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Enhancing Accountability

THE NATIONAL ASSEMBLY
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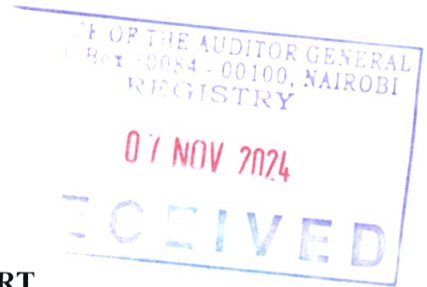
THE AUDITOR-GENERAL

ON

**MOMBASA-NAIROBI-ADDIS ABABA ROAD
CORRIDOR PROJECT PHASE III
(TURBI-MOYALE ROAD PROJECT)
LOAN NO. 21001500255546**

**FOR THE YEAR ENDED
30 JUNE, 2024**

KENYA NATIONAL HIGHWAYS AUTHORITY



MINISTRY OF ROADS & TRANSPORT



**PROJECT NAME: MOMBASA-NAIROBI-ADDIS ABABA ROAD CORRIDOR
PROJECT PHASE III (TURBI-MOYALE ROAD PROJECT)**

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT GRANT/CREDIT NUMBER: LOAN 21001500255546
PROJECT NO P-ZI-DBO-095**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024**

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

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1. Acronyms and Definition of Terms

AfDB	African Development Bank
CBK	Central Bank of Kenya
Comparative FY	Financial year preceding the current financial year.
CPA	Certified Public Accountant
EIK	Environment Institute of Kenya
EXIM	Export – Import
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
MoR&T	Ministry of Roads and Transport
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
RMB	Renminbi
SDG	Sustainable Development Goals
SME	Small and Medium Enterprise
TNT	National Treasury
UA	Unit of Account

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III-(Turbi-Moyale Road) Project

Objective:

The key objective of the project is

To Improve Land Transport communications between Kenya and Ethiopia and contribute to enhanced Trade and regional economic integration.

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

Contacts:

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

Project Information and Overall Performance (continued)

2.2 Project Information.

Project Start Date:	12 th October, 2012
Project End Date:	15 th October 2016
Project Coordinator:	Eng. Cleophas Makau
Project Sponsor:	1.Africa Development Bank (AfDB) 2.Government of Kenya

2.3 Project Overview

Line Ministry and State/ County Department	The project is under the supervision of the State Department of Roads on behalf of the Ministry of Roads and Transport.																																	
Project number	P-ZI-DBO-095																																	
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region (ii) Improving the living standards of communities bordering the project. <p>The specific objectives of the project are as follows:</p> <ul style="list-style-type: none"> (i) Reduce travel times and costs (ii) Increase road safety to reduce death and serious injury to all road users 																																	
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Realisation of the regional road improvements, implementation of effective transit operations on the corridor. (ii) Scaling up the quantity and quality of road infrastructure, which carry very significant proportion of freight transport, about 90%, has gained prominence in both countries' development plans. 																																	
Other important background information of the project	<p>The project was financed by the Government of Kenya at 6% (UA 8,190,000.00) and the ADB at 94% (UA 120,000,000.00) The Project Components and costs are as tabulated below. (In Million Units of Accounts-UA)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Components</th> <th>FE</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Turbi-Moyale -Works</td> <td>81.77</td> <td>27.25</td> <td>109.02</td> </tr> <tr> <td>2</td> <td>Services</td> <td>1.07</td> <td>0.27</td> <td>1.34</td> </tr> <tr> <td>3</td> <td>Construction Supervision</td> <td>2.09</td> <td>0.52</td> <td>2.61</td> </tr> <tr> <td>4</td> <td>Trade and Transport Facilitation</td> <td>0.90</td> <td>0.23</td> <td>1.13</td> </tr> <tr> <td>5</td> <td>Study of Future Projects</td> <td>5.18</td> <td>1.30</td> <td>6.48</td> </tr> </tbody> </table>					Components	FE	LC	Total	1	Turbi-Moyale -Works	81.77	27.25	109.02	2	Services	1.07	0.27	1.34	3	Construction Supervision	2.09	0.52	2.61	4	Trade and Transport Facilitation	0.90	0.23	1.13	5	Study of Future Projects	5.18	1.30	6.48
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5	Study of Future Projects	5.18	1.30	6.48																														

**Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project)
Annual Report and Financial Statements for the financial year ended June 30, 2024**

