

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**KENOL-SAGANA-MARUA
HIGHWAY IMPROVEMENT PROJECT
(P-KE-DBO-037) CREDIT
NOs.5050200000901 AND 2000200004504**

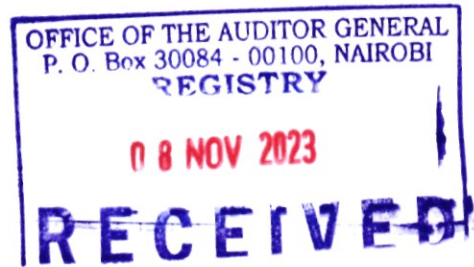
**FOR THE YEAR ENDED
30 JUNE, 2023**

**KENYA NATIONAL
HIGHWAYS AUTHORITY**

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 12 MAR 2024
TUESDAY
TABLED BY: Hon Owen Baya
Deputy leader majority party
Wangari Maathai





MINISTRY OF ROADS & TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT ID: -ADB LOAN ID P-KE-DB0-037
PROJECT CREDIT Nos. 5050200000901 & 2000200004504.**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

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KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Annual Report and Financial Statements for the financial year ended June 30, 2023

1. Acronyms and Glossary of Terms

AfDB	African Development Bank
AGTF	Africa Growing Together Fund
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIA	Environmental Impact Assessment
ESIA	Environmental Social Impact Assessment
ESMP	Environment and Social Management Plan
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
TNT	National Treasury
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
SIA	Social Impact Assessment

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

2. Project Information and Overall Performance

2.1 Name and registered office

Project Name	Kenol - Sagana - Marua Highway Improvement Project
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Project Objectives	<p>a) To enhance movement of goods/ services (trade) and people between the counties in Central, Eastern Kenya and the capital city, Nairobi and also links with Ethiopia.</p> <p>b) Contribute to the social and economic development by providing more efficient and effective transport system.</p>
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Project Registered Office and Physical Location:	The project headquarters offices are at Barabara Plaza, Jomo Kenyatta International Airport, Nairobi, Off Mazao Road (Opposite KCAA Headquarters)
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Project Address	P.O. Box 49712-00100 Nairobi
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Contacts:	Telephone: 020-8013842; Email dg@kenha.co.ke; Website www.kenha.co.ke
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2.2 Project Information

Project Start Date:	9 th January, 2020
Project End Date:	31 st December, 2023
Project Manager:	Eng. H. Gakuru – Ag. Director, Development Eng. C. Makau – Project Engineer.
Project Sponsor:	African Development Bank (AfDB)/ Africa Growing Together Fund (AGTF) Government of Kenya

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project Information and Overall Performance (Continued)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads on behalf of Ministry of Roads & Transport.																						
Project number	P-KE-DB0-037																						
Strategic goals of the Project	<p>The project management aims to achieve the goals through the following means: -</p> <p>(i) To support the transport infrastructure sector to attain sustainable, safe roads network that facilitates economic growth and the improvement in living standards.</p> <p>(ii) To promote trade and regional integration.</p> <p>(iii) To improve road transport services by reducing travel time and vehicle operating cost</p>																						
Achievement of strategic goals	Implementation of the project in timely, efficient and effective manner.																						
Other important background information of the project	<p>PROJECT COMPONENTS AND COSTS - LOAN</p> <table border="1"> <thead> <tr> <th></th> <th>Foreign Exchange Cost</th> <th>Total Cost</th> </tr> <tr> <th></th> <th>Euro</th> <th>Euro</th> </tr> </thead> <tbody> <tr> <td>A. Civil Works</td> <td></td> <td></td> </tr> <tr> <td>ADB</td> <td>178,020,000</td> <td>178,020,000</td> </tr> <tr> <td>AGTF</td> <td>31,150,000</td> <td>31,150,000</td> </tr> <tr> <td>Government of Kenya</td> <td>48,510,000</td> <td>48,510,000</td> </tr> <tr> <td>TOTAL</td> <td>257,680,000</td> <td>257,680,000</td> </tr> </tbody> </table> <p>The total cost of the Project is EUR 257.68 million. The Project is co-financed by the AfDB (69%), Africa Growing Together Fund (12 %) and Government of Kenya (19%). The overall implementation period is 5 years (2020 – 2025).</p> <p>PROJECT BACKGROUND: -</p> <p>The project road is part of the Kenyan section of Trans-Africa Highway, TAH4 (Cairo to Cape), through Nairobi on to Moyale. The project road also links the Capital City Nairobi to some of the major commercially and agriculturally rich Mt Kenya region as well as to Ethiopia through the Moyale border. The Project consists of the dualling of 84 km of the Kenol – Sagana – Marua Road with grade separated junctions, road safety interventions and social complementary initiatives. The project also includes soft components such as training of unemployed youth;</p>			Foreign Exchange Cost	Total Cost		Euro	Euro	A. Civil Works			ADB	178,020,000	178,020,000	AGTF	31,150,000	31,150,000	Government of Kenya	48,510,000	48,510,000	TOTAL	257,680,000	257,680,000
	Foreign Exchange Cost	Total Cost																					
	Euro	Euro																					
A. Civil Works																							
ADB	178,020,000	178,020,000																					
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TOTAL	257,680,000	257,680,000																					

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Annual Report and Financial Statements for the financial year ended June 30, 2023

	<p>institutional capacity building; monitoring and evaluation; sensitization and awareness; tree planting, among others.</p> <p>LOCATION AND EXTENT OF WORKS</p> <p>The proposed new dual carriageway is a Class A International Trunk Road, approximately 84 kms long. The project area in Central and upper Eastern region of Kenya covers five counties of Muranga, Machakos, Embu, Kirinyaga and Nyeri.</p>
Current situation that the project was formed to intervene	The existing road is a two-way single carriageway of bitumen standard, which is congested with high accident rate making transport costly and a threat for life. The road therefore is proposed for upgrading to dual carriageway to reduce travel cost and improve road safety.
Project duration	The project started on 9 th January 2020 and is expected to run until 31 st December 2023.

