

REPORT

PARLIAMENT
OF KENYA
LIBRARY

| | |
|---|-------------------------|
| | |
| THE NATIONAL ASSEMBLY OF PAPERS LAID | |
| DATE: 18 FEB 2021 | DAY: <i>Thursday</i> |
| TABLED | <i>L.D.W</i> |
| CLERK-AT THE-TABLE: | <i>Susan Maritim</i> |

THE AUDITOR-GENERAL

ON

NUNO-MODOGASHE ROAD PROJECT

**FOR THE YEAR ENDED
30 JUNE, 2020**

KENYA NATIONAL HIGHWAYS AUTHORITY



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



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: NUNO-MODOGASHE ROAD PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

NUNO-MODOGASHE ROAD PROJECT

Reports and Financial Statements For the financial year ended June 30, 2020

| CONTENTS | PAGE |
|--|-------------|
| 1. PROJECT INFORMATION AND OVERALL PERFORMANCE | i |
| 2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES..... | vii |
| 3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING | ix |
| 4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES | xii |
| 5. REPORT OF THE INDEPENDENT AUDITORS ON THE NUNO – MODOGASHE ROAD PROJECT..... | xiii |
| 6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020..... | 1 |
| 7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020 | 2 |
| 8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020 | 3 |
| 9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS | 4 |
| 10. NOTES TO THE FINANCIAL STATEMENTS | 5 |
| 11. OTHER IMPORTANT DISCLOSURES | 13 |
| 12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS..... | 14 |
| ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS..... | 15 |
| ANNEX 2A - ANALYSIS OF PENDING BILLS..... | 16 |
| ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER | 18 |

NUNO-MODOGASHE ROAD PROJECT

Reports and Financial Statements For the financial year ended June 30, 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Nuno – Modogashe Road Project

Objective:

- 1) To enhance the social and economic development of the North-Eastern Region of the country, reduce the vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries.
- 2) The project provides the upgrading of Nuno-Modogashe Road to bitumen standard, with a length of approximately 147 kilometres, and a width of 6 meters, with a shoulder of 1.5 meters on each side.

Registered Office Address

Barabara Plaza
Jomo Kenyatta International Airport (JKIA) off Mazao Road
Nairobi Kenya

Contacts:

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

1.2 Project Information

| | |
|---------------------|---|
| Project Start Date: | 20 th November, 2015 |
| Project End Date: | 31 st March, 2020 |
| Project Engineer | Eng. Daniel S. Cherono |
| Project Sponsor: | 1. Kuwait Fund for Arab Economic Development (KFAED) 2. Saudi Fund for Development (SDF) 3. OPEC Fund for International Development (OFID) 4. Arab Bank for Economic Development in Africa (BADEA) 5. Abu Dhabi Fund for Development (ADFD) |

1.3 Project Overview

| | |
|---|--|
| Line Ministry/State Department of the project | The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works |
| Project number | N/A |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

| | | | | |
|--|---|-------------------------------------|---|----------------------------------|
| Strategic goals of the project | <p>The strategic goals of the project are as follows:</p> <p>(i) Increase efficiency of road transport along the Mombasa-Nairobi-Addis Ababa Road Corridor to facilitate trade and regional integration</p> <p>(ii) Enhance social economic development of the people of North Eastern of the country</p> <p>(iii) Reduce the vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries.</p> | | | |
| Achievement of strategic goals | Implementation of the project in timely, efficient and effective manner. | | | |
| Other important background information of the project | <p>There are two components under this project that are being implemented by Kenya National Highways Authority (KeNHA).</p> <ol style="list-style-type: none"> Civil Engineering works for the construction of approximately 147 kilometres of trunk road. The work involves site preliminary works, earth work, pavement layers, drainage structures and road safety works. Consultancy services for review of project design and for supervision of construction. | | | |
| List of Goods: 1. Kuwait Fund for Arab Economic Development | No. | Item | Allocation Proceeds Expressed in KD | Percentage of Total Cost of Item |
| | 1 | Civil Engineering Works | 4,950,000.00 | 20% |
| | 2 | Consultancy Services | 550,000.00 | 100% |
| | 3 | Contingencies | 400,000.00 | |
| | | Total | 5,900,000.00 | |
| | Five Million Nine Hundred Thousand Kuwait Dinars | | | |
| List of Goods: 2. Saudi Fund for Development) | No. | Item | Allocation Proceeds Expressed in Saudi Riyals | Percentage of Total Cost of Item |
| | 1 | Civil Works (Part A of the Project) | 49,000,000.00 | 17.49% of total expenditures |
| | 2 | Unallocated | 7,250,000.00 | |
| | | Total | 56,250,000.00 | |
| | Fifty Six Million Two Hundred Fifty Thousand Saudi Riyals | | | |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

