

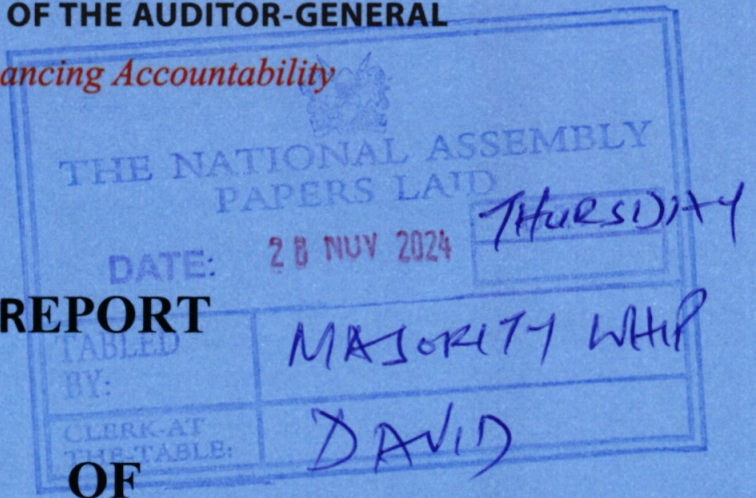
REPUBLIC OF KENYA



Enhancing Accountability



**REPORT
OF**



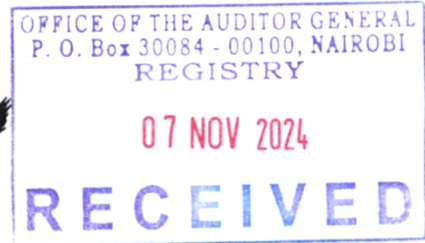
THE AUDITOR-GENERAL

ON

**NAIROBI-THIKA HIGHWAY
IMPROVEMENT PROJECT LOT I AND II
CREDIT NO.2100150015544
PROJECT NO.P-KE-DBO-018**

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

KENYA NATIONAL HIGHWAYS AUTHORITY



MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: NAIROBI – THIKA HIGHWAY IMPROVEMENT PROJECT LOT I & II

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT: CREDIT NUMBER: 2100150015544

PROJECT NUMBER: P-KE-DB0-018

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)

Nairobi – Thika Highway Improvement Project Lot I & II
Annual Report and Financial Statements For the financial year ended June 30, 2024

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1. Acronyms and Definition of Terms

AfDB	African Development Bank
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
Comparative FY	Financial year preceding the current financial year.
ENG.	Engineer
FY	Financial Year
GoK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MRT	Ministry of Roads and Transport
TNT	National Treasury
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
RMB	Renminbi
SDG	Sustainable Development Goals
UA	Unit of Account

2. Project Information and Overall Performance

2.1. Name and registered office

Name: Nairobi – Thika Road Improvement Project Lot I & II

Objective: The objective of the Project is to improve the accessibility, affordability and reliability of the transport infrastructure system to promote economic growth and socio-economic development in Kenya.

Address: Barabara Plaza
Jomo Kenyatta International Airport
Off Mazao Road
Nairobi, Kenya

Contacts: Director General
Kenya National Highways Authority
P.O. Box 49712-00100
Nairobi

Telephone: +254-20-495000
E-mail: dg@kenha.co.ke
Website: www.kenha.co.ke

2.2. Project Information

Project Start Date:	26 th November, 2007
Project End Date:	22 nd July, 2015
Project Management:	Eng. Henry Gakuru – Director Development Eng. Cleophas Makau – Deputy Director-Special Projects
Project Sponsor:	Government of Kenya African Development Bank (AfDB)

2.3. Project Overview

Line Ministry/State Department of the Project	The project was under the supervision of the State Department of Roads under the Ministry of Roads and Transport
Project Number	P-KE-DB0-018

Project Information and Overall Performance (continued)

Strategic goals of the project	The project management aims to achieve the goals through the following means:- (i) Increase efficiency of road transport along the Nairobi – Thika Road and open areas surrounding Nairobi and Thika for development investments and trade purposes. (ii) Promote private sector participation in the management, financing and maintenance of roads assets.
Achievement of strategic goals	(i) Improved transport infrastructure along the Nairobi-Thika Highway (ii) Reduced travel time and vehicle operating costs along the Nairobi-Thika Highway.
Other important background information of the project	The Nairobi – Thika road is an important link on the Great North Trans-African Highway (Cape Town to Cairo) and is part of the East Africa Community Regional Trunk Road Network
Areas that the project was formed to intervene	(i) To rehabilitate and expand physical infrastructure. (ii) Promote regional transport and trade with Ethiopia and Tanzania.
Project Duration	The project has since been completed and handed over to the Government of Kenya.

