

REPUBLIC OF KENYA



Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

**KAPCHORWA-SUAM-KITALE AND
ELDORET BYPASS ROADS PROJECT
(KENYA) ID NO. P-Z1-DBO-183**

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

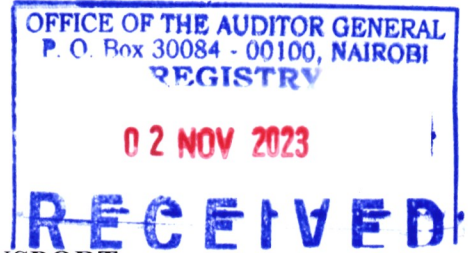
**KENYA NATIONAL
HIGHWAYS AUTHORITY**

THE NATIONAL ASSEMBLY
PAPERS Laid

DATE: 07 DEC 2023 DAY: Monday

TABLED BY: Hon Owen Sanya, CBS, MP
Deputy majority leader
A. Shinduko





MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: MULTINATIONAL UGANDA –KENYA: KAPCHORWA –SUAM – KITALE & ELDORET TOWN BYPASS ROADS PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT GRANT/CREDIT NUMBER:
AFRICAN DEVELOPMENT BANK (ADB) LOAN NO 2000200001052
AFRICAN DEVELOPMENT FUND (ADF) LOAN NO 2100150037300**

PROJECT NO P-ZI-DBO-183

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

[Faint, illegible text, possibly a stamp or header information]



*Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Table contents	Page
1.Acronyms and Glossary of Terms	ii
2.Project Information and Overall Performance	iii
3.Statement of performance against project’s predetermined objectives.....	ix
4.Environmental And Sustainability Reporting	xi
5.Statement Of Project Management Responsibilities.....	xiii
6.Report of the Independent Auditors on The Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project.....	xiv
7.Statement of Receipts and Payments for the Period Ended 30th June 2023	1
8.Statement of Financial Assets as at 30th June 2023	2
9.Statement of Cashflow for The Period ended 30th June 2023	3
10. Statement of Comparison of Budget and Actual amounts For the year ended 30 th June 2023.....	4
11. Significant Accounting Policies.....	5
12. Notes to the Financial Statements.....	11
13. Annexes.....	19

1. Acronyms and Glossary of Terms

ADF	African Development Fund
AfDB	African Development Bank
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
DNP	Defects Notification Period
EAC	East African Community
EIK	Environment Institute of Kenya
EXIM	Export – Import
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
IPC	Interim Payment Certificate
KeNHA	Kenya National Highways Authority
KSHS.	Kenya Shillings
MoR&T	Ministry of Roads and Transport
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
RMB	Renminbi
SDG	Sustainable Development Goals
TNT	National Treasury
UA	Unit of Account
UA	Unit of Account
USD	United States Doller

2. Project Information and Overall Performance

2.1 Name and registered office

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project

Objective:

The African Development Bank Group (AfDB) approved USD 256.36 million of loans to the Governments of Kenya (USD 150.56 million) and Uganda (USD 105.7 million) for the upgrading of 118 km road section connecting the two countries as well as the construction of the 32 km Eldoret town bypass, in Kenya. Once completed in 2021, the project will contribute to improve the living standards of the 1.4 million people in the project zone of influence.

The construction of the Eldoret bypass (32km) will reduce traffic congestion in Eldoret Town, by avoiding crossing of the city centre. Thus, the average speed will increase from 26km/hr in the existing road to 42km/hr

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

2.2 Project Information

Project Start Date:	23 rd February ,2018
Project End Date:	30 th September 2023 (inclusive of DNP)
Project Engineer	Eng. Mutii Kivoto
Project Sponsor:	1.African Development Bank (AfDB) 2.Government of Kenya

Project Information and Overall Performance (Continued)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads on behalf of the Ministry of Roads and Transport
Project number	P-ZI-DBO-0183
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> • To Connect Kenya and other Part of East & Central African • Facilitate Trade and movement of people in East and Central African by improving the transit time
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> • Rehabilitation of already deteriorated road that is in poor condition to reduce transportation cost and transit time <p>Involving the local communities and community based organisations in monitoring conditions along the road, including preservation of the road signs. This will assist in dealing with environmental issues and the guarding against damages and the theft to road signs and road Infrastructure</p> <p>The upgrading of the 118km road connecting Kapchorwa (Uganda) to Kitale (Kenya) will provide</p> <ol style="list-style-type: none"> a) An all-weather access for citizens, farmers and traders. b) The project also includes a construction of a One Stop Border Post in Suam to facilitate trade between the two countries, travellers and transport operators. c) The upgrading of the road will reduce the travel time in Uganda (Kapchorwa-Suam) from 4hrs to 1.5hrs and in Kenya (Suam-Kitale) from 1.5hrs to 45 minutes. d) The project area is very fertile and has high agricultural potential and the upgrading of the road from gravel to bitumen standard will facilitate the supply of farm inputs and evacuation of produce to major market centers.
Other important background information of the project	The AfDB and ADF loans will cover 88% of the Kenya project costs whereas the Government of Kenya contribution will be 12% of the project cost.