	6	Monitoring of Performance of Consultants & Contractors	0.54	0.13	0.67
	7	Projects Audits	0	0.09	0.09
		Total	90.48	29.52	120.00
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following problems/gabs:</p> <ul style="list-style-type: none"> i) Promote regional economic integration by enhancing the development of regional trade between Ethiopia, Kenya and the COMESA countries. ii) Improve transport services between Ethiopia, Kenya and other counties in the sub-region. iii) Integrate the Kenya ASAL region with the rest of the country, in the administrative, economic and social context. iv) Improve accessibility and mobility to markets and other socio-economic infrastructure for the population in North-eastern region of Kenya. v) Spur economic activity between Kenya and Ethiopia and facilitate development of SMEs and trade. vi) Improve security along the corridor through improvement of response times to security breaches. 				
Project duration	The project was for a duration of 4 years from 2012 to 2016				

2.4 Bankers

Co-operative Bank of Kenya Ltd
Upper Hill Branch,
Po Box 30415-00100, Nairobi
Account No.01141160979900

National Bank of Kenya Ltd
Hill Branch, Nairobi
Account number 01001032733200

2.5 Independent Auditor

Auditor General
Office of the Auditor General
Po Box 30084-0100
Nairobi

Project Information and Overall Performance(continued)

2.6 Roles and Responsibilities

No.	Names	Title designation	Key qualification	Responsibilities
1	Eng. Henry Gakuru	Director-Development	Registered Civil Engineer	Oversight
2	Eng. Cleophas Makau	Deputy Director	Registered Civil Engineer	Project Coordinator
3	Mr. Walter Nyatwanga	Deputy Director	Registered NEMA Lead expert. Member EIK	Environment Social Safeguards Specialist
4	CPA Chanje Kera	Deputy Director, Finance & Accounts	CPA (K)	Financial Specialist
5	Ms. Levina Wanyonyi	Deputy Director	Certified Supply Chain Management Professional	Supply Chain Management Specialist

2.7 Funding summary

The Project was for a duration of Four (4) years from 12th October 2012 to 15th October 2016 with an approved budget of UA 120,000,000 equivalent to Kshs 18,652,080,000 at the exchange rate of Kshs. 155.43 and Kshs. 1,246,057,945

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount Received to date – (30.06.2024)		Undrawn balance to date - (30.06.2024)	
	UA	Kshs	UA	Kshs	UA	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(ii)Loan						
African Development Bank (ADB)	120,000,000	18,652,080,000	82,739,351	12,860,508,353	-	-
(ii)Counterpart funds						
Government of Kenya	-	1,246,057,945	-	1,246,057,945	-	-
Total	120,000,000	19,892,143,230	82,739,351	14,106,566,298	-	-

Project Information and Overall Performance(continued)

B. Application of Funds

Application of funds	Amount received to date – (30th June 2024)		Cumulative Amount paid to date – (30th June 2024)		Unutilised balance to 30th June 2024	
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
	UAC	KSHS	UAC	KSHS	UAC	KSHS
(i)Loan						
ADB	82,739,351	12,860,508,353	82,739,351	12,860,508,353	-	-
(ii)Counterpart funds						
Government of Kenya	-	1,246,057,945	-	1,195,430,044	325,720	50,627,901
Total	82,739,351	14,106,566,298	82,739,351	14,055,938,397	325,720	50,627,901

2.8 Summary of Overall Project Performance:

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

	2023/2024			Cumulative		
	Budget	Actual	%	Budget	Actual	%
Counterpart Funds-GOK	-	-	-	8,766,107,014	1,195,430,044	14%
Loan from external Development Partners	-	-	-	11,132,030,931	12,860,508,353	116%
Total	-	-	-	19,898,137,945	14,055,938,397	71%

ii) Physical progress based on outputs and outcomes since project commencement-The project is substantially complete and has been handed over to the employer.

Project Information and Overall Performance(continued)

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

Financial Year	Budget	Actual	Percentage (%)
FY 2023/24	-	-	0%
FY 2022/23	10,577,911	5,994,715	57%
FY 2021/22	-	-	0%
FY 2020/21	40,942,301	40,942,298	100%
FY 2019/20	72,600,000	42,759,438	59%
FY 2018/19	128,826,059	128,826,059	100%
FY 2017/18	55,829,020	55,829,020	100%
FY 2016/17	161,000,846	161,000,846	100%
FY 2015/16	189,809,087	98,953,392	52%
FY 2014/15	3,734,627,059	3,549,740,251	95%
FY 2013/14	11,460,244,851	8,559,897,502	75%
FY 2012/13	4,043,680,811	1,411,994,876	35%
TOTAL	19,898,137,945	14,055,938,397	71%

iv) The following are the Project's implementation challenge and recommended next steps.