2.4 Bankers

Co-operative Bank of Kenya Ltd
Upper Hill Branch, Nairobi

National Bank of Kenya Ltd
Hill Branch, Nairobi

2.5 Independent Auditor

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

2.6 Roles and Responsibility

Names	Title Designation	Key Qualification	Responsibilities
Eng. Henry Gakuru	Ag. Director-Development	Registered Civil Engineer	Project Implementing Team Leader
Eng. Cleophus Makau	Deputy Director-Development	Registered Civil Engineer	Project Engineer
Mr. Walter B. Nyatwang'a	Deputy Director Environment & Social Interests	Environmental & Social Specialist	Project Safeguards Specialist
Ms. Levina K. Wanyonyi	Deputy Director-Supply Chain Management	Registered KISM	Project Procurement Specialist
Mr. Chanje Kera	Deputy Director-Finance & Accounts	CPA (K)	Project Financial Specialist

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project information and overall performance (continued)

2.7 Funding summary

The project is for duration of five years with an approved budget of EURO 257,680,000 equivalent to Kshs. 29,463,131,200 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitments		Amount received to date (30th June 2023)		Undrawn balance to date (30th June 2023)	
	EURO (A)	Kshs (A')	EURO (B)	Kshs (B')	EURO (A)-(B)	Kshs (A') - (B')
(i) Grant						
AGTF	31,150,000	3,561,691,000	16,304,133	1,864,214,545	14,845,867	1,697,476,455
(ii) Loan						
AfDB	178,020,000	20,354,806,800	82,585,639	9,442,841,974	95,434,361	10,911,964,826
(iii) Counterpart Funds						
Government of Kenya	48,510,000	5,546,633,400	-	4,504,104,501	-	1,042,528,899
Total	257,680,000	29,463,131,200	98,889,772	15,811,161,020	110,280,228	13,651,970,180

NOTE: Contract exchange rate- Kshs. 114.34

B. Application of Funds

Application of funds	Amount received to date- (30th June 2023)		Cumulative Amount paid to date-(30th June 2023)		Unutilised balance to date	
	EURO (A)	Kshs (A')	EURO (B)	Kshs (B')	EURO (A)-(B)	Kshs (A') - (B')
(i) Grant						
AGTF	16,304,133	1,864,214,545	16,304,133	1,864,214,545	-	-
(ii) Loan						
AfDB	82,585,639	9,442,841,974	82,585,639	9,442,841,974	-	-
(iii) Counterpart Funds						
Government of Kenya	-	4,504,104,501	-	4,504,104,501	-	-
Total	98,889,772	15,811,161,020	98,889,772	15,811,161,020	-	-

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Annual Report and Financial Statements for the financial year ended June 30, 2023

3. Statement of Performance against Project's Predetermined Objectives

Introduction

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

The key development objectives of the project are to:

- a) Improve road transport services along the corridor by reducing travel time and vehicle operating costs.
- b) Mitigating traffic congestion and associated emissions.
- c) Improving road safety along the road.

Progress on attainment of Strategic development objectives

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

Objective	Outcome	Indicator	Performance
Improve road transport services along the corridor by reducing travel time and vehicle operating costs;	Increased efficiency in transportation within the counties in Central, Eastern, Nairobi city and linkage with Ethiopia.	Reduction in travel time and vehicle operating costs	The projects progress is at 85.68% for Lot 1 and 79.70% for Lot 2.
Mitigating traffic congestion and associated emissions;	Reduced traffic congestion and associated emissions.	Better traffic movements and less emission.	The projects progress is at 85.68% for Lot 1 and 79.70% for Lot 2.
Improving road safety along the road.	Better road safety and reduction in accidents	Reduction in the number of accidents.	The projects progress is at 85.68% for Lot 1 and 79.70% for Lot 2.

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Annual Report and Financial Statements for the financial year ended June 30, 2023

Project Information and Overall Performance (Continued)

2.8 Summary of Overall Project Performance:

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

	2022/2023			Cumulative		
	Budget	Actual	%	Budget	Actual	%
Counterpart Funds - Gok	570,829,860	570,829,860	100%	5,830,829,860	4,504,104,501	77%
Loan from External Development Partners	5,380,000,000	3,247,804,743	60%	14,990,000,000	11,307,056,519	75%
Total	5,950,829,860	3,818,634,603	64%	20,820,829,860	15,811,161,020	76%

ii. Physical progress based on outputs, outcome and impacts since project commencement: -

The physical progress as at 30th June, 2023 is estimated at 85.68% for **Lot 1** and 79.70% for **Lot 2**.

iii. Absorption rate for each year since the commencement of the project.

FY	Budget	Actual	%
2022/23	5,950,829,860	3,818,634,603	64%
2021/22	8,310,000,742	8,310,000,742	100%
2020/21	5,969,999,258	3,654,552,708	61%
2019/20	590,000,000	27,972,967	5%
Total	20,820,829,860	15,811,161,020	76%

Comment on value-for-money achievements.

- The authority (KeNHA) had put in place adequate checks & balances on appointment of the works consultant supervision who oversaw the project implementation on daily basis on consultation and subsequent approvals from the employer and the bank.
- In addition to works supervision, the consultant undertook design review prior to commencement of roads construction works to reduce conflict during the project implementation.
- Regular auditing of the project by the Authority's Internal Auditors, External Auditors and Quality Assurance Departments.
- Monthly site meetings that involve the employer, the consultant and the contractor.

2.9 Summary of Project compliance: -

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

4. Environmental and Sustainability reporting

Kenol – Sagana - Marua Highway Improvement Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1.1. Sustainability strategy and profile

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

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

Environmental and Sustainability reporting (Continued)

1.2. Environmental performance

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

1.3. Employee welfare

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

1.4. Market place practices

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on anticorruption and integrity issues. The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

1.5. Community Engagements

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

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
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Environmental and Sustainability reporting (Continued)

To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross-cutting issues.

