter the evaluation. The results of the evaluation were communicated to the Tender Committee which subsequently at the meeting held on 23rd June 2016 approved the contract award to M/s China Wu Yi Company Ltd for a contract sum of Kshs.16,366,586,563.19 inclusive of taxes for a contract period of 48 Months.

1.1 Information available further indicate that seven officers were appointed to evaluate the bids received and make necessary recommendations.

1.2 Examination of evaluation score sheets filled by the officers during the evaluation process revealed the following anomalies;

1.2.1 The evaluators neither indicated their names nor signed in the score sheets e.g form preliminary 02,03,04 A and 04 B contrary to regulation 16(6) of the Public Procurement and Disposal Regulations, 2006.

One evaluator awarded scores to only four (4) out of the fourteen (14) bidders in form preliminary 03 preliminary inspection of bill of quantities contrary to section 16 (6) of the provisions of Public Procurement Regulations, 2006 which require that each member of the technical evaluation committee shall evaluate independently from the other members prior to sharing his or her analysis, questions and evaluation including his or her rating with the other members of the technical evaluation committee.

1.2.2 Further, scores awarded by the evaluators were cancelled without Countersigning for acknowledgement of errors.

1.2.3 In addition, the bidder who won the tender was failed by an evaluator who, in addition did not sign the evaluation score sheets during preliminary inspection of technical proposal on specifications for roller self-propelled which included; form EQU.15-30t pneumatic roller (4 no); form EQU.12-20t smooth drum or equivalent vibratory roller (4 no.); form EQU.10-20t sheep foot roller (2 no) and 8-15ft tandem drum vibratory roller (2 no).
It is therefore not clear how the scores were measured and why the bidder was allowed to proceed to the next evaluation stage after failing in the above items in preliminary stage contrary to regulations 47 (2) and 49 (1) of the Public Procurement and Disposal Act, 2005.

In the circumstances, it has not been possible to confirm whether the above works were awarded competitively and whether the Authority will obtain value for money in spending Kshs.16,366,586,563.19.

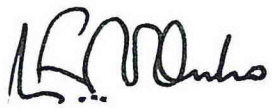
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association financing agreement, 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; and,

ii. In my opinion, proper books of account have been kept by the project, so far as appears from my examination of those books; and,

iii. The project's statement of financial position is in agreement with the books of account.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 December 2016

4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2016

	Note	2016 Kshs	2015 Kshs	Cumulative to date Kshs
RECEIPTS				
Transfer from Government entities	8.2	82,923,780	103,544,654	381,228,419
Loan from External Development Partner	8.3	-	170,688,400	170,688,400
Miscellaneous Receipts	8.4	2,960,134	359,724	3,319,858
Total receipts		**85,883,914**	**274,592,778**	**555,236,677**
PAYMENTS				
Purchase of goods and services	8.5	26,201,540	23,753,235	61,840,485
Acquisition of non-financial assets	8.6	72,776,509	97,667,810	332,501,634
Miscellaneous Payments	8.7	27,237	46,471	96,163
TOTAL PAYMENTS		**99,005,286**	**121,467,516**	**394,438,282**
SURPLUS/DEFICIT FOR THE YEAR		**(13,121,372)**	**153,125,262**	**160,798,395**

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

Eng. Peter M.Mundinia
Director General, KeNHA

26th August, 2016
Date

Eng. David A. Muchilwa
General Manager (Special Project)

26th August, 2016
Date

5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2016

	Note	2015/2016 Kshs	2014/2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.8	160,798,395	173,919,767
TOTAL FINANCIAL ASSETS		**160,798,395**	**173,919,767**
REPRESENTED BY:			
Cash and cash equivalents b/fwd	8.8A	173,919,767	20,794,505
Surplus/Deficit for the year		(13,121,372)	153,125,262
NET FINANCIAL POSITION		**160,798,395**	**173,919,767**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26th August 2016 and signed by:

Eng. Peter M.Mundinia
Director General, KeNHA

26th August, 2016
Date

Eng. David A. Muchilwa
General Manager (Special Project)