- a) The project also had a challenge of insecurity. The authority in conjunction with the internal security ministry was able to mitigate through the challenge by deploying security officers to the project
- b) The project also had a challenge of inadequate budget provisions coupled with late release of exchequer funds. The Authority in liaison with the Parent Ministry and the National Treasury ensured the Project was allocated adequate GoK budget provisions. subject to approved budget ceilings.

2.9 Summary of Project Compliance:

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

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81(2)(f) /Section 164 (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 were to:

- a) Improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region.
- b) Fully exploit the benefits of regional integration, complementary 'soft' components aimed at tackling key constraints to trade and improving transit time and overall corridor efficiency have been integrated in the Project

Progress on attainment of Strategic development objectives

To implement and cascade 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 to track progress and performance measurement.

Below we provide the progress on attaining the stated objectives:

Objective	Expected Outcome	Indicator	Performance
To improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region.	<ol style="list-style-type: none"> i) Transport and logistics costs between Addis Ababa and Nairobi are reduced; transit and travel times are reduced. ii) Port of Mombasa becomes cost-effective alternative for Ethiopia's import/export shipping iii) Technical and Operational Capacity of Kenya Road Agencies is strengthened iv) Improved economic and social welfare of towns along the corridor 	<ol style="list-style-type: none"> i) Volume of trade ii) Transport and shipping costs iii) Transit time for imports and exports iv) Volume of transit goods to/from Ethiopia using the port of Mombasa v) Performance of Roads Agencies vi) Average household income 	<ol style="list-style-type: none"> i) Trade between Ethiopia and Kenya estimated to grow from US\$ 48 M (2007) to US\$ 200 M (500%) by 2017 ii) Port of Mombasa transit goods to/from Ethiopia to increase from zero tonnes in 2009 to 500,000 tonnes in 2014; and to over 1000,000 tonnes or 20% of total Ethiopian sea fret by 2018. iii) Average transport cost of US\$ 0.50 per vehicle km on the corridor in 2009 reduced by 20% by 2011; and by 50% by 2014. iv) Transit and travel time of 5 days between Addis and Nairobi in 2009 reduced by 20% (1 day) by 2011; and by 60% (3 days) by 2014

4. Environmental and Sustainability Reporting

(i) Sustainability strategy and profile

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

- a) *Good health and well-being (SDG 3)*: The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents;
- b) *Gender Equality (SDG 5)*: The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment;
- c) *Industry, innovation and infrastructure (SDG 9)*: The Authority develops quality, reliable, sustainable and resilient infrastructure including regional and trans-border
- d) infrastructure to support economic development and human wellbeing with a focus on affordable and equitable access for all;
- e) *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
- f) *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

(ii) 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.

(iii) 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.

(iv) Market place practices

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

Environmental and Sustainability Reporting (Continued)

(v) Community Engagements

During the implementation of the Project, the Authority was 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 was to ensure that the projects foster long-term relationships with stakeholders and communities around the project. The aim is to build roads that foster development and to ensure collaboration with the local communities to achieve sustainable development. The project staff was also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

The Contractor was involved in various CSR activities geared towards improving the lives of local residents through construction of roadside amenities, milk houses and processors and slaughterhouses (for goats and sheep). To enhance social safeguards in projects, the Authority undertook Resettlement Action Plan (RAP) studies and implemented its recommendations, carried out Social Impact Assessments (SIA), undertook gender mainstreaming and conducted stakeholders' forum to sensitize the public on several cross-cutting issues.

5. Statement of Project Management Responsibilities


The Director General, KeNHA and the Project Management 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 the financial year ended on June 30, 2024.

This responsibility includes (i) Maintaining adequate financial management arrangements 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 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 the Project Management are of the opinion that the Project financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June, 30, 2024 and the Project's financial position as at that date. The Director General, KeNHA and the Project Management 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 and the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Management 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.