| | | | | |
|--|--|--|--|-------------------------------------|
| List of Goods: 3. OPEC Fund for International Development | No. | Item | Allocation Proceeds Expressed in USD | Percentage of Total Cost of Item |
| | 1 | Civil Works | 1,672,800.00 | 13.94% |
| | 2 | Unallocated | 10,327,200.00 | 86.06% |
| | | Total | 12,000,000.00 | |
| | Twelve Million United States Dollars | | | |
| List of Goods: 4. Arab Bank for Economic Development in Africa | No. | Item | Allocation Proceeds Expressed in USD | Percentage of Total Cost of Item |
| | 1 | Civil Engineering Works & Ancillaries | 6,850,000.00 | 9.18% |
| | 2 | Consultancy Services | 1,850,000.00 | 50% |
| | 3 | Unallocated | 1,300,000.00 | |
| | | Total | 10,000,000.00 | |
| Ten Million United States Dollars | | | | |
| List of Goods: 5. Abu Dhabi Fund for Development | The fund agrees to lend the Borrower an amount equivalent to Thirty Six Million , Seven Hundred Thirty Thousand Only (36,730,000) Emirates Dirhams | | | |
| Project duration | The project is for duration of 4 years & 4 Months | | | |

1.4 Bankers Co-operative Bank of Kenya
Upper Hill Branch
Po Box
Nairobi
Account No.01141160979900

1.5 Auditors Auditor General
Office of the Auditor General
Po Box 30084-00100
Nairobi

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

1.6 Roles and Responsibilities

List of the people who are working on the project

| Names | Title designation | Key qualification | Responsibilities |
|-------------------------|---|-------------------|----------------------------------|
| Eng. David A. Muchilwa | Director-Development | Qualified | Project Implementing Team Leader |
| Eng. Daniel S. Cheronon | Deputy Director-Special Projects | Qualified | Project Engineer |
| Mr Isaac W. Kamotho | Assistant Director-Finance & Accounts | Qualified | Project Financial Specialist |
| Ms Levina Wanyoyi | Deputy Director-Supply Chain Management | Qualified | Project Procurement Specialist |

1.7 Funding summary

The Project is for duration of 4 years from 20th November, 2015 to 18th November, 2019 with an approved budget of USD 97,840,345.00 equivalent to Kshs. 9,891,874,134.00 as highlighted in the table below:

| Source of funds | Donor Commitment- | | Amount received to date – (30.06.2020) | | Undrawn balance to date - (30.06.2020) | |
|--|-------------------|----------------------|--|----------------------|--|----------------------|
| | Donor currency | Kshs | Donor currency | Kshs | Donor currency | Kshs |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i)Loan | | | | | | |
| Kuwait Fund for Arab Economic Development (KFAED) | 20,000,000 | 2,022,044,000 | 13,193,245 | 1,333,866,118 | 6,806,755 | 688,177,882 |
| Saudi Fund for Development (SFD) | 15,000,000 | 1,516,533,000 | 8,984,138 | 908,316,119 | 6,015,862 | 608,216,881 |
| OPEC Fund for International Development (OFID) | 12,000,000 | 1,213,226,400 | 7,160,599 | 723,952,353 | 4,839,401 | 489,274,047 |
| Arab Bank for Economic Development in Africa (BADEA) | 10,000,000 | 1,011,022,000 | 4,715,517 | 476,749,112 | 5,284,483 | 534,272,888 |
| Abu Dhabi Fund for Development (ADFD) | 10,000,000 | 1,011,022,000 | 7,566,401 | 764,979,786 | 2,433,599 | 246,042,214 |
| Total | 67,000,000 | 6,773,847,400 | 41,619,900 | 4,207,863,488 | 25,380,100 | 2,565,983,912 |
| (ii)Counterpart Funds | | | | | | |
| Government of Kenya (GoK) | 30,840,345 | 3,118,026,734 | 30,840,345 | 3,118,026,734 | - | - |
| Total | 97,840,345 | 9,891,874,134 | 72,460,245 | 7,325,890,222 | 25,380,100 | 2,565,983,912 |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