The Project has undertaken some CSR activities such as training of unemployed youth, institutional capacity building, monitoring and evaluation, sensitization and awareness and tree planting.

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

5. Statement of Project Management responsibilities

The Director General, KeNHA and the Project Management for Kenol – Sagana - Marua Highway 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, 2023. This responsibility includes (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Director General, KeNHA and the Project Management for Kenol – Sagana - Marua Highway 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 the International Public Sector Accounting Standards.

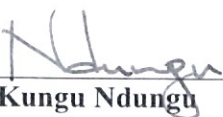
The Director General, KeNHA and Project Management for Kenol – Sagana - Marua Highway Improvement Project care of the opinion that the Project financial statements give a true and fair view of the state of the Project’s transactions during the financial year ended June, 30, 2023 and the Project’s financial position as at that date.

The Director General, KeNHA and the Project Implementation Team Leader for Kenol – Sagana - Marua Highway Improvement Project further confirm that completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial Statements as well as on the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Implementation Team Leader for Kenol – Sagana - Marua Highway 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 under audit are used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The project financial statements were approved by the Director General, KeNHA and Project Management for Kenol – Sagana – Marua Highway Improvement Project on..... and signed by them.


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
Ag. Director, Development


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

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KENOL-SAGANA-MARUA HIGHWAY IMPROVEMENT PROJECT (P-KE-DBO-037) CREDIT NOS.5050200000901 AND 2000200004504 FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenol-Sagana-Marua Highway Improvement Project (P-KE-DBO-037) set out on pages 1 to 25, which comprise of the

Report of the Auditor-General on Kenol-Sagana-Marua Highway Improvement Project (P-KE-DBO-037) Credit Nos.5050200000901 and 2000200004504 for the year ended 30 June, 2023 - Kenya National Highways Authority

statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenol-Sagana-Marua Highway Improvement Project (P-KE-DBO-037) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreements Credit No.5050200000901 and No.2000200004504 dated 09 January, 2020 between Republic of Kenya and the African Development Bank and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenol-Sagana-Marua Highway Improvement Project (P-KE-DBO-037) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Pending Bills

Note 1 of other important disclosures and Annex 4 to financial statements reflect pending accounts payable balance of Kshs.3,193,335,011 which includes acquisitions of land, construction of roads and consultancy services amounts of Kshs.2,838,826,765, Kshs.342,914,144 and Kshs.11,594,102 respectively. Although Management has committed to liaise with the line Ministry and the National Treasury for adequate budgetary allocation and timely exchequer releases for prompt payments in the subsequent financial year, the Project is at risk of incurring unquantified significant interest costs and penalties with the continued delay in making payments for invoiced bills. Failure to clear pending bills in the year to which they relate distorts the budget of the following year as they constitute a first charge on that budget.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.5,950,829,860 and Kshs.3,818,634,603 respectively resulting to an underfunding of Kshs.2,132,195,257 or 36% of the budget. Similarly, the Project spent Kshs.3,818,634,603 against an approved budget of Kshs.5,950,829,860 resulting to an under-expenditure of Kshs.2,132,195,257 or 36% of

the budget. The underfunding and under-expenditure will delay the overall completion of the Project and may affect service delivery to the public.

My opinion is not modified on the effects of the above matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not provided an explanation on how the issues were resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Project Implementation

1.1 Lot 1 - Dualling of Kenol-Sagana (A2) – 48Km Road

The Government of Kenya entered into a contract with an international contractor on 05 August, 2020 for the dualling of Kenol-Sagana (A2) road (48km) vide contract No.KeNHA/CS/D/3023/2020 for a period of thirty-six (36) months. The commencement date of the contract was 07 October, 2020 and therefore the expected completion date was 06 October, 2023. Further, the original contract sum was set at Kshs.8,496,537,823.

According to the monthly progress report for August, 2023 the percentage of weighted overall work completed (physical progress) stood at 100.13% against planned 97.54% (including estimated preliminaries and materials on site and amounts on interest on delayed payments based on the original scope). Further, the amount certified to date for the contract as advance payment was Kshs.1,123,530,189 and for work done and materials on site was a total of Kshs.8,521,152,820.37 (100.29%) inclusive of interest on

delayed payments on interim payment certificate (IPC) No.29. In addition, the time elapsed was 34.88 Months (96.89% of the completion period). Based on the analysis, it was noted that the contract was ahead of the programmed or planned physical progress by 2.26%.

However, despite the above performance, an audit inspection exercise carried out in the month of August, 2023 revealed the following:-

- i) Surface dressing was at 53.5%, the laying of asphalt concrete (AC) was at 85.5% while concrete works (retaining wall) were at 20.5%.
- ii) Further, Road marking was at 53.49% while construction of guardrails was at 19.8%.
- iii) From the progress report, out of the 5 No. of bridges proposed, 2 bridges have been completed while three have not been constructed.
- iv) A 20Km of feeder/access roads was proposed in the Bills of Quantity (BQ) but they had not been started. However, there was a proposal to review the number of Kilometers to 23.8 Km within the same BQ costs to cater for enhanced tarmac coverage.
- v) Whereas the scope of the works entailed the construction of a Sagana Trauma Centre, the works were indicated to be ongoing at Sagana Trauma Centre within the reporting month with all columns and substructures walling completed for Phase 1 and blinding of column bases for Phase 2 done. However, the steel reinforcement for the bases and concreting of the column bases indicated as ongoing, no meaningful progress was observed on the construction and there was no activity going on.

1.2 Lot 2: Dualling of the Sagana-Marua (A2) Road Section - 36Km

Further, the Government of Kenya entered into a contract with another international contractor on 30 July, 2020 for the dualling of Sagana-Marua (A2) road (36km) vide contract No. KeNHA/RD/D3022/2020 for a period of thirty-six (36) months. The commencement date of the contract was 19 October, 2020 and therefore the expected completion date was 18 October, 2023. Further, the original contract sum was set at Kshs.6,115,038,571.