Areas that the project was formed to intervene	The project was formed to intervene in the following areas: <ul style="list-style-type: none"> • Reducing Transport cost and travel time between Nairobi and Kampala. • Improvement of transportation of farm inputs and produces to and from the project area • Improvement of economic and living standard of people in towns along the corridor
Project duration	5 years

2.4 Bankers

Cooperative Bank of Kenya Ltd
Upper Hill Branch, Nairobi
Account Number 01141160979900

National Bank of Kenya
Hill Branch
Account Number 01001032733200

2.5 Independent Auditor

Auditor General
Office of The Auditor General
P.O Box 30084-0100
Nairobi

2.6 Roles and Responsibilities

List of the people who are working on the project.

Names	Title designation	Key qualification	Responsibilities
Eng. Henry Gakuru	Ag. Director-Development	Registered Civil Engineer	Project Team Leader
Eng. Mutii Kivoto	Deputy Director	Registered Civil Engineer	Project Team Coordinator & Construction Specialist
Mr. Walter Nyatwanga	Deputy Director	Registered NEMA Lead expert. Member EIK	Environment Social Safeguards Specialist
Mr. James Bowen	Director-Co-operate Services	Certified Public Accountant	Financial Specialist
Mr.Chanje Kera	Deputy Director	Certified Public Accountant	Financial Specialist

Project Information and Overall Performance (Continued)

2.7 Funding summary

The Project is for duration of 5 years from 23rd February 2018 to 26th April 2023 with an approved budget of USD 130,000,000 equivalent to Kshs 8,858,656,800 and Kshs 5,185,555,200 as indicated below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30th June 2023)		Undrawn Balance to date (30th June 2023)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i)Loan						
African Development Bank (ADB)	82,000,000	8,858,656,800	42,292,711	4,568,983,063	39,707,289	4,289,673,737
African Development Bank (ADF)	48,000,000	5,185,555,200	36,142,770	3,904,590,183	11,857,230	1,280,965,017
(ii)Counterpart funds						
Government of Kenya	-	4,880,120,789	-	4,880,120,789	-	-
Total	130,000,000	18,924,332,789	78,435,481	13,353,694,035	51,564,519	5,570,638,754

B. Application of Funds

Application of funds	Amount received to date - (30th June 2023)		Cumulative Amount paid to date - (30th June 2023)		Unutilised balance to date - (30th June 2023)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i)Loan						
African Development Bank (ADB)	42,292,711	4,568,983,063	42,292,711	4,568,983,063	-	-
African Development Bank (ADF)	36,142,770	3,904,590,183	36,142,770	3,904,590,183	-	-
(ii)Counterpart funds						
Government of Kenya	-	4,880,120,789	-	4,871,769,434	-	8,351,355
Total	78,435,481	13,353,694,035	78,435,481	13,345,342,680	-	8,351,355

Project Information and Overall Performance (Continued)

2.8 Summary of Overall Project Performance:

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

	2022/2023			cumulative		
	Actual	Budget	%	Actual 2022/23	Budget 2022/23	%
Counterpart Funds-GOK	122,124,638	126,899,792	96%	8,473,573,246	7,362,872,972	115%
Loan from external Development Partners	1,137,142,182	1,450,000,000	78%	4,871,769,434	8,256,000,000	59%
Total	1,259,266,819	1,576,899,792	80%	13,345,342,680	15,618,872,972	85%

i) Physical progress based on outputs, outcomes, and impacts since project commencement is at 97.59%

The project is substantially complete and has been handed over to the employer.

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

Financial Year	Budget	Actual	Percentage (%)
FY 2022/23	1,576,899,792	1,264,041,974	80%
FY 2021/22	2,835,000,000	2,089,978,412	74%
FY 2020/21	1,825,212,548	1,561,952,909	86%
FY 2019/20	5,836,706,886	4,913,674,746	84%
FY 2018/19	1,694,609,563	1,755,699,395	104%
FY 2017/18	1,827,444,183	1,744,218,613	95%
FY 2016/17	23,000,000	15,776,631	69%
Total	15,618,872,972	13,345,342,680	85%

Project Information and Overall Performance (Continued)

2.9 Summary of Project Compliance:

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

The status report is as follows.