2.4. Bankers

Co-operative Bank of Kenya
 KUSSCO Branch
 Nairobi

National Bank of Kenya
 Hill Branch
 Nairobi

2.5. Independent Auditor

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

2.6. Roles and Responsibilities

No.	Names	Title designation	Key qualification	Responsibilities
1	Eng. Henry. Gakuru	Director Development	Registered Engineer	Overall Implementing Team Leader
2	Eng. J. Mwatu	Project Implementation Team Leader	Registered Consulting Engineer	- Plan, direct, control and coordinate activities of the project - Management of project activities
3	Eng. Cleophas Makau	Deputy Director	Registered Engineer	Project activities coordinator

Project Information and Overall Performance (continued)

2.7. Funding summary

The project was for a duration of eight years from 2007 to 2015 with an approved budget of UA 117,850,000 equivalent to Kshs 11,605,814,729 by the development partner and Kshs. 11,605,814,729 by the GoK as highlighted in the table below:

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')
(i) Loan						
African Development Bank (AfDB)	117,850,000	11,605,814,729	117,850,000	11,605,814,729	-	-
(ii) Counterpart funds						
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Government of Kenya	22,367,688,394	22,367,688,394	22,367,688,394	22,367,688,394	-	-
Total		33,973,503,123		33,973,503,123	-	-

B. Application of funds

Application of funds	Amount received to date – (30.06.2024)		Cummulative amount paid to date – (30.06.2024)		Unutilised balance to date (30.06.2024)	
	UA	Kshs	UA	Kshs	UA	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
African Development Bank (AfDB)	117,850,000	11,605,814,729	117,837,812,148	11,605,814,729	-	-
(ii) Counterpart funds						
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Government of Kenya	22,367,688,394	22,367,688,394	22,367,688,394	22,367,688,394	-	-
Total		33,977,503,123		33,973,503,123	-	-

Project Information and Overall Performance (continued)

2.8. Summary of Overall Project Performance:

This project has since been completed and handed over to the Government of Kenya.

2.9. Summary of Project Compliance:

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

3. Statement of Performance against Project’s Predetermined Objectives

Introduction

Section 81(2)(f) of the Public Financial Management Act, 2012 , requires that the Accounting Officer include a statement of the entity’s performance against the predetermined objectives at the end of each financial year.

The key development objectives of the project were to:

- Improve road transport services along the Nairobi-Thika corridor and enhance urban mobility within the metropolitan area by reducing traffic congestion.
- Contribute to the development of a sustainable urban public transit system for the Nairobi Metropolitan Area
- Promote private sector participation in the management, operation, and financing of road infrastructure in Kenya

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 for reasons of tracking progress and performance measurement:

Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Nairobi – Thika Highway Improvement. Lot I & II	Improve road transport services along the Nairobi-Thika corridor and enhance urban mobility within the metropolitan area by reducing traffic congestion.	Improved traffic service with reduced travel time reduced delays, and fewer accidents	Traffic flow volumes, vehicle delays, speed, number of accidents, transit/para-transit fare	Average travel time during peak hour from Nairobi to Thika reduced by 60% from 2.5 hours to 1 hour
	Contribute to the development of a sustainable urban public transit system for the Nairobi Metropolitan Area	Policy measures, plans and investment programs to implement Nairobi Metro System prepared		Average annual accident rate on the Nairobi-Thika section reduced by 70% from 230 to less than 70. The average public transport fare from Nairobi to Thika reduced by 30%.
	Promote private sector participation in the management, operation, and financing of road infrastructure in Kenya	MOT contract concluded between the GOK and Private entity		The Highway is already under Performance based maintenance contracts.

4. Environmental and Sustainability Reporting

Nairobi -Thika Highway Improvement Project Lot I & II exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

i. Sustainability strategy and profile

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

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

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.

v. 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.

The Contractor has been involved in various CSR activities geared towards providing the local residents with improvement of access roads and enhancing learning and playing environment in schools along the project road. 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.