According to the quarterly progress report for August, 2023 the percentage of weighted overall work completed (physical progress) stood at 79.70% against the programmed target of 91.62% (Main carriageway works) and 64.68% against the programmed target of 84.87% (For All Contract works) while the Financial progress is 64.31% against planned of 84.87%, as per the revised program of works. In addition, the time elapsed was 34.36 months (94.44% of the completion period).

However, based on the analysis, it was observed that the contract was behind schedule of the programmed or planned physical progress by 10.57% attributed to delays in land compensation.

In the circumstances, the delay in implementation of the various project works will contribute to delay in the delivery of the overall project by the two contractors and there is a risk of cost over runs which may cause cost variations or interest on delayed payments.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Bank (ADB), I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 November, 2023

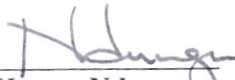
KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Annual Report and Financial Statements for the financial year ended June 30, 2023

7. Statement of Receipts and Payments for the year ended 30th June 2023

	Note	2022/23			2021/22			Cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
RECEIPTS								
Transfer from Government entities	1	570,829,860	-	570,829,860	2,168,858,374	-	2,168,858,374	4,504,104,501
Proceeds from Domestic and Foreign Grants	2	-	561,959,075	561,959,075	-	1,057,521,548	1,057,521,548	1,864,214,545
Loan from external Development Partners	3	-	2,685,845,668	2,685,845,668	-	5,083,620,820	5,083,620,820	9,442,841,974
TOTAL RECEIPTS		570,829,860	3,247,804,743	3,818,634,603	2,168,858,374	6,141,142,368	8,310,000,742	15,811,161,020
PAYMENTS								
Purchase of Goods & Services	4	26,526,610	10,361,232	36,887,842	29,090,675	3,675,318	32,765,993	359,971,145
Acquisition of non-financial assets	5	544,303,250	3,237,443,511	3,781,746,761	2,139,767,699	6,137,467,050	8,277,234,749	15,451,189,875
TOTAL PAYMENTS		570,829,860	3,247,804,743	3,818,634,603	2,168,858,374	6,141,142,368	8,310,000,742	15,811,161,020
		-	-	-	-	-	-	-

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


 Eng. Kungu Ndungu
 Director General

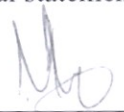
23 SEP 2023

Date


 Eng. Henry Gakuru
 Ag. Director, Development

23 SEP 2023

Date


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

23 SEP 2023

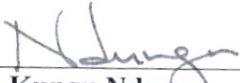
Date

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023


8. Statement of Financial Assets as at 30th June 2023

	Note	2022/23	2021/22
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances		-	-
TOTAL FINANCIAL ASSETS		-	-
FINANCIAL LIABILITIES			
Payables-Retentions		-	-
NET ASSETS		-	-
REPRESENTED BY:			
Cash and cash equivalents b/fwd		-	-
Surplus/Deficit for the year		-	-
NET FINANCIAL POSITION		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26 SEP 2023 and signed by:


Eng. Kungu Ndungu
 Director General


Eng. Henry Gakuru
 Ag. Director, Development



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

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

9. Statement of Cashflow for the year ended 30th June 2023

	Notes	2022/23	2021/22
		Kshs.	Kshs.
RECEIPTS			
Receipts for operating income			
Transfers from Government entities	1	570,829,860	2,168,858,374
Net Receipts for operating income		570,829,860	2,168,858,374
Payment for operating expenses			
Purchase of Goods and Services	4	(36,887,842)	(32,765,993)
Net Payments for operating expenses		(36,887,842)	(32,765,993)
Net cash flow from operating activities		533,942,018	2,136,092,381
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Non-Financial Assets	5	(3,781,746,761)	(8,277,234,749)
Net cash flows from Investing Activities		(3,781,746,761)	(8,277,234,749)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings		3,247,804,743	6,141,142,368
Net cash flow from financing activities		3,247,804,743	6,141,142,368
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at Beginning of the year		-	-
Cash and cash equivalent at End of the year		-	-

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 23 SEP 2023 and signed by:


 Eng. Kungu Ndungu
 Director General


 Eng. Henry Gakuru
 Ag. Director, Development



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

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

10. Statement of Comparison of Budget and Actual amounts for year ended 30th June 2023


Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% Var
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfers from Government entities	300,000,000	270,829,860	570,829,860	570,829,860	-	100%
Proceeds from foreign borrowings	11,500,000,000	(6,120,000,000)	5,380,000,000	3,247,804,743	2,132,195,257	60%
Total Receipts	11,800,000,000	(5,849,170,140)	5,950,829,860	3,818,634,603	2,132,195,257	64%
Payments						
Purchase of goods and services				36,887,842		
Acquisition of non-financial assets	11,800,000,000	(5,849,170,140)	5,950,829,860	3,781,746,761	2,132,195,257	64%
Total Payments	11,800,000,000	(5,849,170,140)	5,950,829,860	3,818,634,603	2,132,195,257	64%
Surplus/ Deficit	-	-	-	-	-	-

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 2** to these financial statements.


 Eng. Kungu Ndungu
 Director General

Date

23 SEP 2023


 Eng. Henry Gakuru
 Ag. Director, Development

Date

23 SEP 2023


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

Date

23 SEP 2023

11. Significant Accounting Policies

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

a) 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.

b) Reporting entity

The financial statements are for the Kenol - Sagana - Marua Highway Improvement Project under the Kenya National Highways Authority. The financial statements encompass the reporting for Kenol - Sagana - Marua Highway Improvement Project as specified in the relevant legislation PFM Act 2012.

c) 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.

d) Recognition of receipts

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

i. Transfers from the Exchequer

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

ii. External Assistance

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

Significant Accounting Policies (Continued)

iii. Other receipts

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

iv. 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.

v. Proceeds from borrowing

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

vi. Undrawn external assistance

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

e) Recognition of payments

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

i. Compensation of employees

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

ii. Use of goods and services

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

iii. Interest on borrowing

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

Significant Accounting Policies (Continued)

iv. Repayment of borrowing (principal amount)

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

v. Acquisition of fixed assets

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

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

f) In-kind donations

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

g) Cash and cash equivalents

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

h) Restriction on cash

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

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

Significant Accounting Policies (Continued)

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

A present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

k) Contingent Assets

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

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

Significant Accounting Policies (Continued)

l) 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.

m) 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.

n) Third party payments

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

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

Significant Accounting Policies (Continued)

o) 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.

p) 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.

q) 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, 2023.

r) Prior Period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior year adjustments as at June, 30,2023.