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
1. Lot1- Construction of Eldoret Town Bypass Road Project (88 km) road section Contract type: Works Contractor: M/S China Wu Yi Co Ltd Contract Signed: 1 st September, 2017 Commencement Date: 12 th February, 2018 Completion Date: 13 th December, 2021 Contract amount: KES. 5,079,517,696 Consultant: Abdul Mullick Associates Ltd in association with MAX and Partners and TIMCON Associates Inc. Contract Amount: Kshs. 318,835,894.00	Physical progress,	99.96%
	Amount certified	KES. 5,450,989,718.32
	Amount paid	KES. 5,356,051,755.96
	Time lapsed	62.5 Months
2. Project Name: Upgrading of Kitale – Endeless - Suam (C45) Contract type: Works Contractor: China State Construction Engineering Corporation Ltd Contract Signed: 17 th August, 2017 Commencement Date: 26 th February, 2018 Completion Date: 25 th February, 2022 Contract amount: KES. 4,474,991,402.73 Consultant: SARI Consulting, Consulint SRL and Ochieng Abuodha & Associates Contract Amount: USD. 1,235,950.95 KES. 210,165,831.00	Physical progress,	97.30 %
	Amount certified	KES 3,940,036,914.22
	Amount paid	KES. 3,034,377,858.42
	Time lapsed	66 Months

3. Statement of performance against project’s predetermined objectives

Introduction

The Project is a multinational operation that provides an important link between Uganda and Kenya by connecting through the border post of Suam. The Uganda side of the project road is Kapchorwa-Suam and the Kenya side of the project road are Suam-Kitale and Eldoret Bypass. The project road supports the regional integration objective of member countries of East African Community (EAC) and Great Lakes Region, especially Uganda and Kenya by connecting to Suam and further linking with Democratic Republic of Congo (DRC) and South Sudan. This is a transformative project that contributes to socio-economic development, poverty reduction and regional integration in eastern Uganda and western Kenya

The key development objectives of the project are to:

- a) The project is a regional road traversing via Suam border and supports regional and national social-economic growth strategies and improves the traffic congestion in Eldoret Town
- b) The improvement of the road will promote the effort of the Governments in poverty reduction through better road infrastructure in the two countries by providing all weather access for the supply of farm inputs and evacuation of produce to major market centres, thus improving the level of service and efficiency of the road network and reducing transport costs.
- c) It will also support regional integration, economic co-operation and foster transport linkage with Uganda, Kenya, DRC and South Sudan.

Below we provide the progress on attaining the stated objectives:

Objective	Outcome	Indicator	Performance
Contribute to the improvement of economic and social welfare of citizens of Uganda and Kenya	Reduced transport costs	GDP per Capita	Uganda USD1099, an increase of 39% and Kenya, USD 2189, an increase of 38% in 20
Enhance regional trade between Uganda and Kenya	Reduced Congestion	Trade volume in USD using Suam border	To increase to USD4.92million worth of trade (Kenya with Uganda) by 2025
Costs and travel time for specific types of vehicles and trips	Reduced transport costs	(a) Average passenger fare /person on Kapchorwa-Suam and Suam-Kitale. (b) Average vehicle travel time on	a) In Uganda, there was a reduction of 29% per person and in Kenya, there was a reduction of 25% per person in year 2021. b) In Uganda there was Reduction of travel time by

Objective	Outcome	Indicator	Performance
		Kapchorwa-Suam and Suam-Kitale.	63% to 1.5hrs and in Kenya, by 50% to 45 minutes in year 2021.
Road accidents	Improved rate of survival out of vehicle accidents	Rate of survival out of accidents.	<ul style="list-style-type: none"> i) In Uganda, the rate of fatalities per 10,000 vehicles had reduced by 30%. ii) In Kenya, the rate of fatalities per 10,000 vehicles had reduced by 20%.

Project Information and Overall Performance (Continued)

4. Environmental and 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.

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.

Project Information and Overall Performance (Continued)

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.

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.

The Contractor has been involved in various CSR activities geared towards providing the local residents through construction of water kiosks along the project road, 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 and the Project Implementation Team Leader for Multinational Uganda – Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project & Eldoret Town Bypass Project are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

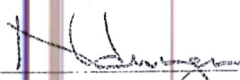
The Director General and the Project Implementation Team Leader Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

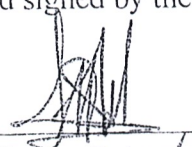
The Director General and the Project Implementation Team Leader for Multinational Uganda – Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year ended June 30, 2023 and of the Project’s financial position as at that date. The Director General and the Project Implementation Team Leader for Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads 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 and the Project Implementation Team Leader for Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads 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 and the Project Implementation Team Leader for Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project on 23 SEP 2023 and signed by them.


Eng. Kungu Ndungu
Director General

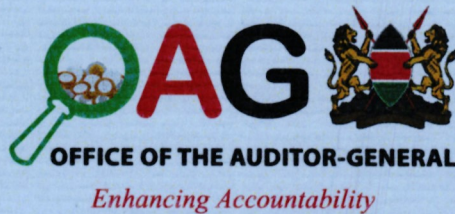

Eng. Henry Gakuru
Ag. Director -Development


CPA Chanje Kera
Deputy Director (F&A)
ICPAK 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 KAPCHORWA-SUAM-KITALE AND ELDORET BYPASS ROADS PROJECT (KENYA) ID NO. P-Z1-DBO-183 FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kapchorwa-Suam-Kitale and Eldoret Bypass Roads Project set out on pages 1 to 24, which comprise of the statement

of financial assets and liabilities as at 30 June, 2023, the statement of receipts and payments, statement of cash flow 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kapchorwa-Suam-Kitale and Eldoret Bypass Roads Project as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and the Public Finance Management Act, 2012 and comply with the Loan Agreement Nos.2100150037300 and 200200001052 dated 19 May, 2017 between African Development Fund (ADF) and the African Development Bank (AfDB) respectively and the Republic of Kenya.

