

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF  
INFRASTRUCTURE FINANCE AND  
PUBLIC PRIVATE PARTNERSHIP  
PROJECT - IDA CREDIT NO. 51570 KE**

**FOR THE YEAR ENDED  
30 JUNE 2017**

**THE NATIONAL TREASURY**

*Team B*



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
30 SEP 2017  
**RECEIVED**

**REPUBLIC OF KENYA**

**THE NATIONAL TREASURY**

**INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS (IFPPP) PROJECT**

**IDA CREDIT NUMBER 51570 - KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

**ISSUED ON: SEPTEMBER 30, 2017**

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

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

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**a) PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

The official name of the project is **Infrastructure Finance and Public Private Partnerships (IFPPP) Project**. The project is located at:

Anniversary Towers, North Tower  
7<sup>th</sup> Floor,  
University Way/Monrovia Street  
**NAIROBI**

**Objective**

The main objective of the project is to improve the enabling environment to generate a pipeline of bankable Public Private Partnership (PPP) Projects.

**Address:**

The National Treasury  
Anniversary Towers, North Tower  
7<sup>th</sup> Floor,  
University Way/Monrovia Street  
**Nairobi**  
**KENYA.**

The address of its registered office is:

P.O.BOX 21190-00100

NAIROBI

Tel: 020 -2122271/4

Email: [info@piu.go.ke](mailto:info@piu.go.ke)

**Contacts:**

Telephone: (254) 020-2210271/4

E-mail: [info@piu.go.ke](mailto:info@piu.go.ke)

Website: [www.pppu.go.ke](http://www.pppu.go.ke)

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1.2 Project Information

Project Start Date:	The project start date is 11 <sup>th</sup> February, 2013
Project End Date:	The Project end date is 31 <sup>st</sup> December, 2017
Project Manager:	The project manager is Mr. Ray Charles Musau
Project Sponsor:	The project sponsor is International Development Association (IDA)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the National Treasury.
Project number	51570 –KE
Strategic goals of the project	<p><b>Overall Objective-</b> to increase private investment in the Kenya infrastructure market across sectors and to sustain this participation over an extended period of time. This involves three key areas of development: (i) enabling environment (ii) pipeline of potential transactions and (iii) financing.</p> <p><b>Specific Objective-</b> to improve the enabling environment to generate a pipeline of bankable PPP projects.</p>
Achievement of strategic goals	<p>The project is in YR5 and the following achievements are in reference to the YR 5 targets as documented in the Project Appraisal Document/amended during the mid-term review of the project.</p> <p><b>Project development objectives</b></p> <p>(i) <b>Indicator 1-</b> Expression of Interests (EOIs) issued to prospective sponsors for three targeted PPP transactions</p> <p>YR 5 Target- 6 EOIs by end of YR 5.</p> <p><b>Achievement-</b> EOI issued; for Nairobi-Nakuru-Mau Summit Road. The EOI closed and EOI evaluation was completed. Four bidders were shortlisted and shall be issued with RFP in Q1, FY 2017/18. On the other hand, EOIs for the following 5 projects in the larger Kenya PPP program were issued on various dates during the project period. The current status of the project is also indicated;</p> <ul style="list-style-type: none"> <li>• 10,000 KM Road Annuity program (Phase 1) -contract negotiations ongoing for Lots 3, 33, 18 and 15 attained commercial close and discussion on financial close are being finalised. Commercial close negotiations are ongoing for Lot 32</li> <li>• 980 MW Coal Power Plant in Lamu- contract negotiations with the 1<sup>st</sup> ranked bidder on the Power Purchase Agreement (PPA) are being finalized</li> <li>• Kenyatta University Student Hostels project- project is at commercial close</li> <li>• Civil Servants Housing Project- contract negotiations ongoing with 1<sup>st</sup> ranked bidders for Park Road and Starehe Lots. RFQ evaluation for Shauri Moyo is ongoing.</li> <li>• Multi-Level Car Park in Nairobi CBD- RFQ evaluation is ongoing</li> </ul>

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(ii) **Indicator 2-** PPP Regulations associated with the new Law agreed to with MoF

YR 5 Target- Yes

Achievement- Yes

(a) National PPP Regulations- these were gazetted in December 2014 and submitted to the Parliamentary Committee.

(b) PPP (Amendment) Bill 2016- The amendments to the PPP Act were passed by the National Assembly and forwarded for approval by the Senate. The bill is at the 3<sup>rd</sup> reading stage in the Senate.

(c) County PPP regulations- stakeholder consultations on the draft County PPP regulations were concluded. Prior to issuance of the Regulations, a review of the provisions in the PPP Act, 2013 to address some of the imprecise provisions in primary statute is ongoing. The amendments to the Act are before the Senate.

(d) Petition Regulations- stakeholder consultations on the draft Petition regulations were concluded and process was put on hold pending completion of amendments to the PPP Act 2013.

(e) Project Facilitation Fund (PFF) Regulations-stakeholder consultations on the draft Project Facilitation Fund (PFF) regulations were concluded. The PFF regulations were gazetted in May 2017

(f) Law Reform- law reform in aid of PPP projects was supported with the development of draft Land (Amendment) Bill, 2016. The amendments to the PPP Act were passed by the National Assembly and forwarded for approval by the Senate. The bill is at the 3<sup>rd</sup> reading stage in the Senate.

(iii) **Indicator 3-** PPP Fiscal Commitment and Contingent Liability Framework operationalized as measured by: upstream Debt Management Department (DMD) due diligence on prospective (feasibility stage) transactions completed in line with Law.