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Implementation Team Leader for Nairobi – Thika Highway Improvement Project Lot I & II 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 Implementation Team Leader 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 are of the opinion that the Project's 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 of the Project's financial position as at that date. Director General, KeNHA and the Project Implementation Team Leader 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 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 on 10 SEP 2024 and signed by :



Eng. Kungu Ndungu,
Director General



MBS Eng. Henry Gakuru
Director Development



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

REPUBLIC OF KENYA



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

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

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON NAIROBI-THIKA HIGHWAY IMPROVEMENT PROJECT LOT I AND II CREDIT NO.2100150015544 PROJECT NO.P-KE-DBO-018 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; and,
- C. Report on the 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, risk management environment and 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 aim to address the Auditor-General's statutory roles and responsibilities 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 Nairobi-Thika Highway Improvement Project Lot I and II set out on pages 1 to 17, which comprise the statement

Report of the Auditor-General on Nairobi-Thika Highway Improvement Project Lot I and II Credit No.2100150015544 Project No.P-KE-DBO-018 for the year ended 30 June, 2024 - Kenya National Highways Authority

of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. 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 Nairobi-Thika Highway Improvement Project Lot I and II 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 Loan Agreement No.2100150015544 dated 26 November, 2009 between the African Development Fund and the Republic of Kenya.

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 the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi-Thika Highway Improvement Project Lot I and II 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

Annex 3 to the financial statements and Note 10 on other important disclosures to the financial statements reflects pending accounts payable balance of Kshs.466,535,699. The balance is made up of previous years pending accounts payables in respect of unsettled acquisition of land and construction of buildings balances of Kshs.458,535,699 and Kshs.7,887,522, respectively. However, Management did not provide plans put in place to settle the outstanding debt. In the circumstances, the Project is at risk of incurring additional cost in form of interest and penalties for failure to settle project related costs as and when they fall due.

2. Project Closure Report

Paragraph 2.7 on Funding Summary indicates that the Project was for a duration of eight (8) years starting from 26 November, 2007 and end on 22 July, 2015 with an approved budget of Accounting Unit (AU) 117,850,000, equivalent to Kshs.11,605,814,729 by the Donor (African Development Fund) component and an amount of Kshs.22,367,688,394 (counterpart funding) by Government of Kenya (GoK). The Donor commitment and GoK counterpart funding amounts had been fully received by the Project as at 30 June, 2024.

Further, paragraph 2.8 on Summary of Overall Project Performance indicates that the Project was completed and taken over by the Government of Kenya. However, the Project closure report was not provided for audit. Management did not provide an explanation for the failure to close the Project.

My opinion is not modified in respect of these matters.

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 to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2024.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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 3000 and ISSAI 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 comply 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.

Other Information

Conclusion

The Management is responsible for the other information set out on page iii to x 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Fund, 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 controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

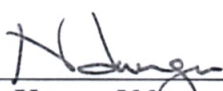
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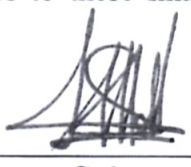
Nairobi – Thika Highway Improvement Project Lot I & II
Annual Report and Financial Statements For the financial year ended June 30, 2024

Statement of Receipts and Payments for the year ended 30th June 2024.

	<i>Note</i>	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Receipts and payment controlled by the entity	Payments made by third parties	Total Payments	Cumulative to-date
		2023-2024			2022-2023			<i>Re-stated</i>
		Kshs	Kshs	KSh	Kshs	Kshs	KSh	Kshs
Receipts								
Transfer from Government entities	1	-	-	-	-	-	-	22,367,688,394
Loan from external development partners	2	-	-	-	-	-	-	11,605,814,729
Total Receipts		-	-	-	-	-	-	33,973,503,123
		-	-	-	-	-	-	
Payments		-	-	-	-	-	-	
Purchase of goods and services	3	-	-	-	-	-	-	5,878,329
Acquisition of non-financial assets	4	-	-	-	-	-	-	33,967,624,794
Total Payments		-	-	-	-	-	-	33,973,503,123
Surplus		-	-	-	-	-	-	-

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

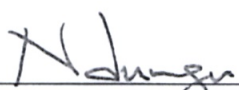

CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

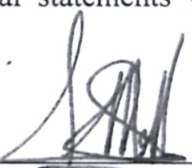
Nairobi – Thika Highway Improvement Project Lot I & II
Annual Report and Financial Statements For the financial year ended June 30, 2024