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

12. Notes to the Financial Statements

1. Transfers from Government entities

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

	2022/23	2021/22	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	480,829,860	194,013,522	680,515,582
Counterpart funds Quarter 2	-	831,851,397	843,456,990
Counterpart funds Quarter 3	-	615,133,774	682,805,670
Counterpart funds Quarter 4	90,000,000	527,859,681	2,297,326,259
TOTAL	570,829,860	2,168,858,374	4,504,104,501

2. Proceeds from Domestic and Foreign Grants

During the 12 months to 30 June 2023, we received grants from donors as detailed in the table below;

Name of Donor	Date Received	Grants Received as Direct payments	Total amounts		Cumulative to date	
			FY 2022/23			FY 2021/22
			Kshs	Kshs		Kshs
Africa Growing Together Fund (AGTF)	2022/23	561,959,075	561,959,075	1,057,521,548	1,864,214,545	
Total		561,959,075	561,959,075	1,057,521,548	1,864,214,545	

3. Loan from External Development Partners

During the 12 months to 30 June 2023, we received funding from Development Partners in form of negotiated by the National Treasury as detailed in the table below;

Name of Donor	Date Received	Loans Received as Direct payments	Total amounts in Kshs.		Cumulative to date	
			FY 2022/23			FY 2021/22
			Kshs	Kshs		Kshs
African Development Bank (AfDB)	2022/23	2,685,845,668	2,685,845,668	5,083,620,820	9,442,841,974	
Total		2,685,845,668	2,685,845,668	5,083,620,820	9,442,841,974	

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

4. Purchase of Goods and Services

	FY 2022/23			FY 2021/22	Cumulative to date
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	11,402,965	-	11,402,965	27,400,355	79,123,451
Advertising and services	9,478,577	-	9,478,577	1,099,920	14,076,872
Hospitality Services	315,991	-	315,991	590,400	2,696,289
Utilities	5,329,077	-	5,329,077	-	229,107,389
Training	-	10,361,232	10,361,232	3,675,318	34,967,144
Total	26,526,610	10,361,232	36,887,842	32,765,993	359,971,145

5. Acquisition of Non-Financial Assets

	FY 2022/23			FY 2021/22	Cumulative
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	257,031,439	2,957,098,975	3,214,130,414	7,276,109,673	12,506,498,416
Consultancy Services	530,864.00	280,344,536	280,875,400	238,113,595	663,061,929
Acquisition of land	286,740,947	-	286,740,947	763,011,481	2,281,629,530
Total	544,303,250	3,237,443,511	3,781,746,761	8,277,234,749	15,451,189,875

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

6. Accounts Payables- Retentions

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Retention controlled by the entity	-	-
Total	-	-

7. Changes in Accounts Payable –Retentions Controlled by the Entity

Description	FY 2022/23	FY 2021/22
Deposit and Retentions as at 1 st July 2022	-	33,818,006
Closing accounts payables as at 30 th June 2023	-	(33,818,006)
Change in payables	-	-

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Other Important Disclosures

1. Pending Accounts Payable (See Annex 4)

	Balance b/f FY 2022/2023	Additions for the year	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Construction of Roads	89,470,482	3,467,574,076	3,214,130,414	342,914,144
Consultancy services	19,280,664	273,188,838	280,875,400	11,594,102
Acquisition of Land	1,251,294,330	1,874,273,382	286,740,947	2,838,826,765
Purchase of Good & Services	-	36,887,842	36,887,842	-
Total	1,360,045,476	5,651,924,138	3,818,634,603	3,193,335,011

2. Accounts Payables- Retentions (See Annex 6)

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Retention controlled by the Third parties	292,719,131	424,826,921
Total	292,719,131	424,826,921

3. Changes in Account Payable -Retentions Controlled by Third Parties

Description	FY 2022/23	FY 2021/22
Deposit and Retentions as at 1 st July 2022	424,826,921	-
Closing accounts payables as at 30 th June 2023	292,719,131	49,834,635
Change in payables	(132,107,790)	49,834,635

4. External Assistance

a) External assistance relating to loans and grants.

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
External assistance received as loans	3,247,804,743	6,141,142,368
Total	3,247,804,743	6,141,142,368

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Other Important Disclosures (Continued)

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2022/2023	FY 2021/2022
Description		Kshs	Kshs
Undrawn external assistance - loans	Road works & consultancy services	12,609,441,281	15,857,246,024
Total		12,609,441,281	15,857,246,024

c) Classes of providers of external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Multilateral donors	3,247,804,743	6,141,142,368
Total	3,247,804,743	6,141,142,368

External assistance for road rehabilitation works, studies, design & supervision consultancy services.

d) Non-monetary external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

e) Purpose and use of external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Acquisition of Assets	3,247,804,743	6,141,142,368
Total	3,247,804,743	6,141,142,368

f) External Assistance paid by Third Parties on behalf of the Entity by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Multilateral donors	3,247,804,743	6,141,142,368
Total	3,247,804,743	6,141,142,368