Basis for Qualified Opinion

1. Inaccuracies in the Surplus Balances

The statement of receipts and payments reflects comparative surplus balance of Kshs.7,111,345 which differs with the deficit balance of Kshs. 8,401,552 reflected in the prior year audit certificate and resulting to unexplained variance of Kshs.15,512,897.

In addition, the statement of receipts and payments reflects surplus for the year of Kshs.4,775,154 which differs with the balance of Kshs.3,582,827 reflected in the statement of financial assets resulting to unexplained variance of Kshs.1,192,327.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unconfirmed Transfers from Government Entities

The statement of receipts and payments reflects transfers from Government entities of Kshs.126,899,792 as disclosed in Note 1 to the financial statements, being Project receipts from the parent Ministry (State Department for Infrastructure). However, Management did not maintain a separate cashbook for the Project and the receipts could not be confirmed to the cashbook and bank statements.

In the circumstances, the accuracy and completeness of the transfers from Government entities of Kshs.126,899,792 for the year ended 30 June, 2023 could not be confirmed.

3. Unsupported Acquisition of Land

The statement of receipts and payments reflects acquisition of non-financial assets balance of Kshs.1,245,774,512 and which as disclosed in Note 4 to the financial statements includes acquisition of land of Kshs.16,058,817. The expenditure was in respect of compensation to the Project affected persons. However, Management did not

provide acknowledgement letters, receipts and payment documents from the National Land Commission to confirm transmission of the money to the intended beneficiaries. In addition, Management did not provide a policy on how the land beneficiaries were identified and prioritized, and payments were based on a list prepared by the Project engineers and contractors.

In the circumstances, the propriety and completeness of the acquisition of land expenditure of Kshs.16,058,817 for the year ended 30 June, 2023 could not be confirmed.

4. Unsupported Cash and Cash Equivalents

The statement of financial assets reflects bank balance of Kshs.8,351,355 as disclosed in Note 5 to the financial statements. However, bank reconciliation statements and bank confirmation certificates for the two (2) bank accounts were not provided for audit review.

In the circumstances, the accuracy and completeness of the bank balances of Kshs.8,351,355 as at 30 June, 2023 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kapchorwa-Suam-Kitale and Eldoret Bypass Roads 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 qualified opinion.

Key Audit Matters

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

Other Matter

1. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, Management has not indicated how each of the issues raised in the previous year Auditor-General's report was resolved, including the information required under the prescribed reporting format.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.1,576,899,792 and Kshs.1,264,041,974 respectively, resulting to an underfunding of Kshs.312,857,818 (or 20%) of the approved budget. Similarly, the Project expended an amount of Kshs.1,259,266,820 against an approved budget of Kshs.1,576,899,792 resulting to an under-expenditure of Kshs.317,632,972 (or 20%) of the approved budget.

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

3. Lack of Itemised Budget

During the year under review, the budget presented for audit lacked details and itemization of component which hindered the assessment of financial performance and resource allocation within the Project. This was contrary to IPSAS 24 which provides guidance on how budgetary information should be presented and disclosed, including the itemization of budgetary amounts.

In the circumstances, Management did not comply with provisions of International Public Sector Accounting Standards in preparation and presentation of budget.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Settle Pending Bills

Note 1 (Other Important Disclosures) to the financial statements reflects pending accounts payable balance of Kshs.745,168,259. Management did not provide justification for the delay in settling the outstanding amounts in full despite the progress of the Project being at an average of 90% to completion and the contractual period of the Project having since expired. This is contrary to the provisions of Section 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which states that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the Government does not default on debt obligations.

In the circumstances, Management was in breach of the law.

2. Delayed Completion of the Project

Review of Project documents revealed that the contract was awarded to a Contractor on 13 February, 2018 with an expected completion date of 13 August, 2020 which was later revised to 20 September, 2022. However, no documents were provided for audit verification to confirm approval for the extension. In addition, physical verification in the month of November, 2023 revealed that the Project was incomplete, one year after the expiry of extended completion date.

In the circumstances, value for money may not have been realized in the implementation of the Project.

3. Lack of Value for Money in Consultancy Services

Review of procurement documents revealed that a design consultancy services for the entire Project was awarded to a Consultant at a cost of Kshs.398,521,160. However, there were additional changes in the original structure and design that were introduced by the Consultant during the construction supervision and submitted to the Contractor which led to escalation of Project cost from Kshs.5,079,517,891 to Kshs.5,639,867,891 resulting in upward variation of Kshs.560,350,000 of the contract cost.

In the circumstances, value for money may not have been realized in the implementation of the Project.