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

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
			Re-stated
Financial Assets			
Cash and Cash equivalents	5	<u>7,333,783</u>	<u>7,333,783</u>
Total Financial Assets (A)		7,333,783	7,333,783
		-	-
Financial Liabilities			
Third party Deposits and Retention	6	<u>7,333,783</u>	<u>7,333,783</u>
Total Financial Liabilities (B)		7,333,783	7,333,783
Net Financial Assets (A – B)		=	=
Represented By			
Fund Balance B/fwd.	7		
Prior Year adjustments			
Surplus/(Deficit) for the Year		<u>-</u>	<u>-</u>
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)
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Nairobi – Thika Highway Improvement Project Lot I & II
Annual Report and Financial Statements For the financial year ended June 30, 2024

9. Statement of Cash flows for the year ended 30th June 2024

Description	Notes	2023-2024	2022-2023
		Kshs	Kshs
			Re-stated
Cashflow from operating activities			
Receipts			
Transfer from government entities		-	-
Total receipts		-	-
Payments		-	-
Purchase of goods and services		-	-
Total Payments		-	-
Adjustments during the year		-	-
Prior year adjustments		-	-
Net cash flow from operating activities		-	-
		-	-
Cashflow from investing activities		-	-
Acquisition of non-financial assets		-	-
Net cash flows from investing activities		-	-
		-	-
Cash flow from financing activities		-	-
Proceeds from foreign borrowings		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalent at beginning of the year		7,333,783	7,333,783
Cash and cash equivalent at end of the year		7,333,783	7,333,783

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	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	20,000,000	(9,942,459)	10,057,541	-	10,057,541	0%
Total Receipts	20,000,000	(9,942,459)	10,057,541	-	10,057,541	0%
Payments	-	-	-	-	-	-
Purchase of goods and services	-	-	-	-	-	-
Acquisition of non-financial assets	-	-	-	-	-	-
Total Payments	-	-	-	-	-	-
Surplus or Deficit	20,000,000	(9,942,459)	10,057,541	-	10,057,541	0%

Note: The significant budget utilization/performance differences, if any, in the last column are explained in Annex 2 to these financial statements.

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 imprest and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

b) Reporting entity

The financial statements are for the **Nairobi – Thika Highway Improvement Project Lot I & II** under the Kenya National Highways Authority. The financial statements are for **Nairobi – Thika Highway Improvement Project Lot I & II** as required by Section 81 of the PFM Act 2012.

c) Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), the projects's functional and reporting currency. All values are rounded to the nearest Kenya Shilling.

d) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash is received.

i) Transfers from the Exchequer

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

ii) External Assistance

External assistance is 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 a 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 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.

vi) Undrawn external assistance

These are loans and grants at 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 analyses the Project's undrawn external assistance is shown in the funding summary

e) Recognition of payments

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

i) Compensation of employees

Salaries , wages , Allowances and Statutory Contributions for employees are recognized when the compensation is paid.

ii) Use of goods and services

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

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by the Authority and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

f) In-kind donations

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

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Significant Accounting Policies (Continued)

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:
 - 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,

Significant Accounting Policies (Continued)

The Nairobi – Thika Highway Improvement Project Lot I & II

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.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

k) Contingent Assets

The **Nairobi – Thika Highway Improvement Project Lot I & II** 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 **Nairobi – Thika Highway Improvement Project Lot I & II** 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 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 Treasury Regulations, as well as by the participating development partners,

Significant Accounting Policies (Continued)

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.

o) Exchange rate differences

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2024.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in note 8 of these financial statements.

12. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	Kshs	Kshs	Cumulative to-date (from inception)
	2023-2024	2022-2023	(Re-stated)
<i>Counterpart funding through the line Ministry</i>			
Counterpart funds Quarter 1	-	-	5,209,326,979
Counterpart funds Quarter 2	-	-	2,956,390,032
Counterpart funds Quarter 3	-	-	5,133,004,690
Counterpart funds Quarter 4	-	-	8,072,966,693
Total ()	-	-	21,371,688,394
<i>Other transfers from government entities</i>			
Ministry	-	-	-
Project	-	-	-
Road Maintenance Levy Fund	-	-	1,000,000,000
Total	=	=	1,000,000,000
Prior year adjustments			
Transfer from Government entities			(4,000,000)
Total	=	-	22,367,688,394