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13. Annexes

Annex 1-Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p><u>Basis for Qualified Opinion</u> Lack of a Project Bank Account</p> <p>The statement of receipts and payment reflects transfer from Government entities amount of Kshs.2,168,858,374 and total payments controlled by the entity of Kshs.2,168,858,374 under the components of purchase of goods and services (Kshs.29,090,675) and acquisition of non-financial assets (Kshs.2,139,767,699). However, review of records revealed that the Kenol-Sagana-Marua Highway Improvement project does not have a project bank account with the Central Bank of Kenya as required by the law. The Management uses the Co-operative Bank of Kenya account which is the account for the Kenya National Highways Authority (KENHA). This makes it very difficult to trace specific transactions (receipts and payments) that relate to amounts controlled by the Project or Government counterpart funds.</p>	<p>We agree with the observation. Section 76(1) of the PFM Regulations 2015 provides for opening of a project account for Management of Grants and Donations for purposes of donor or development partner or external financier. Kenol-Sagana-Marua project uses the Direct Payment Method where the Development Partner does not disburse any cash to the Authority but pays directly to the Contractor/Consultant. The financing agreement did not have a provision for opening a special project account. Although the authority maintains one bank account for the exchequer funds received, the Authority maintains a dynamic accounting system which is able to provide a robust electronic register that provides a detailed analysis of various transactions incurred through the bank account on a project-by-project basis. The authority is therefore able to segregate payments which ensures accuracy of the balances reported in the project financial statements</p>	Resolved	Continuous

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	<p>Non-Disclosure of Accounts Payable-Retention</p> <p>The statement of financial assets reflects a nil balance under payables-retentions and as disclosed in Note 11.5 to the financial statements. However, Notes 12.2, 12.3 and Annex 5 to the financial statements disclosed that during the year under review the accounts payables – retentions account had an opening balance of Kshs.49,834,635 brought forward from financial year 2020/2021 and there was an addition of retentions during the year of Kshs.374,992,286 resulting to a closing balance of Kshs.424,826,921. No explanation was provided for the failure to disclose the accounts payables – retentions balance of Kshs.424,826,921 in the statement of financial assets.</p>	<p>We disagree with the observation. The retention balance of Kshs. 424,826,921. relates to retention held by the Development Partner and not by the Authority. These amounts have therefore been disclosed under “Other important Disclosures” because the amounts are not held by the Authority.</p>	Resolved	Continuous
1	<p>Other Matter</p> <p>Pending Bills</p> <p>Note 12.1 of the financial statements reflects pending accounts payable balance of Kshs.1,360,045,476, as disclosed in</p>	<p>We agree with the observation. The Pending bills are as a result of inadequate GoK budgetary allocations in the current</p>	Resolved	Continuous

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Annual Report and Financial Statements for the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Annex 3 to the financial statements which comprises of Kshs.108,751,146 under road construction and Kshs.1,251,294,330 under acquisition of land.</p> <p>Although Management has committed to liaise with the Ministry and the National Treasury for adequate budgetary allocation and timely exchequer releases for prompt payments in the subsequent financial year, the project is at risk of incurring unqualified significant interest cost and penalties with the continued delay in making payments for invoiced bills.</p>	<p>and prior financial years. The Authority shall however endeavour to allocate adequate budget, subject to the provided ceiling, in the subsequent years until the pending bills are fully settled.</p> <p>An allocation of Ksh. 300,000,000 has been provided in the current (FY 2022/2023). Which will be utilised to settle part of the pending bills.</p>		
2	<p>Lack of Itemized Project Budget</p> <p>The statement of comparison of budget and actual amounts reflects budgeted expenditure of Kshs.6,810,000,000 and actual expenditure of Kshs.8,277,234,749 which comprise of purchase of goods and services expenditure of Kshs.33,463,606 and acquisition of non-financial assets expenditure of Kshs.8,277,234,749. However, Management did not provide an itemized budget showing the detailed budgets items for which the expenditure was intended.</p>	<p>We agree with the observation. By nature and practice appropriation by The National Assembly to the project is on a specific line by line individual project. This is the form in which the project budgets are uploaded onto IFMIS and availed for expenditure. A line by line individual project budget was availed during the audit as correctly indicated. However, for purposes of presentation in the financial statements, the requirement is not to present them per project as in IFMIS but by the nature of expenditure as per the</p>	Resolved	Continuous

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		template provided by the Public Sector Accounting Standards Board (PSASB) Similarly, the printed budgets for FY 2021/22 and expenditure vouchers amounting to Kshs. 6,810,000,000 were submitted and audited by the OAG team.		
3	<p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.6,810,000,000 and Kshs.8,310,698,355 respectively resulting to an over-funding of Kshs.1,500,698,355 or 22% of the budget. Similarly, the Project spent Kshs.8,310,698,355 against an approved budget of Kshs.6,810,000,000 resulting to an over-expenditure of Kshs.1,500,698,355 or 22% of the budget. Management has explained that the over-funding and over-expenditure was as a result of funds budgeted for in the prior year being received and expensed in the current financial year. However, it was not clear why the budgeted receipts and expenditure, although included in the previous year's budget, were not included</p>	<p>We have noted the observation. We would however wish to note that the budget for FY 2020/21 was already captured in the financial statement for FY2020/21 hence re-capturing in the current financial year would lead to overstatement of project budgeted amounts over the financial years. Further the expenditure of Kshs.1,500,000,000 could not be recorded in FY 2020/21, since this would contravene the cash basis of reporting where expenditure is recorded when incurred. The expenditure was incurred in FY 2021/22 hence correct recording of the same.</p>	Resolved	Continuous