4. Lack of a Procurement Plan

The statement of receipts and payments reflects an amount of Kshs.1,264,041,974 and Kshs.1,259,266,820 in respect of total receipts and payments respectively. However, Management did not provide annual procurement plan as part of the annual budget preparation process for audit. This is contrary to Regulation 40 of the Public Procurement and Asset Disposal Regulations, 2020 which states that the procuring entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Fund (ADF) and African Development Bank (AfDB), 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 not been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 Project 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 controls.
- 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


22 November, 2023

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023


7. Statement of Receipts and Payments for the Period Ended 30th June 2023

		2022/23			2021/22				
	NOTES	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Receipts & Payments Controlled by the Entity (Restated)	Receipts & Payments by the Third Party (Restated)	Total	Cummulative to date		
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
RECEIPTS									
Transfer from Government entities	1	126,899,792	-	126,899,792	124,011,057	124,011,057	4,881,313,116		
Proceeds from domestic and foreign Loans	2	-	1,137,142,182	1,137,142,182	-	1,957,005,302	8,472,380,919		
Total receipts		126,899,792	1,137,142,182	1,264,041,974	124,011,057	2,081,016,359	13,353,694,035		
PAYMENTS									
Purchase of goods and services	3	10,951,958	2,540,350	13,492,308	15,748,185	17,888,550	118,917,407		
Acquisition of non-financial assets	4	111,172,680	1,134,601,832	1,245,774,512	101,151,527	1,955,216,752	13,226,425,273		
TOTAL PAYMENTS		122,124,638	1,137,142,182	1,259,266,820	116,899,712	2,073,905,014	13,345,342,680		
SURPLUS/DEFICIT FOR THE YEAR		4,775,154	-	4,775,154	7,111,345	7,111,345	8,351,354		


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


Eng. Kungu Ndungu
 Director General

23 SEP 2023
 Date


Eng. Henry Gakuru
 Ag. Director - Development

23 SEP 2023
 Date


CPA Chanje Kera
 Deputy Director (F&A)


ICPAK No.8279
23 SEP 2023
 Date

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023


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

	Note	2022/23	2021/22
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	5	8,351,355	3,576,201
TOTAL FINANCIAL ASSETS		8,351,355	3,576,201
Financial Liabilities			
Third Party Deposits and Retention	6	4,768,528	3,576,201
Net Assets		3,582,827	-
REPRESENTED BY:			
Fund balance b/fwd		-	-
Surplus/Deficit for the year		3,582,827	-
NET FINANCIAL POSITION		3,582,827	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23 SEP 2023 and signed by:


 Eng. Kungu Ndungu
 Director General

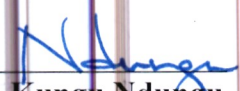

 Eng. Henry Gakuru
 Ag. Director -Development



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

9. Statement of Cashflow for The Period ended 30th June 2023

Cashflow from operating activities		2022/23	2021/22
Receipts		Kshs	Kshs
Transfer from Government entities	1	126,899,792	124,011,057
Total receipts		126,899,792	124,011,057
Payments			
Payments for operating expenses			
Purchase of Goods & Services	3	(13,492,308)	(17,536,735)
Total Payments		(13,492,308)	(17,536,735)
Net cash flow from operating activities		113,407,484	106,474,322
Cashflow from investing activities			
Acquisition of Non-Financial Assets	4	(1,245,774,512)	(2,056,928,779)
Net cash flows from investing Activities		(1,245,774,512)	(2,056,928,779)
Cashflow from borrowing activities			
Proceeds from Foreign Borrowings	2	1,137,142,182	1,957,005,302
Net cash flow from financing activities		1,137,142,182	1,957,005,302
Net increase/(decrease) in cash and cash equivalent		4,775,154	(8,401,553)
Cash and cash equivalent at beginning of the year		3,576,200	11,977,753
Cash and cash equivalent at end of the year		8,351,354	3,576,200

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved 23 SEP 2023 and signed by:


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
Ag. Director -Development


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

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	200,000,000	(73,100,208)	126,899,792	126,899,792	-	100%
Proceeds from borrowings	2,500,000,000	(1,050,000,000)	1,450,000,000	1,137,142,182	312,857,818	78%
Total Receipts	2,700,000,000	(1,123,100,208)	1,576,899,792	1,264,041,974	312,857,818	80%
Payments						
Goods & Services				13,492,308		
Acquisition of Non Financial Assets	2,700,000,000	(1,123,100,208)	1,576,899,792	1,245,774,512	317,632,972	80%
Total Payments	2,700,000,000	(1,123,100,208)	1,576,899,792	1,259,266,820	317,632,972	80%

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


Eng. Kungu Ndungu
 Director General

25 SEP 2023

Date


Eng. Henry Gakuru
 Ag. Director -Development

23 SEP 2023

Date



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

23 SEP 2023

Date

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for the Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project & Eldoret Town Bypass Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

c) Reporting currency

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

d) Recognition of receipts

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

i) Transfers from the Exchequer

Transfer from Exchequer is 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.

ii) External Assistance

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

iii) Other receipts

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

Significant Accounting Policies (Continued)

iv) Donations and grants

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

v) Proceeds from borrowing

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

e) Recognition of payments

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

(i) Compensation of employees

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

(ii) Use of goods and services

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

(iii) Interest on borrowing

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

Significant Accounting Policies (Continued)

(iv) Repayment of borrowing (principal amount)

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

(v) Acquisition of fixed assets

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

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

f) In-kind donations

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

g) Cash and cash equivalents

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

Significant Accounting Policies (Continued)

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

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

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

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

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

Annex 5 of this financial statement is a register of contingent liabilities in the year.

k) Contingent Assets

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

l) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they 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.