Eng. Kungu Ndungu, MBS
Director General

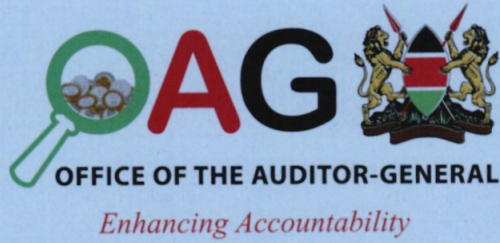


Eng. Henry Gakuru
Director -Development



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

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MOMBASA-NAIROBI-ADDIS ABABA ROAD CORRIDOR PROJECT PHASE III (TURBI-MOYALE ROAD PROJECT) CREDIT NUMBER: LOAN 21001500255546 FOR THE YEAR ENDED 30 JUNE, 2024 - 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 the 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 Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project) - Credit Number:

Report of the Auditor-General on Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project) Credit Number: Loan 21001500255546 for the year ended 30 June, 2024 - Kenya National Highways Authority

Loan 21001500255546 set out on pages 1 to 21, which comprise of the statement of financial assets as at 30 June, 2024, and the statement of receipts and payments, statement of cash flow 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 the Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project) - Credit Number: Loan 21001500255546 as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement AfDB Loan 21001500255546 between the Africa Development Bank(AfDB) and the Republic of Kenya dated 12 October, 2012 and the Public Finance Management Act, 2012.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project)-Credit Number: Loan 21001500255546 Management in accordance with ISSAI 130 on the 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. Long Outstanding Pending Bills

Note 10 to the financial statements reflects outstanding accounts payables balance of Kshs.11,539,155 as at 30 June, 2024. The accounts payables have been outstanding since the financial years 2016 and no plausible explanation has been provided why it has taken too long to settle. The Project runs a risk of incurring interest costs and penalties due to continued delay in settling payables.

Failure to settle the accounts payables in the year they occur, distorts the budget of the subsequent year as they form first charge.

2. Lack of Project Closure Report

Note 2.2 of the Project Information indicates that the Project was earmarked to start on 12 October, 2012 and close on 15 October, 2016 with an approved budget of

UA 120,000,000 equivalent to Kshs.18,652,080,000 being Donor commitment as disclosed in Paragraph 2.7 on Funding Summary and which had been fully drawn and utilized. However as at the time of the audit in September, 2024, six (6) years after the closure date, the Project had not been closed and no efforts were demonstrated to address the matter. The paragraph shows that the Project was substantially complete and had been handed over to the employer.

Failure to close completed project may continue to attract administrative expenses which could otherwise be avoided.

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 Report on Lawfulness and Effectiveness in Use of Public Resource, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2024.

Other Information

Conclusion

The Management is responsible for the other information set out on page iii to xii which comprise of Project information and Overall Performance, Statement of Performance Against Predetermined Objectives. Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Project's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Bank, 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 financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related

to going concern and using the going concern basis of accounting unless Management is aware of the intention 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP 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.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi

15 November, 2024


7. Statement of Receipts and Payments for the Year Ended 30th June 2024

		2023/24			2022/23			
	NOTES	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Cumulative to-date (From inception)
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Receipts								
Transfer from Government entities	1	-	-	-	5,994,715	-	5,994,715	1,246,057,945
Proceeds from domestic and foreign Loans	2	-	-	-	-	-	-	12,860,508,353
Total receipts		-	-	-	5,994,715	-	5,994,715	14,106,566,298
Payments								
Purchase of goods and services	3	-	-	-	-	-	-	18,273,724
Acquisition of non-financial assets	4	-	-	-	5,994,715	-	5,994,715	14,037,664,672
Total payments		-	-	-	5,994,715	-	5,994,715	14,055,938,396
Surplus/ (deficit)		-	-	-	-	-	-	50,627,902.00

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


Eng. Kungu Ndungu, MBS
Director General


Eng. Henry Gakuru
Director -Development


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

Date 10 SEP 2024

Date 10 SEP 2024

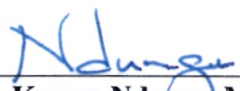
Date 10 SEP 2024

Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project)
Annual Report and Financial Statements for the financial year ended June 30, 2024

8. Statement of Financial Assets and Liabilities as at 30th June 2024

Description	Notes	2023/24	2022/23
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	5	50,627,902	50,627,902
Total Financial Assets (A)		50,627,902	50,627,902
Financial Liabilities			
Third Party Deposits and Retentions	7	50,627,902	50,627,902
Total Financial Liabilities (B)		50,627,902	50,627,902
Net Financial Assets (A-B)		-	-
Represented By:			
Fund balance b/fwd		-	-
Surplus/Deficit for the year		-	-
Net Financial Assets		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 10 SEP 2024 and signed by:


 Eng. Kungu Ndungu, MBS
 Director General


 Eng. Henry Gakuru
 Director -Development


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

Date 10 SEP 2024

Date 10 SEP 2024

Date 10 SEP 2024

9. Statement of Cashflows for the Period 30th June 2024

Description	Notes	2023/24	2022/23
		Kshs.	Kshs.
Cashflow from operating activities			
Receipts			
Transfers from Government entities	1	-	5,994,715
Proceeds from domestic & foreign grants			
Total receipts			5,994,715
Payments			
Purchase of Goods and Services			
Total Payments			
Net receipts/(payments)			5,994,715
Net cash flow from operating activities			5,994,715
Cashflow from investing activities			
Acquisition of non-financial assets	4	-	5,994,715
Net cash flows from investing activities			(5,994,715)
Cash flow from financing activities			
Proceeds from foreign borrowings			
Net cash flow from financing activities			
Net increase in cash and cash equivalents			
Cash & cash equivalent at beginning of the year		50,627,902	50,627,902
Cash and cash equivalent at End of the year		50,627,902	50,627,902

Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project)
Annual Report and Financial Statements for the financial year ended June 30, 2024

10. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2024

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	-	-	-	-	-	-
Proceeds from foreign borrowings	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	-
Payments	-	-	-	-	-	-
Purchase of goods and services	-	-	-	-	-	-
Acquisition of non-financial assets				-		
Total Payments	-	-	-	-	-	-
Surplus or Deficit	-	-	-	-	-	-

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 Turbi-Moyale road project under the State Department of Roads. The financial statements are for the reporting entity Turbi-Moyale as required Section 81/ Section 164 of the 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 Turbi-Moyale Road rehabilitation project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

This includes Appropriation-in-Aid and relates to receipts such as proceeds from the disposal of assets and the sale of tender documents. These are recognized in the financial statements when 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 payment advice is received by the recipient entity or by the beneficiary. In the case of a grant/donation in kind, such grants are recorded upon receipt of the grant item and its value determined. The transaction date 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 the reporting date 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. The funding summary analyzes the Project's undrawn external assistance.

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 to employees

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

Significant Accounting Policies (Continued)

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.

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

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) Restriction on cash

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

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

Significant Accounting Policies (Continued)

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

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities.

Letters of comfort/ support, insurance, Public- Private Partnerships,

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

There were no contingent liabilities in the year.

k) Contingent Assets

The Turbi-Moyale Road rehabilitation 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 The Turbi-Moyale Road rehabilitation 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.

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 are recorded as 'memorandum' or 'off-balance.' 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.

Significant Accounting Policies (Continued)

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

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 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 recognized 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, 2024.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior period adjustments in the Financial Year

12. Notes to The Financial Statements

1. Transfer from Government entities

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

	2023/2024	2022/2023	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	-	-	296,161,001
Counterpart funds Quarter 2	-	5,994,715	306,871,312
Counterpart funds Quarter 3	-	-	240,180,254
Counterpart funds Quarter 4			402,845,378
Total	-	5,994,715	1,246,057,945
<i>Other transfers from Government entities</i>			
Ministry of Roads and Transport	-	-	-
Appropriations-in-Aid	-	-	-
TOTAL	-	-	-
Grand Total	-	5,994,715	1,246,057,945

2. Proceeds from Domestic and Foreign Loan

During the financial period to 30 June 2024, we received grants from donors as detailed in the table below:

Description	2023/2024					FY	Cumulative to date
Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs	
		USD	Kshs	Kshs	Kshs	Kshs	Kshs
Loans received from bilateral Donors- IDA/GOK		-	-	-	-	-	12,860,508,353
Total		-	-	-	-	-	12,860,508,353

Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

Description	FY 2023/24			FY 2022/23	Cumulative
	Payments Made by the Entity in Cash	Payments made by third parties	Total Payments	Payments made by third parties	
	KSh	KSh	KSh	Kshs	
Domestic Travel & Subsistence	-	-	-	-	10,896,453
Branding & Advertising	-	-	-	-	7,377,271
Total	-	-	-	-	18,273,724