26th August, 2016
Date

6 STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2016

Receipts for operating income	**2015/2016**	**2014/2015**
Transfer from Government entities	82,923,780	103,544,654
Payments for operating expenses		
Purchase of goods and services	(26,201,540)	(23,753,235)
Miscellaneous Payments	(27,237)	(46,471)
Miscellaneous Receipts	2,960,134	359,724
Net cash flow from operating activities	**59,655,137**	**80,104,672**
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of Assets	(72,776,509)	(97,667,810)
Net cash flows from Investing Activities	**(72,776,509)**	**(97,667,810)**
CASHFLOW FROM BORROWING ACTIVITIES		
Proceeds from Foreign Borrowings	-	170,688,400
Net cash flow from financing activities	**-**	**170,688,400**
NET INCREASE IN CASH AND CASH EQUIVALENT	**(13,121,372)**	**153,125,262**
Cash and cash equivalent at BEGINNING of the year	**173,919,767**	**20,794,505**
Cash and cash equivalent at END of the year	**160,798,395**	**173,919,767**

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 26th August 2016 and signed by:

Eng. Peter M.Mundinia
Director General, KeNHA

Eng. David A. Muchilwa
General Manager (Special Project)

7 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=d-c	f=e/c %
Receipts						
Transfer from Government entities	300,000,000	(214,980,000)	85,020,000	82,923,780	2,096,220	2.5%
Proceeds from borrowings	1,200,000,000	850,000,000	2,050,000,000		2,050,000,000	100.00%
Miscellaneous Income	-	-	-	2,960,134	2,960,134)	
Total Receipts	**1,500,000,000**	**635,020,000**	**2,135,020,000**	**85,883,914**	**2,049,136,086**	**95.98%**
Payments						
Purchase of goods and services	26,201,540	-	26,201,540	26,201,540	-	0.00%
Land Acquisition	2,217,223	-	2,217,223	2,217,223		
Research, studies, project preparation, design & supervision	1,471,581,237	635,020,000	2,106,601,237	70,559,286	2,049,136,086	97.27%
Miscellaneous Payments	-	-	-	27,237		
Total Payments	**1,500,000,000**	**635,020,000**	**2,135,020,000**	**99,005,286**	**2,049,136,086**	**95.98%**

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

Eng. Peter M.Mundinia
Director General, KeNHA
26th August 2016
Date

Eng. David A. Muchilwa
General Manager (Special Project)
26th August 2016
Date

8 NOTES TO THE FINANCIAL STATEMENTS

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

8.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Project and all values are rounded to the nearest one Shilling. The accounting policies adopted have been consistently applied to all of the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid out by the Project.

i. Recognition of revenue and expenses

The Project recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Project. In addition, the Project recognises all expenses when the event occurs and the related cash has actually been paid out by the Project.

ii. In-kind donations

In-kind donations are contributions 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 of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

iii. 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 had not been surrendered or accounted for at the end of the financial year

SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv. **Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. 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.

v. **Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification 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. 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.

vi. **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.

vii. **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.

viii. **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, 2016.

8.2 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2015/16	2014/15	Cumulative to-date
	Kshs	Kshs	Kshs
Quarter 1	5,384,617	28,345,169	89,324,855
Quarter 2	685,100	11,215,071	42,240,369
Quarter 3	1,882,260	1,326,600	20,505,582
Quarter 4	74,971,803	62,657,814	229,157,613
	82,923,780	**103,544,654**	**381,228,419**

8.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

Name of Donor	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount in Kshs	
				FY 2015/16	FY 2014/15
	SDR	Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (IDA)	-	-	-	-	170,688,400
Total	**143,990,000**	-	-	-	**170,688,400**

8.4 MISCELLANEOUS RECEIPTS

	2015/16	2014/15	Cumulative to-date
	Kshs	Kshs	Kshs
Bank Interest	2,960,134	359,724	3,319,858
Total	**2,960,134**	**359,724**	**3,319,858**

8.5 PURCHASE OF GOODS AND SERVICES

	2015/16	2014/15	Cumulative
	Kshs	Kshs	Kshs
Domestic travel and subsistence	26,201,540	23,753,235	61,840,485
	26,201,540	**23,753,235**	**61,840,485**