2. Loan from External Development Partners

Description	2023-2024					2022 - 2023	Cumulative to date
Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment *	Total amount in Kshs	Total amount in Kshs	
		UA	Kshs	Kshs	Kshs	Kshs	Kshs
Loans received from Multilateral Donors							
African Development Bank (AfDB)	-	-	-	-	-	-	11,605,814,729
Total	-	-	-	-	-	-	11,605,814,729

*This Financing agreement has lapsed and no funds are expected to be received from Development Partners, however cumulatively an amount of Kshs 11,605,814,729 has been received.

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Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

Description	2023/2024			2022/2023	Cumulative to- date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	-	-	-	-	1,698,500
Foreign travel and subsistence	-	-	-	-	78,078
Hospitality supplies & services	-	-	-	-	1,912,474
Printing, advertising & information supplies & services	-	-	-	-	2,189,277
Total	-	-	-	-	5,878,329

4. Acquisition of Non-Financial Assets

Description	2023-2024			2022-2023	Cumulative to-date (Re-stated)
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Construction of roads	-	-	-	-	23,958,767,540
Construction of buildings	-	-	-	-	118,973,207
Research, studies, project preparation, design & supervision	-	-	-	-	1,308,121,991
Land acquisition	-	-	-	-	8,581,762,056
Total	-	-	-	-	33,967,624,794

5. Cash And Cash equivalents

Description	2023-2024	2022-2023
	Kshs	Kshs
		(Re-stated)
Bank accounts (Note 5A)	7,333,783	7,333,783
Total	7,333,783	7,333,783

Notes to the Financial Statements (Continued)

5 A Bank Accounts

Project Bank Accounts

Details	2023-2024	2022-2023
	Kshs	Kshs
		(Re-stated)
<u>Local Currency Accounts</u>		
National Bank of Kenya -Retention Account [010032733200]	7,333,783	7,333,783
Total local currency balances	7,333,783	7,333,783
Total bank account balances	7,333,783	7,333,783

The National Bank A/c No 010032733200 - is the main KeNHA bank account where all project retentions are transacted from.

6. Deposits and Retention Monies

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Retention	7,333,783		7,333,783	
Total	7,333,783		7,333,783	
Ageing analysis:	2023-2024	% of the Total	2022-2023	% of the Total
Under one year		%		%
1-2 years		%		%
2-3 years		%		%
Over 3 years	7,333,783	100%	7,333,783	100%
Total	7,333,783	100%	7,333,783	100%

Notes to the Financial Statements (Continued)

7. Fund Balance Brought Forward

Description	2023-2024	2022-2023
	Kshs	Kshs
		Re-stated
Bank balance (Central Bank of Kenya)	-	-
Total	-	-

8. Prior Year Adjustment

	Balance b/f Previous FY (audited financial statements) `2021/2022	Adjustments	Adjusted balance b/f Previous FY
Description	Kshs	Kshs	Kshs
Bank balance (Central Bank of Kenya)	4,000,000.00	4,000,000.00	-
Transfer from Government entities	22,371,688,394	4,000,000	22,367,688,394
Acquisition of non-financial assets	33,960,291,011	7,333,783	33,967,624,794

The prior year adjustments relates to , i) The closure of the project account at the Central bank of Kenya and; ii) the recognition of the Retention as part of Acquisition of non-current assets erroneously omitted in the prior years.

9. Changes in Accounts Payable (Deposits and Retentions)

Description	2023-2024	2022-2023
	Kshs	Kshs
Deposit and Retentions as at 1 st July	7,333,783	7,333,783
Closing accounts payables as at 30 th June	7,333,783	7,333,783
Change in payables	-	-

Other Important Disclosures

10. Pending Accounts Payable (See Annex 2)

	Balance b/f 2023/2024	Additions for the year	Paid during the year	Balance c/f 2023/2024
Description	Kshs	Kshs	Kshs	Kshs
	Re-stated			
Construction of buildings	7,887,522	-	-	7,887,522
Acquisition of land	458,648,177	-	-	458,648,177
Total	466,535,699		-	466,535,699

A reconciliation for Project Affected Persons established the outstanding amount as Kshs.
458,648,177 as at 30th June, 2023