Significant Accounting Policies (Continued)

m) Budget

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

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

n) Third party payments

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

o) Exchange rate differences

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

Significant Accounting Policies (Continued)

r) Prior Period Adjustments

Prior period Adjustments relate to errors and other adjustments noted arising from previous year(s). There are no prior year adjustments for the financial year under review.

12. Notes to the Financial Statements

1. Transfers from Government entities

	2022/2023	2021/2022	Cumulative Todate
	Kshs	Kshs	
Counterpart funding through Ministry of Roads and Transport			
Counterpart funds Quarter 1		37,040,582	567,742,541
Counterpart funds Quarter 2	74,491,413	82,098,784	988,739,597
Counterpart funds Quarter 3		4,871,692	746,163,609
Counterpart funds Quarter 4		-	2,526,258,991
	74,491,413	124,011,058	4,828,904,738

Other transfers from Government entities			
Ministry of Roads and Transport	47,542,154		47,542,154
Appropriations-in-Aid	4,866,225		4,866,225
Total	52,408,379	-	52,408,379
Grand total	126,899,792	124,011,058	4,881,313,116

13. Notes to the Financial Statements (Continued)

2. Proceeds from Domestic and Foreign Grants

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

Description	2022/2023					FY 2021/2022	Cumulative to date
	Name of Donor-IDA	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	
		USD	Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (Foreign Governments)							
African Development Bank		6,207,427	-	670,091,729	670,091,729	965,884,293	4,567,790,736
African Development Fund		4,337,589	-	467,050,453	467,050,453	991,121,009	3,904,590,183
Total		10,545,016	-	1,137,142,182.00	1,137,142,182	1,957,005,302	8,472,380,919

Notes to the Financial Statements (Continued)

3. Purchase of Goods & Services

	2022/23			2021/22	Cumulative to-date
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total Payments	Total Payments (Restated)	
	Kshs	Kshs	Kshs		
Domestic travel and subsistence	5,906,900	-	5,906,900	15,693,465	107,735,689
Hospitality Supplies & Services	2,677,455		2,677,455		2,677,455
Training Payments	-	2,540,350	2,540,350	1,788,550	4,802,420
Printing, advertising and information supplies	2,367,603	-	2,367,603	54,720	3,701,843
Total	10,951,958	2,540,350	13,492,308	17,536,735	118,917,407

Total Payments for 2021/2022 have been restated to conform with the revised financial statement balances for FY 2021/2022

4. Acquisition of Non-Financial Assets

	2022/23			2021/22	Cumulative to-date
	Payments made by the Entity	Payments Made by Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Research, studies, project preparation, design & supervision	16,051,525	113,408,947	129,460,472	166,651,904	919,694,656
Rehabilitation of Roads	79,062,338	1,021,192,885	1,100,255,223	1,889,716,375	8,529,918,809
Acquisition of land	16,058,817	-	16,058,817	-	3,776,811,808
Total	111,172,680	1,134,601,832	1,245,774,512	2,056,368,279	13,226,425,273

Notes to the Financial Statements (Continued)

5. Cash and Cash equivalents

	2022/23	2021/22
	Kshs	Kshs
Bank accounts (Note 5A)	8,351,355	3,576,201
	8,351,355	3,576,201

5A Bank Accounts

	2022/2023	2021/22
	KShs	KShs
National Bank of Kenya [A/c No 01001-327332-00]	4,768,528	3,576,201
Cooperative Bank [A/c No 011141160979900]	3,582,827	
Total bank account balances	8,351,355	3,576,201

6. Deposits and Retention Monies

Description	2022/2023		2021/2022	
	Kshs		Kshs	
Retention				
Total	4,768,528		3,576,201	
Ageing analysis:	2022/2023		2021/2022	% of the Total
Under one year	1,192,327	25%	560,500	16%
1-2 years	560,500	12%	1,240,666	35%
2-3 years	665,041	14%	1,109,994	31%
Over 3 years	2,350,660	49%	665,041	19%
Total	4,768,528	100%	3,576,201	100%

Notes to the Financial Statements (Continued)

7. Changes in Accounts Payable-Retentions

Description of the error	2022/23	2021/22
	KShs	KShs
Deposit and Retentions as at 1 st July	3,576,201	11,977,753
Deposit and Retentions as at 30th June	4,768,528	3,576,201
Change in Payables	1,192,327	(8,401,552)

Other Important Disclosures

1. Pending Accounts Payable (Annex 4)

	Balance b/f FY 2022/2023	Additions for the year	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works	495,142,419	1,305,803,079	1,100,255,223	700,690,275
Land Compensation	-	28,855,451	16,058,817	12,796,634
Supply of services	41,717,732	6,022,435	16,058,817	31,681,350
Total	536,860,151	1,340,680,965	1,132,372,857	745,168,259

2. Accounts Payable

Description	2022/2023	2021-2022
	Kshs	Kshs
Retention - Payments made by third party	-	283,739,569
Total	-	283,739,569

3. External assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
External assistance received as loans	1,137,142,182	1,957,005,302
Total	1,137,142,182	1,957,005,302

Other Important Disclosures (Continued)

a) External assistance relating to loans.