YR 5 Target- Yes

Achievement- Yes

The FCCL framework was adopted by the PPP Unit & PDMO and is currently being used as an input to the regulatory approvals. Preliminary FCCL assessments have been done for 8 projects (includes 4 first mover projects). The framework is however not fully utilized as there is need to simplify the model and increase the capacity of the PDMO to fully utilize it. The National Treasury is working closely with the World Bank to finalize the framework. Once the framework is finalized, it shall be presented to the PPP Committee for approval.

(iv) **Indicator 4** Regular issuance of Government benchmark bonds in medium and long-term maturities up to 7/10 year tenures.

YR 5 Target- At least one issue by maturity bucket per year and minimum size of benchmark issue

Achievement- The first Issuance Calender was published in July 2016. FY 2017/18 calendar is under preparation in consultation with the Central Bank with a target to finalize by August 2017. Once completed, necessary approvals will be sought to disseminate.

<p>Intermediate Results Indicators</p>	<p><b>COMPONENT 1</b></p> <p>(i) <b>Indicator 1-</b> Capital Markets Authority Bill 2011 approved by Cabinet for submission to Parliament</p> <p>YR 5 Target- Yes</p> <p>Achievement- In progress</p> <p>Bill was revised and re-submitted to the National Treasury (NT) as the Financial Services Authority Bill. The NT has finalized review of the bill. The bill was submitted to the Cabinet for consideration and approval</p> <p>(ii) <b>Indicator 2-</b> Securities and Investments Bill 2011 approved by Cabinet for submission to Parliament</p> <p>YR 5 Target- Yes</p> <p>Achievement- In progress</p> <p>The Securities and Investments Bill 2011 was revised and repackaged as the Securities, Investments and Derivatives Bill respectively. Both bills shall be finalized after Parliament approves the Financial Sector Authority (FSA) Bill. The FSA was submitted to the Cabinet and is pending approval.</p> <p><b>COMPONENT 2</b></p> <p>(i) <b>Indicator 1-</b> Ten feasibility studies completed and submission by contracting authorities to the PPPSC (PPP Committee) acceptable to the Association, including Safeguards</p> <p>YR 5 Target- 10</p> <p>Achievement- 10</p> <p>The PPP Committee approved 10 feasibility studies that were done with support from the IFPPP project. The projects are; Nairobi-Nakuru Road, Nairobi Southern By Pass, Nairobi-Thika Road, Nairobi-Mombasa Road, 2<sup>nd</sup> Nyali Bridge. Also approved were student hostel projects for five higher institutions of learning namely Moi University, Egerton University, University of Embu, South Eastern Kenya University and Kenya Technical Trainers College</p> <p>(ii) <b>Indicator 2-</b> Line Ministries and Agencies "Nodes" for First Mover Transactions established and operational</p> <p>YR 5 Target- 2</p> <p>Achievement- Yes</p> <p>A total of <b>59</b> PPP Nodes have been established and operational in various government Ministries and Agencies.</p> <p><b>COMPONENT 3</b></p> <p>(i) <b>Indicator 1-</b> PPP Fiscal Commitment and Contingent Liability Framework, including Disclosure Procedures approved by Cabinet Secretary, National Treasury</p> <p>YR 5 Target- Yes</p> <p>Achievement- In progress</p>
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	<p>The PPP Unit and PDMO have adopted the FCCL Management Framework. However, it requires to be refinement of the methodologies for valuation of guarantees and estimating expected payments arising from the contingent liability. The NT has requested PPIAF to support this. Once finalized, it shall be tabled to the PPP Committee for approval and subsequently circulated by CS/NT via a circular. The Draft Disclosure Framework was reviewed by stakeholders and is being finalized for approval.</p>
<p>Other important background information of the project</p>	<p>By helping to strengthen the PPP enabling environment framework, the IFPPP APL 1 will assist the GoK to develop a solid foundation to systematically prepare PPPs and realize the benefits of PPPs more effectively. This would foster increased private investments in infrastructure, increased employment opportunities, improved service delivery to enterprises and the population in general, improved fiscal impact on government from better project preparation, more balanced risk allocation, increased transparency, wider quality control, greater efficiency, and enhanced financial sector support. This framework will enable an increase in the availability and quality of infrastructure in different sectors to boost enterprise growth and productivity and improve the well-being of Kenyans. The current IFPPP APL1 project period was extended to December 2017. The GOK has requested for USD 50 million additional financing from the World Bank. The funding is for the period 2018-2022. This request is currently under review by the World Bank and approval is expected to be received by October 2017.</p>
<p>Current situation that the project was formed to intervene</p>	<p><b>COMPONENT 1: INSTITUTIONAL SUPPORT AND REGULATORY REFORM</b>  <b>a) Subcomponent 1A – Support to PPP Institutions</b>                  The objectives of this sub-component is to support the establishment and functioning of a PPP Unit at the National Treasury and PPP Nodes in selected line Ministries and to build the capacity of GoK stakeholders to implement the PPP program through training, experience exchange, technical assistance, awareness and communication programs.</p> <p><b>Progress;</b></p> <ul style="list-style-type: none"> <li>• As part of institutional support and regulatory reform; all PPPU experts and specialists in post. The PPPU staffing structure was approved by the Public Service Commission (PSC) and recruitment of the 5 deputy directors commenced during the period under review. Two of these deputy directors were appointed and are in post i.e. Senior Deputy Director and Deputy Director Economic Services.</li> <li>• PPP draft manual is in place. Graphic design for the manual is being finalized.</li> <li>• Procurement for contractor to renovate and equip PPPU's new offices (located at the Reinsurance building) is being finalized. The assignment is scheduled to commence in September 2017 and be completed in December 2017.</li> <li>• During the reporting period, nine (9No.) public officers were supported and attended international trainings on PPPs. Since commencement of the PPP program, a total fifty one (51No.) public officers (drawn from the PPP Committee, Petition Committee, PPP Unit, National Treasury and other MDAs) have been supported and attended international trainings on PPPs, 8 have undertaken online PPP courses, 24 have attended local PPP related courses.</li> </ul>