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	in the financial year 2021/2022 budget as would be expected.			
a	<p>Basis for Conclusion Lot 1-Dualling of Kenol-Sagana (A2) Road – 48 Km</p> <p>The Government of Kenya awarded contract of Kshs.8,496,537,823 to an international Contractor on 05 August, 2020 for the dualling of Kenol-Sagana (A2) road (48km) vide contract No. KeNHA/CS/D/3023/2020 for a period of thirty-six (36) months. The commencement date of the contract was 07 October, 2020 with an expected completion date was 06 October, 2023.</p> <p>According to the monthly progress report for October, 2022 the percentage of weighted overall work completed (physical progress) stood at 64% against the programmed or planned physical progress of 63%. Further the amount certified to date for the contract was Kshs.6,429,082,437 while the amount paid to date was Kshs.6,004,418,257 (or 71% of the contract sum). In addition, the time elapsed was 24.8 months (69% of</p>	<p>We agree with the observation.</p> <p>The progress of works on the project is good and the contractor is working ahead of schedule. Most of the major activities on the main road are nearing completion. The pending works for access roads, the roadside markets, the Sagana Trauma centre and footbridges are programmed to be completed within the time for completion of the project, in October 2023</p>	Resolved	Continuous

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the completion period). Based on the analysis, it was noted that the contract was ahead of the programmed or planned physical progress by 0.87%.</p> <p>However, the audit inspection exercise carried out in the month of November, 2022 revealed that the unit designs and estimates for 29 No. motorcycle (bodaboda) sheds and 5 No. modern market sheds were completed in November, 2021 and submitted to the Project Management. The locations for the market and bodaboda sheds had already been identified but no works on the sheds had commenced.</p> <p>Further, twenty-four (24) No. of access roads totaling to approximately 23.7 km have been identified for construction. The feeder roads were proposed through stakeholder engagements by the consultant and Management during project implementation. The contractor had been furnished with instructions for commencement of works on Mitiini-Santamore, Makuyu Girls and Ciumbu centre access roads. However, no works</p>			

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>on these roads were observed to have commenced.</p> <p>In addition, one (1) No. 50 meters foot bridge at Kenol centre (0+123 KM) had not been completed although the geotechnical survey had been completed and the setting out done. It was also noted that the detailed designs and the bills of quantities for the Sagana trauma centre had been completed but the works on the same were yet to commence.</p>			
	<p>Lot 2: Dualling of the Sagana-Marua (A2) Road Section - 36KM</p> <p>The Government of Kenya awarded a contract to an International Contractor on 30 July, 2020 for the dualling of Sagana-Marua (A2) road (36km) vide contract No. KeNHA/RD/D3022/2020 for a period of thirty-six (36) months. The commencement date of the contract was 19 October, 2020 with an expected completion date being 18 October, 2023.</p> <p>According to the quarterly progress report for July to September, 2022 the percentage of weighted overall work</p>	<p>We agree with the observation. The progress of the project at present is good. There were initial challenges at the beginning of the project such as delayed mobilization, equipment breakdown and lack of material for the works. The contractor has resolved all these issues by mobilizing additional plant and equipment and has managed to close the delay gap.</p>	Resolved	Continuous

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>completed (physical progress) stood at 59% against the programmed or planned physical progress of 61%. Further the amount certified to date for the contract was Kshs.4,196,928,957 while the amount paid to date was Kshs.3,991,067,773 (or 65% of the contract sum). In addition, the time elapsed was 23.36 months (65% of the completion period). Based on the analysis, it was noted that the contract was behind schedule of the programmed or planned physical progress by 2.69%.</p> <p>The audit inspection exercise carried out in the month of November 2022, revealed that the construction of 1No. interchange at Marua, construction of 2No. roundabouts at Karatina, construction of market sheds, construction of access roads and the construction of motor-cycle (boda- boda) sheds had all not commenced.</p> <p>Further, the following challenges were being experienced by the contractor;</p> <ul style="list-style-type: none"> • Delayed payment of money for acquisition of affected land and 	<p>The auditor's observations on the delay in acquisition of right of way on some sections is factual. This is due to the budgetary constraints. The contractor, however, still has sufficient sections to work on. The Authority will endeavor to fast track allocation of funds for compensation on these sections. Regarding the works that are yet to commence, such access roads, the contractor's programme indicates that they will be completed within the time of completion, i.e by October 2023</p>		

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

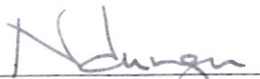
Annual Report and Financial Statements for the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>property on some sections of the road have resulted to delayed relocation of affected water pipelines and power lines affecting progress of works. The affected road sections in total is 7.6 km.</p> <ul style="list-style-type: none"> • Delay in making payments to the contractor for some IPCs has caused a cash flow challenge resulting in a slow rate of progress of work. • Lack of sufficient aggregates especially for construction of DBM and AC layers has immensely affected the project's progress. The Contractor has adopted shift (day and night) working in order to increase production of aggregates • Frequent breakdowns of Asphalt Concrete mixing plant, with the most recent one having been from 01 September, 2022 to 27 September, 2022. <p>In the circumstances, the delay in implementation of the various</p>			

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	project works will contribute to the delay in the delivery of the overall project by the two contractors.			


 Eng. Kungu Ndungu
 Director General

23 SEP 2023
 Date


 Eng. Henry Gakuru
 Ag. Director, Development

23 SEP 2023
 Date

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

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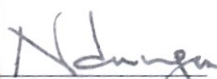
Annex 2 - Variance explanations - Comparative Budget and Actual amounts for Current FY 2022-2023


	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance (Below 90% and Over 100%)
	a	b	c=a-b	d=b/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Government of Kenya	570,829,860	570,829,860	-	100%	Funds budgeted for in the prior year but expensed in the current financial year for Kshs. 405,829,860.
External financing	5,380,000,000	3,247,804,743	2,132,195,257	60%	Failure to get right of way due to unsettled PAPs.
Total receipts	5,950,829,860	3,818,634,603	2,132,195,257	64%	
PAYMENTS DURING THE YEAR/PERIOD					
Purchase of goods and services		36,887,842			
Acquisition of non-financial assets	5,950,829,860	3,781,746,761	2,132,195,257	64%	Failure to get right of way due to unsettled PAPs.
Total Payments	5,950,829,860	3,818,634,603	2,132,195,257	64%	

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Annex 3: Reconciliation of inter -entity transfers.