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
External assistance received as loans	1,137,142,182	1,957,005,302
Total	1,137,142,182	1,957,005,302

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2022/2023	FY 2021/2022
Description		Kshs	Kshs
Undrawn external assistance - loans		5,570,638,754	6,708,973,263
Total		5,570,638,754	6,708,973,263

c) Classes of providers of external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Multilateral donors	1,137,142,182	1,957,005,302
Total	1,137,142,182	1,957,005,302

d) Purpose and use of external assistance

Payments Made by Third Parties	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Acquisition of Assets	1,134,601,832	1,957,005,302
Use of goods and services	2,540,350	-
TOTAL	1,137,142,182	1,957,005,302

Other Important Disclosures (Continued)

e) External Assistance paid by third Parties on behalf of the Entity by Source

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Multilateral donors	1,137,142,182	1,957,005,302
Total	1,137,142,182	1,957,005,302

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project Reports and Financial Statements For the financial year ended June 30, 2023

13. Annexes

Annex 1: Prior Year Auditor-General’s 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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Note 11.1	<p>Inaccuracies in Financial statements 1.1 Transfers from Government entities The statement of receipts and payments reflects transfers from Government entities of Kshs.124,011,058 for the year ended 30 June 2022. However, the statement of comparison of budget and actual amounts shows an actual transfer from government entities amount of 132,973,110 resulting to unexplained and unreconciled variance of Kshs.8,962,052.</p>	<p>We agree with the auditor’s observation. The statement of receipts and payments reflects transfers from Government entities of Kshs.124,011,058 but the statement of comparison of budget and actual amounts shows KSh.132,973,110. This difference arose because of a misrepresentation of the release of retention of Ksh.8,962,053 for China Wu Yi considered erroneously as part of the actual amounts in the comparison of budget and actual amounts. Therefore, the figure of Kshs.124,011,058 is the correct figure. The financial statements were corrected to reflect the correct amount Kshs.124,011,058 on</p>	Resolved	

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the comparison of budget and actual amounts.</p>			
1.2	<p>Pending Bills. Note 11.1 to the financial statements reflects pending bills amounting Ksh.946,931,517 as at 30 June ,2021. Although the management has continued to liaise with the National treasury for adequate budgetary allocation and timely exchequer payments in the subsequent financial year, the project is at risk of incurring significant interest costs and penalties with the continued delay in making payments</p>	<p>We agree with the auditor’s observation have revised the financial statements as attached.</p> <p>We agree with the auditor’s and the status report for both Lot 1 and Lot 2 has been updated in the revised financial statements.</p>	Not resolved	Continuous

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.3	<p>Deficit for the year The statement of receipts and payments reflects a deficit for the year of Kshs.8,401,552 while the statement of financial assets indicates a nil deficit amount thereby resulting in an unexplained variance of Kshs.8,401,552.</p>	<p>We disagree with the auditor's observation that there was an unexplained variance of Kshs.8,401,552 between the statement of receipts and payments and the statement of financial assets. The deficit balance of Kshs. 8,401,552 is the net movement in Retention resulting from the release of retention of Ksh.8,962,053 to China Wu Yi less retention not paid of Ksh.560,500 for China State Construction, copies of the</p>	Resolved	

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Failure to Maintain a Project Cashbook and Account The statement of receipts and payments indicates an amount of Kshs.124,011,058 received by the Project as transfer from Government entities through the parent Ministry (State Department for Infrastructure). However, the receipts to the Project could not be confirmed to the bank statements and the Project cashbook since the Authority does not maintain a project specific bank account and cashbook.</p>	<p>We disagree with the auditor's observation that the Authority does not maintain a project specific bank account and cashbook.</p> <p>We wish to clarify that all receipts from exchequer are received in one account. Although the authority maintains one exchequer book, it is possible to extract each individual project showing receipts and payments as and when needed. We also wish to note that separate ledger accounts are maintained for each project account. We further clarify that exchequer for the Authority is released in tranches relative to the total budget.</p>	<p>Not resolved</p>	


Eng. Kungu Ndungu
 Director General

20 SEP 2023
 Date


Eng. Henry Gakuru
 Ag. Director-Development

20 SEP 2023
 Date

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project Reports and Financial Statements For the financial year ended June 30, 2023