1.8 Summary of Overall Project Performance:

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

| Budget | FY 2019/2020 | | |
|---|----------------------|----------------------|------------|
| | Actual | Budget | % |
| Counterpart Funds - GoK | 1,005,467,052 | 1,676,155,636 | 60% |
| Loan from Development Partners | | | |
| Kuwait Fund for Arab Economic Development (KFAED) | 115,897,460 | 200,000,000 | 58% |
| Saudi Fund for Development (SFD) | 32,811,107 | 150,000,000 | 22% |
| Opec Fund for International Development (OFID) | 77,269,001 | 150,000,000 | 52% |
| Arab Bank for Economic Development (BADEA) | 50,884,464 | 150,000,000 | 34% |
| Abu Dhabi Fund for Development (ADFD) | 81,647,947 | 150,000,000 | 54% |
| TOTAL | 358,509,979 | 800,000,000 | 45% |
| GRAND TOTAL | 1,363,977,031 | 2,476,155,636 | 55% |

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

The physical progress as at 30th June, 2020 is 100%. As at 30th June 2020, 52 months out of 48 months contract duration have elapsed representing 100% of time elapsed.

(c) **Comment on value for money achievements.**

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

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

1.9 Summary of Project Compliance:

There are no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants, which has been reported

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

The key development objectives of the project are to:

- a) To increase efficiency of road transport along the Mombasa-Nairobi-Addis Ababa Road Corridor to facilitate trade and regional integration
- b) To enhance social economic development of the people of North Eastern region
- c) To reduce vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries.

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 |
|---|---|--|--|
| To increase efficiency of road transport along the Mombasa-Nairobi-Addis Ababa Road Corridor to facilitate trade and regional integration | Improved accessibility of Garissa, Isiolo, Wajir as well as Mandera towns | Reduced travel time between Garissa, Isiolo, Wajir as well as Mandera Towns on the Kenya and Ethiopia Border points. | The road is 100% complete and taken over during the Financial Year 2019/2020 |
| To enhance social economic development of the people of North Eastern region | Enhanced population access to social services and tourist sites in northern Kenya | Increased volume of tourists visiting tourist sites in Wajir | Significant development of businesses along the road corridor have been observed |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

| Objective | Outcome | Indicator | Performance |
|---|------------------------|--|--|
| To reduce vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries. | Reduced transport cost | Increase in number of passenger service vehicles in the road | Reduced average vehicle operating cost |

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

While executing works, the Contractor continued to perform air quality management such as regularly

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

dampening of deviations and other dust-prone accesses to lay dust; Sprinkling of stockpiles (mainly the quarry dust) at the construction camp; control of construction vehicle speed limits along the deviations and dusty accesses; regularly servicing of vehicles and other machinery to control exhaust gas emissions, maintenance of the asphalt and concrete batching plants including the dust collection systems to ensure effectiveness in dust collection.

3. Employee welfare

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

4. Market place practices

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

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

5. Community Engagements

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

During the project execution, the Contractor continued to offer employment opportunities to the locals as

*NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020*

casuals. The Contractor also carried out awareness and education on HIV and protection against the disease and other sexually transmitted diseases. To improve relationship with the local communities, the contractor shared water with the local communities

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.