8.6 ACQUISITION OF NON-FINANCIAL ASSETS

	2015/16	2014/15	Cumulative to-date
	Kshs	Kshs	Kshs
Land Acquisition	2,217,223	1,283,200	3,500,423
Research, studies, project preparation, design & supervision	70,559,286	96,384,610	329,001,211
	72,776,509	**97,667,810**	**332,501,634**

8.7 MISCELLANEOUS PAYMENTS

	2015/16	2014/15	Cumulative to-date
	Kshs	Kshs	Kshs
Bank Charges	27,237	46,471	96,163
Total	**27,237**	**46,471**	**96,163**

8.8 CASH AND CASH EQUIVALENTS C/FWD

	2015/16	2014/15
	Kshs	Kshs
Bank accounts (Note 8.6A)	160,798,395	173,919,767
	160,798,395	**173,919,767**

8.8A BANK ACCOUNTS

	2015/16 Kshs	2014/15 Kshs
Local Currency Accounts		
Kenya Commercial Bank [A/c No.1138238945]	**160,798,395**	**173,919,767**

8.9 PENDING BILLS (Annex 2A)

	2015/16 Kshs	2014/15 Kshs
Supply of services	137,656,776	-
Land Acquisition	947,034,612	-
	1,084,691,388	**-**

9 PROGRESSES 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 Point person to resolve the issue	Status: *(Resolved / Not Resolved)*	Timefr ame:
Your Ref KeNHA/356/ NUTRIP/201 4/2015/(3) Dated 10th November 2015	**Accuracy of project financial statements** -The funding summary table shows The loan (IDA) amount received to date (30 June, 2015) as Kshs. 17,876,391 while the Statement of Receipts and Payments for the period under review shoes cumulative amount received to date as Kshs. 170,688,400. The funding summary table further shows GOK commitment of Kshs. 4,792,016,214 under the counterpart funds while the previous years audited financial statements for 2013/2014 indicated GOK commitment of Kshs. 239,518,833.	We agree with auditor's observation The discrepancy has been noted and incorporated in the Financial Statements We agree with auditor's observation. In Financing Agreement, Government of Kenya was to finance 20% of the total budget Which translates to a commitment of Kshs 4,792,016,214 whereas in Financial statements for 2013/2014 the figure indicated(Kshs 239,518,833) was the actual amount paid by the government of Kenya We agree with auditor's observation The discrepancy has been noted and	General Manager Finance	Resolved	Immedi ately

	The Statement of Receipts and Payments for the period under review shows purchase of goods and services of Kshs. 23,753,235 while supporting schedule for the component shows a total of Kshs. 26,845,993 hence understatement of the expenditure by Kshs. 3,092,758. The Statement further acquisition of non-financial assets of Kshs. 97,667,810 while supporting schedule for the component shows a total of Kshs. 94,575,050 hence overstatement of the expenditure by Kshs. 3,092,758. In addition, the Statement of Receipts and Payments refers to loans from development partners as other grants and transfers and receipts while the funding summary report is referred to as IDA loan	incorporated in the Financial Statements We agree with auditor's observation The discrepancy has been noted and incorporated in the Financial Statements We agree with auditor's observation The discrepancy has been noted and incorporated in the Financial Statements N/A			

Eng. Peter M.Mundinia
Director General, KeNHA
26th August 2016
Date

Eng. David A. Muchilwa
General Manager (Special Project)
26th August 2016
Date

ANNEX 2A - ANALYSIS OF PENDING BILLS

	Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance
					2015/2016	2014/2015
		a	b	c	d=a-c	
A	Supply of services				Kshs	Kshs
1	Cowi	20,043,174	17-Sep-15	-	20,043,174	
20822	Nema	24,780,000	21-Mar-16	-	24,780,000	
6	Gibb Africa	48,300,571	04-Jan-16	-	48,300,571	
20713	Nema	20,244,755	03-Nov-15	-	20,244,755	
3C2	Eser	1,681,623	13-Apr-16	-	1,681,623	
5	Eser	22,606,653	13-Apr-16	-	22,606,653	
	Land Compensation	949,251,835		2,217,223	947,034,612	
	Total	**1,064,649,958**		**2,217,223**	**1,084,691,388**	**-**