4. Acquisition of Non-Financial Assets

Description	2023/24			2022/23	Cumulative to-Date
	Payments made by the Entity	Payments Made by Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Research, studies, project preparation, design & supervision	-	-	-	5,994,715	940,529,124
Rehabilitation of Roads	-	-	-	-	13,031,812,338
Acquisition of land	-	-	-	-	65,323,210
Total	-	-	-	5,994,715	14,037,664,672

5. Cash and Cash Equivalents

Description	2023/24	2022/23
	Kshs	Kshs
Bank accounts (Note 5A)	50,627,902	50,627,902
Cash equivalents	50,627,902	50,627,902

5A Bank Accounts

Project Bank Accounts

Details	2023/24	2022/23
	Kshs	Kshs
NBK - Retention (A/C No 01001-327332)	50,627,902	50,627,902
Total bank account balances	50,627,902	50,627,902

Notes to the Financial Statements (Continued)

6. Accounts Payables

Description	2023/24	2022/23
	Kshs	Kshs
Retention - Payments controlled by the entity	50,627,902	50,627,902
Total	50,627,902	50,627,902

7. Deposits and Retention Monies

Description	2023/2024		2022/2023	
	Kshs		Kshs	
Retention	50,627,901		50,627,901	
Deposits	-		-	
Total	50,627,901		50,627,901	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year				
1-2 years				
2-3 years				
Over 3 years	50,627,901	100%	50,627,901	100%
Total	50,627,901	100%	50,627,901	100%

8. Changes in Accounts deposits and Retentions

Description	2023/24	2022/23
	KShs	KShs
Deposit and Retentions as at 1 st July	50,627,902	50,627,902
Deposit and Retentions as at 30th June	50,627,902	50,627,902
Change in Payables	-	-

9. Fund balance Brought forward

Description	2023/24	2022/23
	Kshs	Kshs
Bank Account	50,627,902	50,627,902
Total	50,627,902	50,627,902

Notes to the Financial Statements (Continued)

Other Important disclosures

10. Pending Accounts Payables (See Annex 4)

	Balance b/f FY 2023/24	Additions for the year	Paid during the year	Balance c/f FY 2022/23
Description	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works	11,539,155	-	-	11,539,155
Total	11,539,155	-	-	11,539,155

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: (Resolved / Not Resolved)	Timeframe
1	<p>Basis for Qualified Opinion Unsupported Transfers from Government Entities</p> <p>The statement of receipts and payments reflects transfers from government entities of an amount of Kshs.5, 994,715 as disclosed in Note 1 to the financial statements. However, supporting document including bank account statements, transfers payment details were not provided for audit review. Further, the schedule of payments request on operations and administration budget funding development project list provided included payment of Kshs.5,994,715 in respect of Isiolo-Nginyang Road which is not included in the project description in Annex1 of the Financing Agreement.</p> <p>In the circumstances, the accuracy and completeness of receipts of an amount of Kshs.5,994,715 in respect of transfers from government entities could not be confirmed.</p>	<p>We disagree with the auditor's observation that there was Unsupported transfers from Government entities of an amount of Kshs.5, 994,715 and that Isiolo-Nginyang Road is not included in the project description in Annex1 of the Financing Agreement.</p> <p>We wish to clarify that this was a receipt of Kshs.5, 994,715 was from operations and administration budget funding development works for financial year 2022/2023. We have attached the budget approval and the bank account statements to show the transfer of Ksh.460,485,219 from Equity Bank to Cooperative Bank exchequer account which is the total approved budget of which Kshs.5,994,715 is inclusive</p> <p>We wish to clarify that Kshs.5, 994,715 was received from Operations</p>	Not Resolved	Ongoing

Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		and administration Isiolo-Nginyang Road which is included in the project description in Annex1 of the Financing Agreement under Studies of future transport projects component.		
2	<p>Acquisition of non-financial assets</p> <p>The statement of receipts and payments reflects acquisition of non-financial assets of an amount of Kshs.5,994,715 in respect of research, studies, projects preparation, design and supervision as disclosed in Note 4 to the financial statements. However, supporting documents including payment vouchers and invoices provided for audit review of amounts of Kshs.541,832 and Kshs.56,233 were payments in respect of Isiolo-Nginyang Road which is not included in the project description in Annex1 of the Financing Agreement. In addition, the management did not provide approval on inclusion of the Isiolo-Nginyang Road in the project under review.</p> <p>In the circumstances, the accuracy and completeness of receipts of an amount of Kshs.5,994,715 in respect of acquisition of non-financial assets could not be confirmed.</p>	<p>We disagree with the auditor's observation that supporting documents including payment vouchers and invoices were not provided for audit review. We wish to clarify that Kshs.5,994,715 relates to the payment for Umar Munish Associates</p> <p>We wish to clarify that Isiolo-Nginyang Road which is included in the project description in Annex1 of the Financing Agreement under Studies of future transport projects component.</p>	Not Resolved	Ongoing

Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	<p>Unsupported Cash and Cash Equivalents As disclosed in Note 5 to the financial statements, the statements of financial assets reflect cash and cash equivalents balance of Kshs.50,627,902 which is held in retention bank account at a local commercial bank. However, the bank balance of Kshs.50,627,902 was supported certificate of bank balance of Kshs.561,158,482 resulting to unexplained ad unreconciled variance of Kshs.510,530,580.</p> <p>In the circumstances, the accuracy and completeness of the balance of Kshs.50,627,902 in respect of cash.</p>	<p>We disagree with the auditor's observation that there was Unsupported Cash and Cash Equivalents Balance. We wish to clarify that the figure of Ksh 50,627,902 relates to retention Balances for the project, the authority maintains one Retention account at National Bank of Kenya. This is because the project cash and cash equivalent balance is held at the National Bank of Kenya account which receives and pays out all Retention proceeds to contractors, consultants, vendors, and other project beneficiaries.</p> <p>Please note that the opening, operation, and closure of Authority's bank accounts are guided by: -</p> <ol style="list-style-type: none"> 1. Section 28 (1) of the Public Finance Management Act, 2012 2. Part VII: Management of Grants and Donations under the Public Finance Management (National 	Not Resolved	Ongoing

Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		<p>Government) Regulations 2015, specifically Section 71</p> <p>3. Section 82 of the Public Finance Management (National Government) Regulations 2015,</p> <p>4. Duly signed Project Financing Agreement, and</p> <p>5. Section 4.10 of the Authority's Finance Policy on Cash and Treasury Management</p>		
	<p>Key Audit Matters Other Matter 1. Budgetary Control and Performance The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.10,577,911 and Kshs.5,994,715 respectively resulting in an underfunding of Kshs.4,583,196 or 43% of the budget. Similarly, the Project spent Kshs.5,994,715 against an approved budget of Kshs.10,577,911 resulting to an under expenditure of Kshs.4,583,196 or 43% of the budget. The underfunding and under expenditure affected the</p>	<p>We agree with the auditor's observation that there was under expenditure of Kshs.4, 583,196 or 43% of the budget and that the underfunding and under expenditure affected the planned activities of the Project and impacted negatively on service delivery to the public. We wish to clarify that the underfunding was because of inadequate exchequer releases as explained during the exit</p>	Not Resolved	Ongoing

Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project)
Annual Report and Financial Statements for the financial year ended June 30, 2024

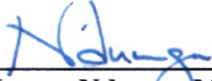
Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	planned activities of the Project and impacted negatively on service delivery to the public.	meeting.		
	<p>2. Absorption of Project Funds</p> <p>As disclosed under Note 2.2 of the Project information, the Project was earmarked to start on 12 October, 2012 and close on 11 October 2015. However, Note 2.7 of funding summary indicates that the Donor had made commitment amounting to UA 120,000,000 which is equivalent to Kshs.18,652,080,000. However, actual drawdowns during the project life amounted to UA 82,739,351 equivalent to Kshs.12,860,508,353 leaving out Kshs.5,791,571,647 undrawn which was not disclosed in the project financial statements. The credit thus lapsed without being fully utilized and the Project's planned deliverables earmarked for completion using the funding may not be realized.</p>	<p>We disagree with the auditor's observation that there was an undrawn balance of Kshs.5, 791,571,647. We wish to clarify that the undrawn funds remained with the donor and therefore cannot be disclosed as part of the financial statements since the credit lapsed.</p>	Not Resolved	Ongoing
	<p>3.Long Outstanding Pending Bills</p> <p>Annex 4 to the financial statements reflects pending bills balance of Kshs.11, 539,155 as at 30 June,2023. The pending bills relates to the consultancy of two (2) firms. However, as reported in the previous year, the pending bills balances of Kshs.326,173 and Kshs.388,139 totalling to Kshs.714,313 in favor of one of the firms has been outstanding since the financial</p>	<p>We disagree with the auditor's observation that there was Unsupported Long Outstanding Pending Bills. We wish to clarify that the pending bills balances of Kshs.326,173 and Kshs.388,139 totalling to Kshs.714,313 are for Gibb Africa Ltd,A consultant who was for</p>	Not Resolved	Ongoing