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road 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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

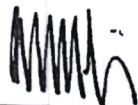
The Director General, KeNHA and the Project Implementation Team Leader for Nuno-Modogashe Road Project accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year ended June 30, 2020, and of the Project’s financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

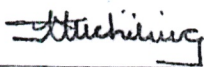
The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

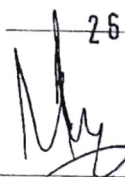
The Project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project on 26 AUG 2020 2020 and signed by them.



Eng. Peter M. Mundinia
Director General



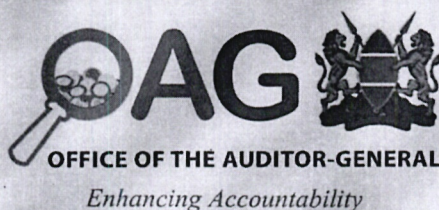
Eng. David A. Muchilwa
Director-Development



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

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NUNO-MODOGASHE ROAD PROJECT FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA NATIONAL HIGHWAYS AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nuno-Modogashe Road Project set out on pages 1 to 14, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya, 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 Nuno-Modogashe Road Project as at 30 June, 2020, 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 Loan Agreements between the Republic of Kenya and OPEC Fund for International Development dated 1 June, 2010, Arab Bank for Economic Development in Africa dated 19 July, 2010, Kuwait Fund for Arab Economic Development dated 20 September, 2010, Abu Dhabi Fund for Development dated 25 November, 2010 and Saudi Fund for Development dated 9 January, 2012; 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 Nuno-Modogashe Road Project 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.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 2,476,155,636 and Kshs.1,363,977,031 respectively resulting to an under-funding of Kshs. 1,112,178,605 or 45% of the budget. Similarly, the Project expended Kshs.1,010,088,388 against an approved budget of Kshs.2,476,155,636 resulting to an under-expenditure of Kshs. 1,466,067,247 or 41% of the budget.

The underfunding and underperformance affected the planned activities may have impacted negatively on service delivery to the public.

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 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 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 the development partners: - OPEC Fund for International Development; Arab Bank for Economic Development in Africa; Kuwait Fund for Arab Economic Development; Abu Dhabi Fund for Development and Saudi Fund for Development, except for the matter under other matter, 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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:

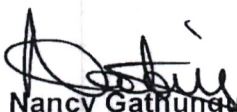
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 control that are identified during the audit.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

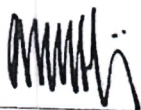
30 December, 2020

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

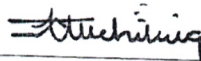
| | Note | FY 2019/20 | | FY 2018/19 | | Cumulative to date Kshs |
|---|------|--|--------------------------------|--|--------------------------------|-------------------------------|
| | | Receipts & Payments Controlled by the Entity | Payments Made by Third Parties | Receipts & Payments Controlled by the Entity | Payments Made by Third Parties | |
| | | KSh | KSh | Kshs(Restated) | Kshs | |
| RECEIPTS | | | | | | |
| Transfer from Government entities | 10.3 | 1,005,467,052 | - | 1,499,299,389 | - | 3,118,026,734 |
| Loan from external Development Partners | 10.4 | - | 358,509,979 | - | 2,109,148,736 | 4,207,863,488 |
| TOTAL RECEIPTS | | 1,005,467,052 | 358,509,979 | 1,499,299,389 | 2,109,148,736 | 7,325,890,222 |
| PAYMENTS | | | | | | |
| Purchase of goods and services | 10.5 | 4,903,905 | - | 4,036,118 | - | 18,305,098 |
| Acquisition of non-financial assets | 10.6 | 646,674,504 | 358,509,979 | 1,333,153,030 | 2,109,148,736 | 6,732,114,310 |
| TOTAL PAYMENTS | | 651,578,409 | 358,509,979 | 1,337,189,148 | 2,109,148,736 | 6,750,419,408 |
| SURPLUS/DEFICIT FOR THE YEAR | | 353,888,643 | - | 162,110,241 | - | 575,470,814 |