• During the period under review, a number of training institutions were contracted and provided various PPP course. The International Law Institute (ILI) was contracted and facilitated training in December 13-16, 2016 where **21** public officers were trained on Project Preparation, Analysis and Finance as it relates to PPPs. ILI also facilitated training in May 24-28, 2017 where **20** public officers were trained on Project Finance in PPPs. IP3 was contracted and facilitated training locally in June 12-14, 2017 where **20** public officers were trained on Effective Management of PPPs. IP3 also facilitated training locally in June 26-30, 2017 where **20** public officers were trained on PPP Project Monitoring and Evaluation.

During the previous FY, IP3 was contracted and facilitated seven (7) modular trainings between June 2015 and May 2016. The number of public officers trained is as follows; (i) Module 1- Foundations of PPPs– **73** Public Officers (ii) Module 2- Project Selection – **32** Public Officers (iii) Module 3- Financial Modelling- **42** Public Officers (iv) Module 4- Fiscal Risk Management- **31** Public Officers (v) Module 5- Legal Agreements– **47** Public Officers (vi) Module 6- PPP Procurement- **35** Public Officers (vii) Module 7- PPP Contract Management- **41** Public Officers. In addition, 9 public officers were trained locally on PPP Contract negotiations. The training was facilitated by Crown Agents (UK) on 13<sup>th</sup>-17<sup>th</sup> June 2016.

• The following PPP awareness/promotional workshops were held during the period under review, the number of participants is indicated in brackets: Toll roads workshop with Private Sector was held May 18, 2017 (40), The Kenya PPP Roads Investor Conference was held on 15<sup>th</sup>& 16<sup>th</sup> November 2016 (350 participants; 200 of them international from 167 organizations participated). On the other hand, PPP awareness/promotional workshops were held with the following during past FYs; State Department of Higher Education (7), Maasai Mara University (35), Embu University College (23), Egerton University (7), Nairobi County PPP sensitization workshop (20), Mombasa County PPP sensitization workshop (47), Airports Sub-Sector PPP sensitization workshop (31), Roads Sub-Sector PPP sensitization workshop (45), Ports Sub-Sector PPP sensitization workshop (37), Financial Sector PPP sensitization workshop (60), PPP sensitization workshop for Professionals (83), PPP sensitization workshop for Cabinet Secretaries and Principal Secretaries (36), PPP sensitization workshop for Counties in Coast Region (27), PPP sensitization workshop for Higher Education sub-sector (160), Stakeholders Workshop on Roads Annuity Fund Regulations (90), Road Annuity Programme Consultative meeting with the financial sector (95), PPP sensitization retreat for the Media (35).

• A Public Relations firm was contracted in March 2016 and contract execution is ongoing. Tasks accomplished by the PR firm include; supported organizing of investor conference held November 15-16, 2016, designing the PPPU website, drafting of PPPU Communication Strategy and Toll Roads Communication Strategy.

**b) Subcomponent 1B – Legal and Regulatory Reform**

The objective of this sub-component is to support PPP policy dialogue and implementation of the PPP Act including preparation and adoption of the Regulations and effective implementation.

**Progress;**

- Development of PPP Petition Regulations completed and finalization is pending approval of the PPP amendment bill 2016. Petition Procedures and Registry Manual finalized and is being implemented. The Petition Committee is operationalizing the Petition Procedures and Registry Manuals
- Consultant to assist in the development of Tolling Strategy was hired by TMEA
- The National Surface Transport Funding Policy was been finalized and approved by the Cabinet in December 2016.

**Subcomponent 1C – Institutional Development for Financial Products and PPP Approaches**

The objective of this sub-component is to support institutional arrangements for a range of financing instruments such as VGF, guarantees, infrastructure funds, financial intermediary lending facilities and development of local capital markets.

**Progress;**

- The Consultant commenced work in December 2014 and contract ended in October 2016.
- Medium term Debt Management Strategy, Annual Public Debt Management Report and the 2071/18 Medium Term Debt Management Strategy was developed by Treasury and submitted to Parliament, CRA and County Governments as required by Law. The first Issuance Calendar was published in July 2016. The current FY 2017/18 calendar is under preparation in consultation with the Central Bank with a target to finalize by August 2017. Once completed, necessary approvals will be sought to disseminate.
- Various stakeholder workshops with PPP stakeholders have been conducted between CMA ABS adviser and market participants. CMA issued the revised guidelines in August 2016.
- The activities under this sub-component have since been moved and are being implemented under the Financial Sector Support Project (FSSP) which commenced in April 2015.

**COMPONENT 2: PPP PIPELINE PREPARATION**

The objective of this component is to assist contracting authorities with to ensuring that the first projects to come before the PPPSC and PPS are well prepared, "bankable" and take into account lessons learned from previous PPP projects, the privatization program in Kenya and regional and international experience.

**Progress;**

**Sector Advisors**

- Since commencement of the PPP program, 13 PPP Advisors/Consultants have been hired to support PPP Nodes in preparation of PPP projects. The beneficiary sectors are; Water, Education, Health, Ports, Airports, Energy, Rail.