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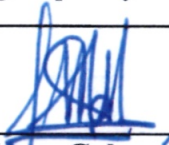
Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	<p>year 2016 out of which the balance of Kshs.326,173 relates to interest and penalties incurred. The balance of Kshs.10,824,843 is indicated to have been a bill incurred in June,2020 and in respect of Isiolo-Nginyang road project. The Management has not explained why the bills for the other project have been recognised. The project therefore runs the risk of incurring significant and unquantified interest costs and penalties associated with delays in settling the 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 the budget.</p>	<p>the project. The balance of Ksh.10,824,843 for Norken International for June 2020 relates to Isiolo-Nginyang Road which is part of the Turbi Moyale project that is why the project has been recognized as part of the pending bills in the financial statements We wish to clarify the bills for Isiolo-Nginyang road have been recognised under Turbi-Moyale project because the project is captured under Annex1 of the Financing Agreement on Studies of future transport projects component</p>		
	<p>4. Project Closure Report The Project information at Section and overall performance for the year ended 30 June, 2023 indicates that the project was started on 12 October, 2012 and ended on 11 October 2015. However, a project closure report had not been prepared and submitted for audit review eight (8) years after the closure period of the project.</p>	<p>We agree with the auditor's observation that the project was started on 12 October 2012 and ended on 11 October 2015. However, a project closure report had not been prepared and submitted for audit review eight (8) years after the closure period of the project. We wish to clarify that the authority is in the</p>	Not Resolved	Ongoing

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Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		process of preparing the Project Closure Report in conjunction with all the stakeholders.		
	<p>5. Unresolved Prior Year Matters As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, the prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided satisfactory reasons for the delay in resolving the issues.</p>	<p>We have noted the auditor's observation on unresolved prior year matters. The Authority is working closely with the Parent Ministry and Office of the Auditor General with an aim of resolving all prior year audit matters.</p>	Not Resolved	Ongoing


 Eng. Kungu Ndungu, MBS, MBS
 Director General

Date 10 SEP 2024


 Eng Henry Gakuru
 Director- Development

Date 10 SEP 2024

Annex 2: Variance explanations - Comparative Budget and Actual Amounts for Current FY


	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					
Government of Kenya	-	-	-	0%	
External financing	-	-	-	0%	
Total receipts	-	-	-	0%	
Payments					
Purchase of goods and services	-	-	-	0%	
Acquisition of non-financial assets		-			
Total Payments	-	-	-	0%	

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Annex 3: Reconciliation of inter-entity transfer


Break down of Transfers from the State Department of Roads			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
a.	Government Counterpart Funding		
		-	
	Total	-	
	Others	-	
b.	Fuel Levy Funds		
		-	
		-	
	Total	-	
c.	Annuity fund		
	Total	-	
d.	Appropriations-in-Aid		
		-	
	Total	-	
	Total (a+b+c+d)	-	

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


Eng. Kungu Ndungu, MBS
Director General

10 SEP 2024

Date


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

10 SEP 2024

Date

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Annex 4 - Analysis of Pending Bills

Supplier or Services/ Contractor	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2023/24	2022/23	Fee Note No.
	b	a	c	d=a-c		
Consultancy						
Norken International (Isiolo-Nginyang)	11-Jun-20	57,761,857	46,937,014.00	10,824,843		1387/004
Gibb Africa Ltd (Turbi-Moyale)	05-Oct-16	326,173	-	326,173		JK000660/INTER3
Gibb Africa Ltd (Turbi-Moyale)	08-Dec-16	388,139	-	388,139		JK000660/F47
Total		58,476,169	46,937,014	11,539,155	11,539,155	

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Annex 5 – Summary of Fixed Assets Register

Asset class	Opening Cost	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(KShs)	(KShs)	(KShs)	(KShs)
	2023/24	2023/24	2023/24	2023/24
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	13,972,341,462	-	-	13,972,341,462
Land Acquisitions	65,323,210	-	-	65,323,210
Total	14,037,664,672	-	-	14,037,664,672