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



Eng. Peter M. Mundinia
 Director General

28 AUG 2020
 Date



Eng. David A. Muchilwa
 Director-Development

28 AUG 2020
 Date



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

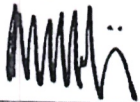
28 AUG 2020
 Date

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020

| | Notes | FY 2019/20 | 2018/19 |
|---------------------------------|-------|--------------------|--------------------|
| | | Kshs | Kshs(Restated) |
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 10.7A | 575,470,814 | 221,582,171 |
| TOTAL FINANCIAL ASSETS | | 575,470,814 | 221,582,171 |
| REPRESENTED BY: | | | |
| Cash and cash equivalents b/fwd | | 221,582,171 | 59,471,930 |
| Surplus/Deficit for the year | | 353,888,643 | 162,110,241 |
| NET FINANCIAL POSITION | | 575,470,814 | 221,582,171 |

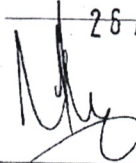
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26 AUG 2020 2020 and signed by:



Eng. Peter M. Mundinia
 Director General



Eng. David A. Muchilwa
 Director-Development



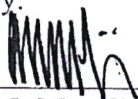
CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No. 8279

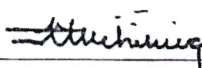
NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020


8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

| Receipts for operating income | Note | FY 2019/20 | FY 2018/19 |
|---|-------------|------------------------|------------------------|
| | | Kshs | Kshs(Restated) |
| Transfer from Government entities | 10.3 | 1,005,467,052 | 1,499,299,389 |
| Proceeds from domestic and foreign grants | | - | - |
| Miscellaneous receipts | | - | - |
| Payments for operating expenses | | | |
| Purchase of goods and services | 10.5 | (4,903,905) | (4,036,118) |
| Net cash flow from operating activities | | 1,000,563,147 | 1,495,263,271 |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of Assets | 10.6 | (1,005,184,483) | (3,442,301,766) |
| Net cash flows from Investing Activities | | (1,005,184,483) | (3,442,301,766) |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | 10.4 | 358,509,979 | 2,109,148,736 |
| Net cash flow from financing activities | | 358,509,979 | 2,109,148,736 |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | 353,888,643 | 162,110,241 |
| Cash and cash equivalent at BEGINNING of the year | | 221,582,171 | 59,471,930 |
| Cash and cash equivalent at END of the year | | 575,470,814 | 221,582,171 |

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 AUG 2020 2020 and signed by:


 Eng. Peter M. Mundinia
 Director General


 Eng. David A. Muchilwa
 Director-Development

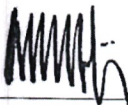

 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No. 8279

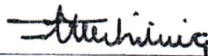
NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

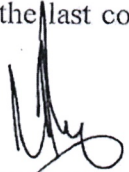
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| Receipts/Payments Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Variance | % of Utilization |
|--|----------------------|--------------------|----------------------|----------------------------|----------------------|------------------|
| | a | b | c=a+b | d | e=c-d | f=d/c % |
| Receipts | | | | | | |
| Transfer from Government entities | 507,162,031 | 1,168,993,605 | 1,676,155,636 | 1,005,467,052 | 670,688,584 | 60% |
| Proceeds from borrowings-Direct Payments | 1,504,400,000 | (704,400,000) | 800,000,000 | 358,509,979 | 441,490,021 | 45% |
| Total Receipts | 2,011,562,031 | 464,593,605 | 2,476,155,636 | 1,363,977,031 | 1,112,178,605 | 55% |
| Payments | | | | | | |
| Purchase of goods and services | 2,011,562,031 | 464,593,605 | 2,476,155,636 | 4,903,905 | 1,466,067,248 | 41% |
| Acquisition of non-financial assets | | | | 1,005,184,483 | | |
| Total Payments | 2,011,562,031 | 464,593,605 | 2,476,155,636 | 1,010,088,388 | 1,466,067,248 | 41% |

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


 Eng. Peter M. Mundinia
 Director General


 Eng. David A. Muchilwa
 Director-Development


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

25 AUG 2020

Date

25 AUG 2020

Date

25 AUG 2020

Date

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1. Basis of Preparation

10.1.1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the Public Sector Accounting Standards Board (PSASB)

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

10.1.2. Reporting entity

The financial statements are for the Nuno-Modogashe Road Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.1.3. Reporting currency