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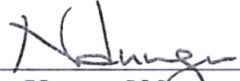
13. Annexes

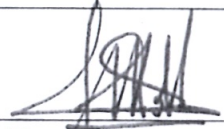
Annex 1: Prior Year Auditor-General's Recommendations

Ref	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
1	Unsupported Cash and Cash Equivalents Balance As was reported in the previous year, the statement of financial assets and liabilities reflects cash and cash equivalent balance of Kshs. 11,333,783 which, as disclosed in Note 5A to the financial statements includes a balance of Kshs. 4,000,000 and Kshs 7,333,783 held in Central Bank of Kenya and National Bank of Kenya-Retention Account, respectively. Although Management has explained that the amount of Kshs. 4,000,000 was transferred from the Ministry of Transport and Infrastructure to the Authority in the year 2010, confirmation certificate was not provided for audit review. In the circumstances, the accuracy of cash and cash equivalents balance of Kshs. 11,333,783 could not be confirmed.	We agree with the audit observation that we did not share the certificate of balance for the Thika Road Project A/c operated by the parent ministry at the Central Bank of Kenya which was reported with a balance of Kshs 4,000,000. The Authority has since received a certificate indicating that the bank account was closed in 2019 and hence the project financial statements have been adjusted to indicate the closure of the project bank account. On the Kshs. 7,333,783, the analysis for the retention was provided during the audit exercise.	Not Resolved	Ongoing
2	Unsupported Pending Bills Note 9 to the financial statements reflects a pending bills balance of Kshs.436, 511,076 which comprise of Kshs. 428,623,554 and Kshs.7,887,522 in respect a brought	We agree with the audit observation that an amount of Kshs. 428,623,554 in respect of pending bills on Land Compensation has been outstanding for long. This is undesirable	Not Resolved	Ongoing

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Ref	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	forward balance on acquisition of land and construction of police houses in Kasarani police station, respectively. However, as previously reported, the detailed analysis indicating the names of the payees and reasons for non-payment was not provided of the pending bills on the acquisition of land. In the circumstances, the accuracy and completeness of the brought forward balance of Kshs. 428,623,554 could not be confirmed.	situation was caused by lack of budgetary allocation to the project in prior financial years, The pending bills on land compensation were duly supported with copies of schedules from the National Land Commission as availed during the audit exercise.		
	Emphasis of Matter Project Closure Report As provided under the Project information and Overall Performance section of the Annual Report and Financial Statements, the project ended on 22 July 2015. However, as previously reported the project closure report was not provided for audit, being more than eight (8) years after the lapse of the closure period.	As reported in the audit finding, the projects are complete. The Closure report will be prepared once all the outstanding bills are settled.	Not Resolved	Ongoing


Eng. Kungu Ndungu, MBS
Director General


Eng. Henry Gakuru
Director Development

Nairobi – Thika Highway Improvement Project Lot I & II
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Annex 2: - Variance explanations – Comparative Budget and Actual Amounts for FY 2023/2024

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (Below 90% and Over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	10,057,541	-	10,057,541	0%	Original budget reduced from Kshs 20 million and no Exchequer amount was received
Total Receipts	10,057,541	-	10,057,541	0%	
Payments	-	-	-	-	
Purchase of goods and services	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	
Total Payments	-	-	-	-	

Annex 3: - Analysis of Pending Bills

Name	Date Contracted/ invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance 2023-2024	Outstanding Balance 2022-2023	Comments
		Kshs	Kshs	Kshs	Kshs	
Resjos Enterprises Ltd	2/05/2024	7,887,522	-	7,887,522	7,887,522	IPC 1
PAPs		8,862,553,711	8,403,905,534	458,648,177	458,648,177	-
Total		8,870,441,233	8,403,905,534	466,535,699	466,535,699	-

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Annex 4: Summary of Fixed Assets Register

Asset class	Opening Cost (Kshs) 2023/24	Donations in form of assets (Kshs) 2023/24	Purchases / Additions in the Year (Kshs) 2023/24	Disposals in the Year (Kshs) 2023/24	Transfers (Kshs) 2023/24	Closing Cost (Kshs) 2023/24
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)- (d)+(-)d
	Re stated					
Land	8,581,762,056					8,581,762,056
Buildings and structures	118,973,207					118,973,207
Road Assets	25,266,889,531					25,266,889,531
Total	33,967,624,794					33,967,624,794