Advisors/consultants were also hired for Director PPP Unit, PPP Procurement, Capital Markets, PPP Manual, FCCL and Counties. Contracts of these advisors ended expect for Advisor to Director PPPU, PPP Water Sector Advisor whose execution is ongoing.

**Transaction Advisors (TAs)**

• Since commencement of the PPP program, 8 Transaction Advisors have been hired under the IFPPP project for the following PPP projects; Kisumu Sea Port (BOOT), Nairobi Southern Bypass (O&M), Nairobi-Thika Highway (O&M), 2<sup>nd</sup> Nyali Bridge (DBFMT), Nairobi-Mombasa Road (DBFMT) and Nairobi-Nakuru Road (DBFMT), umbrella University Hostels project, 140MW Olkaria VI. Execution of these contracts is ongoing except for TA Kisumu Port and Nairobi Southern By Pass which ended. Procurement is underway for consultants to undertake feasibility studies for 300 Bed Hospital PPP project and Toll Operator PPP project.

**Stakeholders sensitized on PPP projects**

• During the period under review, meetings were held with management of (a) Kenya Wildlife Services (b) Kenya Forest Service (c) National Transport Safety Authority (d) National Environment Management Authority to brief them on the Road PPP Projects

**COMPONENT 3: IMPROVEMENTS TO FISCAL COMMITMENT AND CONTINGENT LIABILITY (FCCL) RISK MANAGEMENT FRAMEWORK**

The objective of this component is to provide support and guidance to the Treasury and other relevant agencies on the fiscal commitment and risk framework associated with infrastructure, with emphasis on contingent liabilities from PPPs.

**Progress;**

• The FCCL framework was adopted by the PPP Unit & PDMO and is currently being used as an input to the regulatory approvals. Preliminary FCCL assessments have been done for 8 projects (includes 4 first mover projects). The framework is however not fully utilized as there is need to simplify the model and increase the capacity of the PDMO to fully utilize it. The National Treasury is working closely with the World Bank to finalize the framework. Once the framework is finalized, it shall be presented to the PPP Committee for approval.

• Computer equipment and software (Oracle's Crystal Ball) has been supplied to the FCCL Unit at the PDMO

• Process and structure has been setup for the collection and maintenance of leading economic indicators for use in FCCL work. Consisting of: GDP growth rate, Inflation Rate, Interest Rates and Exchange rate. This has now morphed into a wider consideration for creating a relational data base for the PDMO

• 2No. Financial Graduate Analysts were recruited and are working towards strengthening the FCCL function of the PDMO

**COMPONENT 4: SUPPORT FOR PROGRAM MANAGEMENT**

	A Project Implementation Unit (PIU) is established within the National Treasury that provides the fiduciary, safeguards, monitoring and evaluation (M&E) expertise required for the implementation of the IFPPP project in accordance with Bank policies and requirements. The PIU is staffed with; Project Manager, Financial Management Specialist, Procurement Specialist, Monitoring and Evaluation Specialist, Office Manager and 4 support staff. Recruitment of Assistant Project Accountant is underway.
	<p><b>Progress;</b></p> <ul style="list-style-type: none"> <li>• IFPPP quarterly reports are consistently submitted within the required timelines,</li> <li>• Semi-annual program review meetings are organized as required and implementation of action points monitored.</li> </ul>
Project duration	The project commenced on 11 <sup>th</sup> February 2013 and is expected to run until 31 <sup>st</sup> December, 2017.

#### 1.4 Bankers

The following are the bankers for the current year:

##### a) Special Deposit Account

Kenya Commercial Bank Ltd  
 University Way Branch  
 University Way  
**NAIROBI.**  
 IDA Credit No. 5157-KE – Account No. 1136321365

##### b) Local Project Account

Kenya Commercial Bank Ltd  
 University Way Branch  
 University Way  
**NAIROBI.**  
 IFPPP – Account No. 1138915874

#### 1.5 Auditors

Office of the Auditor General  
 Anniversary Towers  
 University Way/ Monrovia Street  
**NAIROBI.**

## **1.6 Project Governance**

The Project's governance framework requires the stakeholders to uphold the highest professional, ethical, moral and legal standards. This is achieved through effective segregation of duties with clear checks and balances as articulated in the Project Loan/Credit Agreement, the PFM Act, 2012, the Project Design Report, the Implementation Manual and the Finance and Procurement Manuals.

### **1. The Project Steering Committee (PSC)**

This Committee is responsible for overseeing the implementation of the Project, approving the annual work plan and budget, and ensuring that the activities are in compliance with the donor and government policies.

### **2. International Development Association( IDA)**

IDA under the World Bank is the project sponsor. They are responsible for reviewing and approving the project's withdrawal applications, expenditure justifications, no objection requests, reviewing and approving the annual work plan and budget, expenditure category reallocation request, and participating in implementation support missions.

### **3. The National Treasury**

The National Treasury is the parent ministry ensures that the Project's budget is captured in its development projects and disbursement of exchequer transfers. The ministry reviews and tracks the Project's annual work plan and budget against the set targets and makes the approvals. The parent ministry also oversees the execution of the project coordinating team.

### **4. The Auditor**

The Supreme Audit Institution in Kenya, that is, the Office of the Auditor General, is mandated by the Constitution of Kenya Chapter 12, Part 6, Article 229 which establishes the Office of the Auditor General. Chapter 15, Article 248, Section 3 and Article 249, Section 2 (a) and (b) and section 10 of the Public Audit Act, 2015 provide for the independence of the Office of the Auditor General.