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

10.2. Significant Accounting Policies

a) Recognition of receipts

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

• Transfers from the Exchequer

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

• External Assistance

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

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• **Other receipts**

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

b) Recognition of payments

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Repayment of borrowing (principal amount)**

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

• **Acquisition of fixed assets**

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

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

c) In-kind donations

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

d) Cash and cash equivalents

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

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) Pending bills

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

g) Budget

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

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

h) 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 **KSh 358,509,979.00** being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange rate differences

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

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

l) Errors

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

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

| | FY 2019/20 | FY 2018/19 | Cumulative |
|---|----------------------|----------------------|----------------------|
| | Kshs | Kshs | to-date |
| Counterpart funding through Ministry of Transport and Infrastructure | | | |
| Counterpart funds Quarter 1 | 230,976,693 | 65,699,658 | 474,535,364 |
| Counterpart funds Quarter 2 | 26,103,409 | 140,905,193 | 322,262,977 |
| Counterpart funds Quarter 3 | 47,217,641 | 322,129,988 | 541,706,257 |
| Counterpart funds Quarter 4 | 701,169,309 | 970,564,550 | 1,779,522,136 |
| Total | 1,005,467,052 | 1,499,299,389 | 3,118,026,734 |

10.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNER

During the 12 months to 30 June 2020 we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

| Name of Donor | Loans received in cash | Loans received as direct payment | Total amounts in Kshs. | |
|--|------------------------|----------------------------------|------------------------|----------------------|
| | | | FY 2019/20 | FY 2018/19 |
| | Kshs | Kshs | Kshs | Kshs |
| Loans Received from Multilateral Donors (International Organizations) | | | | |
| Kuwait Fund for Arab Economic Development | - | 115,897,460 | 115,897,460 | 664,848,414 |
| Saudi Fund for Development | - | 32,811,107 | 32,811,107 | 529,030,353 |
| OPEC Fund for International Development | - | 77,269,001 | 77,269,001 | 370,533,739 |
| Arab Bank for Economic Development in Africa | - | 50,884,464 | 50,884,464 | 226,463,287 |
| Abu Dhabi Fund for Development | - | 81,647,947 | 81,647,947 | 318,272,943 |
| Total | | 358,509,979 | 358,509,979 | 2,109,148,736 |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

10.5. PURCHASE OF GOODS AND SERVICES

| Item | FY 2019/20 | | | FY 2018/19 | Cumulative to Date |
|--|-------------------------------------|--------------------------------|------------------|------------------|--------------------|
| | Payments made by the entity in Cash | Payments made by third parties | Total Payments | | |
| | KSh | KSh | KSh | KSh | KSh |
| Domestic Travel & Subsistence | 4,903,905 | - | 4,903,905 | 3,346,178 | 14,407,662 |
| Printing, Adverts & Information Supplies | - | - | - | - | 3,207,496 |
| Hospitality Supplies & Services | - | - | - | 689,940 | 689,940 |
| Total | 4,903,905 | - | 4,903,905 | 4,036,118 | 18,305,098 |

10.6. ACQUISITION OF NON-FINANCIAL ASSETS

| | FY 2019/20 | | | FY 2018/19 | Cumulative to-date |
|--|-------------------------------------|--------------------------------|----------------------|----------------------|----------------------|
| | Payments made by the entity in Cash | Payments made by third parties | Total Payments | | |
| | KSh | KSh | KSh | Kshs(Restated) | Kshs |
| Research, studies, project preparation, design & supervision | - | 78,377,612 | 78,377,612 | 59,896,608 | 295,197,026 |
| Civil works | 646,674,504 | 280,132,367 | 926,806,871 | 3,382,405,158 | 6,436,917,284 |
| | 646,674,504 | 358,509,979 | 1,005,184,483 | 3,442,301,766 | 6,732,114,310 |

10.7. CASH AND CASH EQUIVALENTS CARRIED FORWARD

| Description | FY 2019/20 | FY 2018/19(estimated) |
|----------------------------|--------------------|-----------------------|
| | Kshs | Kshs |
| Bank accounts (Note 10.7A) | 575,470,814 | 221,582,171 |
| Total | 575,470,814 | 221,582,171 |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