PROJECT NAME:	KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT		
Breakdown of Transfers from the State Department of Roads			
a.	Government Counterpart Funding		
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
Quarter 1	Bal bf	405,829,860	FY 2022/23
Quarter 1	30-Sep-22	75,000,000	FY 2022/23
Quarter 2	-	-	FY 2022/23
Quarter 3	-	-	FY 2022/23
Quarter 4	25-May-23	49,000,000	FY 2022/23
Quarter 4	27-June-23	41,000,000	FY 2022/23
	Total	570,829,860	


Eng. Kungu Ndunga
Director General


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

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
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Annex 4 - Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted	Original Amount		Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	Comments
		a	b				
Land Compensation							
National Land Commission	16-Jun-22	5,120,456,295	2,281,629,530	2,838,826,765	1,251,294,330		
Sub-Total		5,120,456,295	2,281,629,530	2,838,826,765	1,251,294,330		
Construction of roads							
China Wu Yi	13-Jun-22	212,363,851	212,363,851	-	79,595,436		15
China Wu Yi	17-Feb-23	230,218,494	199,747,529	30,470,965	0		19
China Wu Yi	27-Mar-23	168,899,213	138,723,849	30,175,364	0		20
China Wu Yi	14-Jun-23	125,169,494	102,806,837	22,362,657	0		21
Jiangxi Transportation	16-Jun-22	455,208,067	455,208,067	0	9,875,046		16
Jiangxi Transportation	28-Nov-22	293,815,676	259,812,353	34,003,323	-		21
Jiangxi Transportation	06-Jan-23	240,613,568	200,627,931	39,985,637	-		22
Jiangxi Transportation	08-Mar-23	222,692,475	185,685,001	37,007,474	-		23
Jiangxi Transportation	29-Mar-23	258,326,228	210,817,956	47,508,272	-		24
Jiangxi Transportation	25-Apr-23	195,549,083	163,052,351	32,496,732	-		25
Jiangxi Transportation	06-Jun-23	221,878,365	152,974,645	68,903,720	-		26
Sub-Total		2,624,734,514	2,281,820,370	342,914,144	89,470,482		
Consultancy							
Aarvee Associates	15-Jun-22	11,057,501	11,057,501	-	11,057,501		21
Aquaelean Services Limited	3-Jun-22	3,951,750	3,951,750	-	3,951,750		1
Intercontinental Consultant & Technocrats (ICT)	13-Jun-22	3,848,497	3,848,497	-	3,848,497		1
Intercontinental Consultant & Technocrats (ICT)	9-Jan-23	6,067,953	5,230,989	836,964	-		2
Francis Allen Consulting Ltd	30-Nov-21	3,066,144	3,066,144	-	422,916		1
Francis Allen Consulting Ltd	15-Dec-22	3,066,144	2,643,228	422,916	-		2
Dohwa Engineering	20-Jun-23	10,334,222	-	10,334,222	-		33
Sub-Total		41,392,211	29,798,109	4,593,248,009	11,594,102	19,280,664	
Grand Total		7,786,583,020	4,593,248,009	3,193,335,011	1,360,045,476		

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Annex 5 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/23	Purchases/Additions in the Year (KShs) 2022/23	Disposals in the Year (KShs) 2022/23	Closing Cost (KShs) 2022/23
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	9,292,368,002	3,214,130,414	-	12,506,498,416
Consultancy Services	382,186,529	280,875,400	-	663,061,929
Land	1,994,888,583	286,740,947	-	2,281,629,530
Total	11,669,443,114	3,781,746,761	-	15,451,189,875

Annex 6 - Summary of Retention Controlled by Third Parties

DATE	NAME OF CONTRACTOR	CERTIFICATE NO.	AMOUNT
24/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 2 Euro	8,371,276
24/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 2 Euro	2,514,648
24/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 2 Kshs	4,665,396
08/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 3 Euro	8,020,973
08/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 3 Euro	2,409,421
08/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 3 Kshs	4,470,169
04/08/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 4 (AGTF Euro RET)	5,128,362
04/08/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 4 (AfDB Euro RET)	17,072,341
04/08/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 4 (AfDB Kshs RET)	9,514,587
01/09/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 5 (AGTF EUR Ret)	3,873,052
01/09/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 5 (AfDB EUR Ret)	12,893,408
01/09/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 5 (AfDB Kshs Ret)	7,185,626
21/10/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 6	6,350,620
21/10/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 6	21,141,242
21/10/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 6	11,782,226

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

29/10/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 7	20,059,277
29/10/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 7	6,025,609
29/10/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 7	11,179,237
30/11/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol - Sagana IPC8	5,293,202
30/11/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol - Sagana IPC8	9,820,442
30/11/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol - Sagana IPC8	17,621,092
15/12/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana -Marua 10	8,483,166
15/12/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana -Marua 10	15,221,628
15/12/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana -Marua 10	4,572,426
17/02/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 11(AGTF Eur Ret)	5,115,151
17/02/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 11(AfDB Kshs Ret)	9,490,077
17/02/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 11(AfDB Eur Ret)	17,028,361
18/03/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana IPC 12 RET	12,782,570
18/03/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana IPC 12 RET	6,889,805
18/03/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana IPC 12 RET	22,936,191
12/04/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana IPC13 ADB KSHS RET	9,179,877
12/04/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana IPC13 AGTF EURO RET	4,947,954
12/04/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana IPC13 ADB EURO RET	16,471,760
20/05/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 14 RET	9,801,887
20/05/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 14 RET	17,587,853
20/05/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 14 RET	5,283,217
08/06/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 59	5,266,234
09/06/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 15	9,770,378
09/06/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 15	17,531,315
28/06/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 16(AfDB Euro Ret)	16,727,600
28/06/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 16(AGTF Euro Ret)	5,024,806
28/06/2022	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 16(AfDB Kshs Ret)	9,322,460
22/06/2023	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	Kenol-Sagana 27(Recall Ret)	(132,107,790)
Total			292,719,131