The Auditor General is mandated to audit all national government entities, which include government development projects and present these statutory financial statements to the Parliament. This facilitates the submission of the audited report to the project's sponsors by 31 December each year.

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**5. Project Coordinating Team (PCT)**

This team is based in Nairobi and is responsible for the project management and coordination functions. The PCT comprises of the Project Coordinator and a team of Technical Officers. The PCT is also supported by other administrative staff.

These key staff, who form the project coordinating team that is involved in the day to day management of the project and its implementation are:

Names	Title designation	Key qualification	Responsibilities
Eng. Stanley Kamau	Director, PPPU		Project Coordination at the National Treasury
Mr. Ray Charles Musau	Project Manager		Project Management
Mr. Maurice Owino Pedo	Financial Management Specialist	<ul style="list-style-type: none"> <li>▪ Master of Business Administration Finance Option)</li> <li>▪ Bachelor of Commerce (Finance Option)</li> <li>▪ Certified Public Accountant of (K)</li> </ul>	Project Financial and Risk Management
Mr. Wycliffe Paul Ondieki	Monitoring and Evaluation Specialist	<ul style="list-style-type: none"> <li>• Master of Education (Educational Psychology)</li> <li>• Bachelor of Education ( Mathematics &amp; B. Studies)</li> </ul>	Establish &oversee implementation of the Monitoring & Evaluation Function & System for the PIU
Ms. Danae Nandwa Ottaro	Procurement Specialist	<ul style="list-style-type: none"> <li>▪ Bachelor of Commerce (Business Administration)</li> </ul>	Procurement Management
* Ms. Gaudencia N. Mukisu	Assistant Project Accountant	<ul style="list-style-type: none"> <li>▪ Bachelor of Commerce (Finance Option)</li> <li>▪ Certified Public Accountant of (K)</li> </ul>	Provide Management, Financial and Accounting Support to the Project.
Ms. Norah Munyiva	Office Manager	<ul style="list-style-type: none"> <li>▪ Bachelor of Commerce ( Marketing Option)</li> </ul>	Office Administration

\*\*Miss Gaudencia Mukisu left the unit on 31<sup>st</sup> July 2016.

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## 2.1 Funding summary

The Project is for a duration of 5(Five) years from 5<sup>th</sup> December 2012 to 31<sup>st</sup> December, 2017 with an approved budget of US\$ 40Million equivalent to KShs 4.0 Billion.

Source of funds	Donor Commitment-		Amount received to date – ( 30 <sup>th</sup> June, 2017)		Undrawn balance to date (30 <sup>th</sup> June, 2017)	
	US\$	Kshs	Donor currency (US\$)	Kshs	US\$	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
(ii) Loan						
International Development Association- IDA	40.00 Million	4.00 Billion	24.20 Million	2.43 Billion	15.80 Million	1.57 Billion
(iii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
<b>Total</b>	<b>40.0 Million</b>	<b>4.00 Billion</b>	<b>24.20 Million</b>	<b>2.43 Billion</b>	<b>15.80 Million</b>	<b>1.57 Billion</b>

## 2.2 Summary of Overall Project Performance:

During the year under review, the Project received KSh.632,202,920 and incurred a cumulative expenditure of KSh.669,401,256.

### 1.9 Receipts Utilization

The Project received KSh. 632,202,920 against a final budget of KSh.749,775,247 . This represented utilization of 84%.

### 1.10 Payments Utilization

The Project paid KShs. 669,401,256 against a final budget of KShs. 749,775,247. This represented utilization of 89%.

### 1.11 Challenges Encountered

No major challenges were encountered during the year under review.

### 1.12 Summary of Project Compliance

There are no indications of non-compliance of the IFPPP Project on the overall project performance.

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**b) STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The *Principal Secretary* for the National Treasury and the *Project Coordinator* for Infrastructure Finance and Public Private Partnerships Project are responsible for the preparation and presentation of the Project's financial statements, give a true and fair view of the state of affairs of the Project for and as at the year ended June 30, 2017. 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 *Principal Secretary* for the National Treasury and the *Project Coordinator* for Infrastructure Finance and Public Private Partnerships 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 *Principal Secretary* for the National Treasury and the *Project Coordinator* for Infrastructure Finance and Public Private Partnerships 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 year ended June 30, 2017, and of the Project's financial position as at that date. The *Principal Secretary* for the National Treasury and the *Project Coordinator* for Infrastructure Finance and Public Private Partnerships 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.

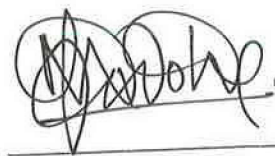
The *Principal Secretary* for the National Treasury and the *Project Coordinator* for Infrastructure Finance and Public Private Partnerships Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project interim financial statements were approved by the *Principal Secretary* and the *Project Coordinator* for the National Treasury and the *Project Coordinator* for Infrastructure Finance and Public Private Partnerships Project on \_\_\_\_\_ 2017

  
**Principal Secretary**  
Dr. Kamau Thugga, CBS

  
**Project Manager**  
Charles Musau

  
**Project Accountant**  
Maurice Pedro  
ICPAK Number: 4037



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIP PROJECT - IDA CREDIT NO. 51570 KE- FOR THE YEAR ENDED 30 JUNE 2017 – THE NATIONAL TREASURY

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Opinion

I have audited the accompanying financial statements of the Infrastructure Finance and Public Private Partnership Project (IDA Credit No. 51570 KE) set out on pages 17 to 33, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015 and Financing Agreement No.51570 KE between the International Development Agency and the Government of Kenya dated 5 December 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Infrastructure Finance and Public Private Partnership Project as at 30 June, 2017, and 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. 51570 KE dated 5 December 2012.