10.7A Bank Accounts

| | FY 2019/20 | FY 2018/19 |
|---|--------------------|-----------------------|
| | Kshs | Kshs(Restated) |
| Local Currency Accounts | | |
| National Bank of Kenya Ltd. [A/c No. 0100132733200] | 575,470,814 | 221,582,171 |
| Total local currency balances | 575,470,814 | 221,582,171 |
| Total bank account balances | 575,470,814 | 221,582,171 |

10.8. PRIOR YEAR ADJUSTMENT

| | Balance b/f FY 2018/2019 as per Financial statements | Adjustments | Adjusted Balance b/f FY 2018/2019 |
|--|---|--------------------|--|
| Description | Kshs | Kshs | Kshs |
| Acquisition of non-financial assets controlled by the entity | 1,495,263,271 | (162,110,241) | 1,333,153,030 |
| Bank account Balances (NBK Retention) | - | 221,582,171 | 221,582,171 |
| | 1,495,263,271 | 59,471,930 | 1,554,735,201 |

10.9. CHANGES IN ACCOUNTS PAYABLE - RETENTIONS

| Description | FY 2019/20 | FY 2018/19 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Retentions as at 1st July 2020 (A) | 221,582,171 | 59,471,930 |
| Retentions held during the year (B) | 353,888,643 | 162,110,241 |
| Retentions paid during the Year (C) | - | - |
| Net changes in accounts payable D= A+B-C | 575,470,814 | 221,582,171 |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

11. OTHER IMPORTANT DISCLOSURES

11.1. PENDING ACCOUNTS PAYABLE (See Annex 2A)

| Description | Balance b/f FY 2018/2019 | Additions for the period | Paid during the year | Balance c/f FY 2019/20 |
|-----------------------------|-------------------------------------|-------------------------------------|---------------------------------|-----------------------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Construction of civil works | 1,805,346,525 | (902,979,664) | 902,366,862 | - |
| Lands Compensation | 24,440,009 | - | 24,440,009 | - |
| Supply of services | - | 78,377,612 | 78,377,612 | - |
| Total | 1,829,786,534 | (824,602,052) | 1,005,184,483 | - |

** Represent adjustment for overbilling on the woks certificates*

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| | Final Budget | Actual on Comparable Basis | Budget Utilisation Difference | % of Utilisation | Comments on Variance |
|-------------------------------------|----------------------|-----------------------------------|--------------------------------------|-------------------------|-----------------------------|
| | a | b | c=a-b | d=b/a % | |
| RECEIPTS DURING THE YEAR | | | | | |
| Government of Kenya | 1,676,155,636 | 1,005,467,052 | 670,688,584 | 60% | Project completed |
| External financing | 800,000,000 | 358,509,979 | 441,490,021 | 45% | Project completed |
| TOTAL RECEIPTS | 2,476,155,636 | 1,363,977,031 | 1,112,178,605 | 55% | |
| PAYMENTS DURING THE YEAR | | | | | |
| Purchase of goods and services | 2,476,155,636 | 4,903,905 | 1,466,067,248 | 41% | Project completed |
| Acquisition of non-financial assets | | 1,005,184,483 | | | |
| TOTAL PAYMENTS | 2,476,155,636 | 1,010,088,388 | 1,466,067,248 | 41% | |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 2A - ANALYSIS OF PENDING BILLS

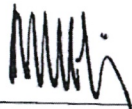
| Supplier of Goods/Services | Original Amount | Date Contracted | Amount Paid To-Date | Outstanding Balance | Outstanding Balance | Comment |
|----------------------------|-----------------|-----------------|---------------------|---------------------|---------------------|---------|
| | | | | FY 2020 | FY 2019 | |
| | a | b | c | d=a-c | | |
| Civil Works | | | | | | |
| Zhongmei Engineering Group | 178,555,432 | 11.08.2016 | 178,555,432 | - | 3,366 | IPC 1 |
| Zhongmei Engineering Group | 192,556,606 | 10.12.2016 | 192,556,606 | - | 1,142 | IPC 2 |
| Zhongmei Engineering Group | 144,282,114 | 30.12.2016 | 144,282,114 | - | 302,717 | IPC 3 |
| Zhongmei Engineering Group | 329,370,877 | 06.07.2018 | 329,370,877 | - | 86,167,133 | IPC 12 |
| Zhongmei Engineering Group | 366,275,610 | 26.09.2018 | 366,275,610 | - | 199,493,429 | IPC 13 |
| Zhongmei Engineering Group | 348,850,755 | 03.10.2018 | 348,850,755 | - | 199,667,432 | IPC 14 |
| Zhongmei Engineering Group | 287,166,463 | 01.11.2018 | 287,166,463 | - | 166,204,055 | IPC 15 |
| Zhongmei Engineering Group | 308,418,076 | 01.11.2018 | 308,418,076 | - | 135,315,511 | IPC 16 |
| Zhongmei Engineering Group | 354,535,412 | 04.01.2019 | 354,535,412 | - | 143,161,746 | IPC 18 |
| Zhongmei Engineering Group | 251,620,530 | 02.01.2019 | 251,620,530 | - | 114,810,765 | IPC 19 |
| Zhongmei Engineering Group | 207,325,702 | 01.03.2019 | 207,325,702 | - | 96,937,127 | IPC 20 |
| Zhongmei Engineering Group | 152,921,293 | 01.02.2019 | 152,921,293 | - | 72,903,427 | IPC 21 |
| Zhongmei Engineering Group | 184,324,390 | 01.05.2019 | 184,324,390 | - | 79,290,658 | IPC 22 |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

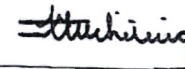
| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved/ Not Resolved) | Timeframe: (Date when the issue is expected to be resolved) |
|--|--|--|--|----------------------------------|---|
| KeNHA/Nuno - Modogashe/2 0182019(36) | Note 9.1 to the financial statements reflects pending accounts payable of Kshs. 1,829,786,534 as at 30 June, 2019. | Pending bills arise due to inadequate budgetary provisions coupled with delayed Exchequer releases to facilitate prompt contractual payments. The Authority managed to clear the project's pending bills during the Financial Year 2019/2020 | Eng. Daniel Cheron - Project Engineer | Resolved | Resolved |



Eng. Peter M. Mundinia
 Director General

28 AUG 2020

Date



Eng. David A. Muchilwa
 Director-Development

28 AUG 2020

Date

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

| Supplier of Goods/Services | Original Amount | Date Contracted | Amount Paid To-Date | Outstanding Balance | Outstanding Balance | Comments |
|----------------------------|----------------------|-----------------|----------------------|---------------------|----------------------|----------|
| | | | | FY 2020 | FY 2019 | |
| | a | b | c | d=a-c | | |
| Zhongmei Engineering Group | 483,864,817 | 01.06.2019 | 483,864,817 | - | 346,389,828 | IPC 23 |
| Zhongmei Engineering Group | 164,698,189 | 28.06.2016 | 164,698,189 | - | 164,698,189 | IPC 24 |
| Sub-Total | 3,954,766,266 | | 3,954,766,266 | - | 1,805,346,525 | |
| Land Compensation | 455,826,792 | 01.07.2017 | 455,826,792 | - | 24,440,009 | |
| Grand-Total | | | | - | 1,829,786,534 | |

NUNO-MODOGASHE ROAD PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

| Asset class | Opening Cost | Purchases/Additions in the Year | Disposals in the Year | Closing Cost |
|-----------------------|----------------------|------------------------------------|-----------------------------|----------------------|
| | (KSh) | (KSh) | (KSh) | (KSh) |
| | 2019/20 | 2019/20 | 2019/20 | 2020 |
| | (a) | (b) | (c) | (d)= (a)+ (b)-(c) |
| Construction of Roads | 5,726,929,827 | 1,005,184,483 | - | 6,732,114,310 |
| Total | 5,726,929,827 | 1,005,184,483 | - | 6,732,114,310 |