Further, as required by Article 229(6) of the Constitution, I confirm that public money has been applied lawfully and in an effective way

##### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Infrastructure Finance and Public Private Partnership Project in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Key Audit Matters

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

## **Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Project's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern assumption unless the management either intends to terminate the Project, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 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.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Project's 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 going concern 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 as a going concern or sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 communicate with them on all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**


**29 December 2017**

INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
 ANNUAL REPORT AND FINANCIAL STATEMENTS  
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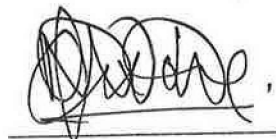
d) STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED JUNE 30, 2017

		KShs.	KShs.
<b>RECEIPTS</b>			
Loan from external development partners	8.3	596,701,447	509,850,000
IDA Direct payments	8.4	34,594,895	235,775,963
Miscellaneous receipts	8.5	906,578	8,374,426
		<b>632,202,920</b>	<b>754,000,389</b>
<b>PAYMENTS</b>			
Compensation of employees	8.6	60,587,399	60,577,829
Purchase of goods and services	8.7	93,211,027	83,193,968
Acquisition of non-financial assets	8.8	515,602,830	666,263,523
		<b>669,401,256</b>	<b>810,035,320</b>
<b>TOTAL PAYMENTS</b>			
		<b>669,401,256</b>	<b>810,035,320</b>
<b>SURPLUS FOR THE YEAR</b>		<b>(37,198,336)</b>	<b>(56,034,931)</b>

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

  
 Principal Secretary  
 Dr. Kamau Thugge, CDB

  
 Project Manager  
 Charles Musau


  
 Project Accountant  
 Maurice Pedo  
 ICPAK Number: 4037

INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
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e) STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT JUNE 30, 2017

	Note	2016/17 KShs.	2015/16 KShs.
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8.2	14,861,324	2,059,660
Fixed Deposit facility	8.2	-	50,000,000
<b>TOTAL FINANCIAL ASSETS</b>		<b>14,861,324</b>	<b>52,059,660</b>
<b>REPRESENTED BY:</b>			
Cash and cash equivalents b/fwd	8.2	52,059,660	108,094,591
Surplus/Deficit for the year	8.2	(37,198,336)	(56,034,931)
<b>NET FINANCIAL POSITION</b>		<b>14,861,324</b>	<b>52,059,660</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Project's financial statements were approved on \_\_\_\_\_ 2017 and signed by:

  
 Principal Secretary  
 Dr. Kamau Thugge, CBS

  
 Project Manager  
 Charles Musau


  
 Project Accountant  
 Maurice Pedo  
 ICPAK Number: 4037

INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
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f) STATEMENT OF CASHFLOW FOR THE YEAR ENDED JUNE 30, 2017

	2016/17	2015/16
	KShs.	KShs.
<b>Receipts for operating income</b>		
Miscellaneous receipts	906,578	8,374,426
	<b>906,578</b>	<b>8,374,426</b>
<b>Payments for operating expenses</b>		
Compensation of employees	(60,587,399)	(60,577,829)
Purchase of goods and services	(93,163,032)	(83,193,968)
Acquisition of non-financial assets	(515,602,830)	(665,812,910)
	<b>(669,353,261)</b>	<b>(809,584,707)</b>
	<b>(668,446,683)</b>	<b>(801,210,281)</b>
<b>Net cash flow from operating activities</b>		
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of assets	(47,995)	(450,613)
	<b>(47,995)</b>	<b>(450,613)</b>
<b>Net cash flow from investing activities</b>		
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from external development partners	631,296,342	745,625,963
	<b>631,296,342</b>	<b>745,625,963</b>
<b>Net cash flow from financing activities</b>		
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	<b>(37,198,336)</b>	<b>(56,034,931)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	<b>52,059,660</b>	<b>108,094,591</b>
<b>Cash and cash equivalent at END of the year</b>	<b>14,861,324</b>	<b>52,059,660</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Project's financial statements were approved on \_\_\_\_\_ 2017 and signed by:

  
 Principal Secretary  
 Dr. Kamau Thugge, CBS

  
 Project Manager  
 Charles Musau

  
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 ICPAK Number: 4037

INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
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g) STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	2016/2017			2016/2017		
	Original Budget KShs.	Adjustment KShs.	Approved Budget KShs.	Actual KShs.	Variance KShs.	%
<b>RECEIPTS</b>						
Loan from external development partners	819,424,800	(69,649,553)	749,775,247	631,296,342	118,478,905	16%
Miscellaneous Receipts	-	-	-	906,578	(906,578)	-
<b>TOTAL RECEIPTS</b>	<b>819,424,800</b>	<b>(69,649,553)</b>	<b>749,775,247</b>	<b>632,202,920</b>	<b>117,572,327</b>	<b>16%</b>
<b>PAYMENTS</b>						
Compensation of employees	63,187,399	-	63,187,399	60,587,399	2,600,000	4%
Purchase of goods and services	103,211,027	-	103,211,027	93,211,027	10,000,000	10%
Acquisition of non-financial assets	653,026,374	(69,649,553)	583,376,821	515,602,830	67,773,991	12%
<b>TOTAL PAYMENTS</b>	<b>819,424,800</b>	<b>(69,649,553)</b>	<b>749,775,247</b>	<b>669,401,256</b>	<b>80,373,991</b>	<b>11%</b>
<b>SURPLUS FOR THE YEAR</b>			<b>0</b>	<b>(37,198,336)</b>	<b>37,198,336</b>	

- i. The deficit of actual expenditure over the budget is KSh. 80,373,991(10% under budget). The lower than projected expenditure is largely attributable to delayed achievement of some deliverables within transaction advisory consultancies (TA Services) by June 30, 2017.
- ii. No significant budget utilisation/performance differences has been realised by the Project to be disclosed in these financial statements.

INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**h) NOTES TO THE FINANCIAL STATEMENTS**

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

**8.1. Basis of Preparation**

**8.1.1. Statement of compliance and basis of preparation**

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

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

**8.1.2. Reporting entity**

The financial statements are for the Infrastructure Finance and Public Private Partnerships (IFPPP) Project under The National Treasury. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

**8.1.3. Reporting currency**

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

**8.2. Significant Accounting Policies a) Recognition of receipts**

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

▪ **Transfers from the Exchequer**

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

▪ **External Assistance**

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



## 8. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8.2 Significant Accounting Policies (Continued)

#### a) Recognition of receipts

##### **Donations and grants**

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

##### **Proceeds from borrowing**

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

##### **Undrawn external assistance**

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

##### ▪ **Other receipts**

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

#### b) Recognition of payments

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

##### ▪ **Compensation of employees**

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

##### ▪ **Use of goods and services**

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

##### ▪ **Interest on borrowing**

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

## 8. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8.2 Significant Accounting Policies (Continued)

#### b) Recognition of payments (continued)

##### ▪ Repayment of borrowing (principal amount)

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

##### ▪ Acquisition of fixed assets

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

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

#### c) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

#### d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

##### **Restriction on cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits.

## **8. NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **8.2 Significant Accounting Policies (Continued)**

#### **e) Accounts receivable**

For the purposes of these financial statements, imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

#### **f) Pending bills**

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

#### **g) Budget**

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

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

### **8.2 Significant Accounting Policies (Continued)**

#### **i) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
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FOR THE YEAR ENDED JUNE 30, 2017

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**8. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**j) Comparative figures**

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

**k) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2017.

**l) Errors**

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

**INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
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**8. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8.2 CASH BALANCES**

Project Cash and Bank Account Status.

**Cash & Cash equivalents**

	2016/2017 KSh.	2015/2016 KSh.
Office Standing Float	31,435	31,489
Bank Account( KCB Account No. 1138915874	14,829,889	2,028,171
KCB Fixed Deposit Facility	-	50,000,000
	<b>14,861,324</b>	<b>52,059,660</b>

- i. Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents consist of balances with banks, advances given out pending submission of accountability documents, outstanding temporary imprests, prepayments and investments in short-term money market instruments.
- ii. The Project Special (Designated) Deposits Bank Account is maintained with KCB Bank Limited (Account No. 1136321365). The balances of this account are not included in the Statement of Financial Assets since they are below- the -line items and are yet to be drawn into Exchequer Account as voted provision. The Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year is presented below. These funds have been reported as loans received in the year under Statement of Receipts and Payments.

**INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
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FOR THE YEAR ENDED JUNE 30, 2017**

**8.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to June 30, 2017 the Project received funding from the International Development Association (IDA World Bank) in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount in KShs	
					KSh.	KSh.
		USD	KSh.	KSh.		KSh.
<b>Loans Received from Multilateral Donors (International Organizations)</b>						
International Development Association (IDA)	19.09.2016	1,000,000	101,360,000			
	19.09.2016	1,000,000	101,010,000			
	13.03.2017	750,000	77,925,000	34,594,895	631,296,342	745,625,963
	21.03.2017	500,000	51,875,000			
	05.05.2017	767,100	78,681,447			
	08.06.2017	1,800,000	185,850,000			
<b>Total</b>		<b>5,817,100</b>	<b>596,701,447</b>	<b>34,594,895</b>	<b>631,296,342</b>	<b>745,625,963</b>

**8.4 DIRECT PAYMENTS**

Deloitte Consulting Limited  
International Consultants and Technocrats Pvt. Ltd  
PriceWaterHouseCoopers Ltd  
Genesis Analytics Pvt Ltd

**2016/17  
KShs.**

34,594,895  
**34,594,895**

**2015/16  
KShs.**

58,571,562  
122,248,376  
54,556,025  
-  
**235,375,963**

**INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
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**8.5 MISCELLANEOUS RECEIPTS**

	2016/17 KShs.	2015/16 KShs.
Interest Income	847,671	8,374,426
Sale of Tenders	17,000	-
Sundry Receipts	41,907	-
	<b>906,578</b>	<b>8,374,426</b>

**8.6 COMPENSATION OF EMPLOYEES**

	2016/17 KShs.	2015/16 KShs.
PPPU local experts	30,147,217	28,850,731
PIU technical experts	28,524,403	27,892,978
PIU support staff	1,915,779	3,834,120
	<b>60,587,399</b>	<b>60,577,829</b>

**8.7 PURCHASE OF GOODS AND SERVICES**

	2016/17 KShs.	2015/16 KShs.
Office space rent	11,294,715	5,722,340
Communication	957,860	1,193,764
Advertising services	4,591,681	1,222,002
Hospitality expenses	46,108	632,011
Office stationery	31,000	20,000
Transport	629,080	953,573
Office newspapers	549,200	375,220
Bank service charge	219,794	191,229
General office expenses	4,014,019	2,488,492
International training & events	56,155,978	35,010,501
Local training & conferences	14,721,592	35,384,836
	<b>93,211,027</b>	<b>83,193,968</b>

**INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
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**8.8 ACQUISITION OF NON-FINANCIAL ASSETS**

	2016/17 KShs.	2015/16 KShs.
Purchase of office furniture & general equipment	1,390,572	63,913
Purchase of office computer equipment & printers	-	386,700
<b>Research, studies, project preparation, design &amp; supervision:</b>		
1st Umbrella University Hostels	50,266,400	34,271,395
2nd Nyali Bridge	-	80,906,038
Kisumu Port	-	52,000,178
Mombasa-Nairobi Road	47,511,253	57,013,504
Nairobi-Thika Road	75,025,680	88,968,156
Nairobi -Nakuru	109,777,531	115,152,873
140MW Olkaria VI Geothermal Southern By-Pass Road	62,303,742	-
Consultancies and Sector based studies	-	54,074,611
	169,327,653	183,426,155
	<b>515,602,830</b>	<b>666,263,523</b>

**8.9 PENDING BILLS**

Pending bills as at 30<sup>th</sup> June, 2017 amounted to KSh.748,580 being June, 2017 staff gross pay for Mr. Kaara Wainaina, External Affairs Expert for the PPPU.



**INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
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**APPENDICES**

**BANK RECONCILIATIONS AND CASH ACCOUNT CERTIFICATE**

REPUBLIC OF KENYA

F.O. 51

Date 26.07.2017

Report of the Board of Survey on the Cash and Bank Balances of IFPPP

as at the close of business on 30<sup>th</sup> JUNE 2017

The Board, consisting of - (Names and official titles)

- CHAIRMAN..... TERESA SIMBA
- MEMBER..... CYRUS KARWENI
- MEMBER.....

Assembled at the office of CASH IFPPP

At ANNIVERSARY TOWERS (Time) on the 11.00 a.m.

And the following cash was produced:

Notes	Sh	31,400.00
Silver	Sh	35.00
Copper	Sh	NIL
Cheques (as per details on reverse)	Sh	NIL

It was observed that cheques amounting to Sh \_\_\_\_\_ cts

Had been on hand for more than 14 days prior to the date of the survey.  
The cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the

Cash on hand	Sh	31,435.00
Bank Balance	Sh	14,829,889.34

The bank certificate of balance showed a sum of Kshs. 20,268,203.34 (Sh \_\_\_\_\_ cts) Standing to the credit of the account on KCB 1138915874

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O. 30) attached.

Date 26.07.2017

  
Chairman

Members of the Board  
GPK (L)



AS AT 30.06.2017  
 KCB ACCOUNT NO. 1138915874

Station: IFPPP Anniversary Towers


						Ksh
Balance as per the bank statement						20,268,203.34
Less-						
	1	Payments in Cash Book not yet recorded in Bank Statement (Unpresented Cheques)				5,438,314.00
	2	Receipts in Bank Statement not yet recorded in Cash Book				
	3	Payments in Bank Statement not the Cash Book				
		Bank Charges				
	4	Receipts in Cash Book not yet recorded in Bank Statement				
<b>Bank Balance as per Cash Book</b>						<b>14,829,889.34</b>

PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)

1						
CHEQUE	Date	PAYEE	AMOUNT	CHEQUE	PAYEE	AMOUNT
			Shs.	No.	Date	Shs.
No.0002084	20.06.2017	Intercontinental Nairobi	70,150.00			
No.0002129	30.06.2017	Globus Tours & Travel Ltd	550,965.00			
No.0002088	21.06.2017	Paymaster General	873,467.00			
No.0002119	29.06.2017	Paymaster General	267,967.00			
No.0002094	23.06.2017	Kenya Methodist University	63,140.00			
No.0002101	28.06.2017	Kemalex General Supplies	16,350.00			
No.0002115	29.06.2017	Teodoro S. Regino	1,990,615.00			
No.0002059	19.06.2017	Adah Olando	6,000.00			
No.0002121	29.06.2017	NSSF	2,160.00			
No.0002130	30.06.2017	Institute of PPPs	1,597,500.00			
	Totals		5,438,314.00			

PREPARED BY :

CERTIFIED BY :

 6/07/2017



KCB Bank Kenya Limited  
University Way Branch  
Anniversary Towers  
P.O. Box 7206-00300  
Nairobi, Kenya  
Tel: +254 20 312389/ 213701/229227  
Email:  
[Universityway@kcb.co.ke](mailto:Universityway@kcb.co.ke)

06 July 2017

1218 CA 41 BRANCHES  
CERTIFICATE OF BALANCE

KCB Bank Limited  
(Incorporated in Kenya)

CSRT1718713531

KCB UNIVERSITY WAY

06 JUL 2017

Certified that the balance at the CREDIT OF INFRASTRUCTURE FINANCE  
AND PP

A/C 1138915874

at the close of business on 30 JUN 2017 Was KES

TWENTY MILLION TWO HUNDRED AND SIXTY EIGHT THOUSAND TWO HUNDRED AND THREE  
CENTS THIRTY FOUR

KES 20,268,203.34

Examined by

Manager Service Quality & Compliance Branch Manager

KCB Group Plc  
Directors: N. Bwott (Chairman); J.N. Oigara (Chief Executive Officer & Managing Director);  
L.K. Kiambi (Chief Financial Officer); H.K. Rotich, A.A. Khawaja; T.D. Ipomai;  
Ms. G.M. Malombe; J.O.A. Nyerere.

[www.kcbbankgroup.com](http://www.kcbbankgroup.com)

**INFRASTRUCTURE FINANCE AND PUBLIC PRIVATE PARTNERSHIPS PROJECT  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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