Annex 2: Variance explanations - Comparative Budget and Actual amounts for 2022/2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation	Comments on Variance (below 90% and over 100%)
	a	b	c=a+b	d	e=c-d	f=d/c %	
Receipts							
Transfer from Government entities	200,000,000	(73,100,208)	126,899,792	126,899,792	-	100%	
Proceeds from borrowings	2,500,000,000	(1,050,000,000)	1,450,000,000	1,137,142,182	312,857,818	78%	Attributed to slow progress of works due to pending addendum
Total Receipts	2,700,000,000	(1,123,100,208)	1,576,899,792	1,264,041,974	312,857,818	80%	
Payments							
Goods & Services				13,492,308			Attributed to slow progress of works due to pending addendum
Acquisition of Non Financial Assets	2,700,000,000	(1,123,100,208)	1,576,899,792	1,245,774,512	317,632,972	80%	
Total Payments	2,700,000,000	(1,123,100,208)	1,576,899,792	1,259,266,820	317,632,972	80%	

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023

Annex 3: Reconciliation of inter-entity transfers

Project Name: Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads			
Break down of transfers from the State Department of Roads			
a.	Government Counterpart funding	Bank Statement Date	Amount (Kshs) 2022/2023
		5th October 2022	126,899,792
		Total	126,899,792
B.	Direct payments		
		Total	-
C.	Others		
		Total	126,899,792
		Total (A+B+C)	126,899,792

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


Eng. Kungu Ndungu
 Director General

23 SEP 2023

Date



CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No. 8279
23 SEP 2023

Date

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023

Annex 4: Analysis of Pending bills

Supplier/Contractor	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance FY 2022/23	Outstanding Balance (Restated) FY 2021/22	Comments
		a	b	c=a-b		
Construction of civil works						
China Wu Yi Co. Ltd.	18-Mar-21	266,382,155	255,574,809	10,807,345.99		13
China Wu Yi Co. Ltd.	07-Jul-21	305,018,669	272,360,528	32,658,140.87		14
China Wu Yi Co. Ltd.	01-Oct-21	304,235,474	257,412,460	46,823,014.13		15
China Wu Yi Co. Ltd.	07-Dec-21	330,272,032	278,994,264	51,277,768.45	-	16
China Wu Yi Co. Ltd.	15-Mar-22	298,764,554	252,536,368	46,228,186.08		18
China Wu Yi Co. Ltd.	01-Jun-22	378,047,814	319,461,860	58,585,953.70		20
China Wu Yi Co. Ltd.	09-Jun-22	275,790,854	232,366,609	43,424,244.76		21
China State Construction	15-Nov-21	345,126,245	291,765,205	53,361,039.85		11
China State Construction	23-Mar-22	514,834,687	443,323,210	71,511,476.66		12
China State Construction	02-Jun-22	326,300,190	271,716,424	54,583,766.24		13
China State Construction	31-Aug-22	28,514,394	-	28,514,394.00		14
China State Construction	13-Dec-22	27,493,621	-	27,493,621.00		15

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023

Supplier/Contractor	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance (Restated)	Comments
		a	b	FY 2022/23 c=a-b	FY 2021/22	
China State Construction	16-Jan-23	29,992,246	-	29,992,246.00		16
China State Construction	17-Feb-23	21,822,741	-	21,822,741.00		17
China State Construction	12-Apr-23	17,336,694	-	17,336,694.00		18
China State Construction	17-Apr-23	17,837,581	-	17,837,581.00		19
China State Construction	15-May-23	22,158,766	-	22,158,766.00		20 int
China State Construction	15-May-13	33,448,001	-	33,448,001.00		21
China State Construction	05-Jun-23	32,825,294	-	32,825,294.00		22
Sub-Total		3,576,202,012	3,576,202,012	700,690,275	31,864,615	
Supply of goods						
Abdul Mullick Associates	24-Apr-23	10,261,653	-	10,261,653		40
Apec Consortium	02-Oct-20	18,360,053	-	18,360,053		4
Government Printers		27,840	-	27,840		343
Sari Consulting	25-May-21	7,422,376	6,718,531	703,845		37
Sari Consulting	25-May-21	7,920,134	7,169,088	751,046		38
Sari Consulting	25-May-21	7,962,054	7,225,998	736,056		39
Smec International (Pty)	27-Apr-21					03R

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023

Supplier/Contractor	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance FY 2022/23	Outstanding Balance (Restated) FY 2021/22	Comments
		a	b	c-a-b		
		240,245	-	240,245		
Simec International (Pty)	11-Mar-21	240,245	-	240,245		4
Simec International (Pty)	07-Dec-21	360,367	-	360,367		05R
Sub-Total		52,794,967	21,113,617	31,681,351	71,531,356	
Land Compensation				12,796,634	28,855,451	
Grand Total		3,628,996,979	3,597,315,629	745,168,259	132,251,422	

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2023

Annex 5: Summary of Fixed Assets Register

	2022/23		2021/22		Cumulative to-date
	Payments made by the Entity	Payments Made by Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Research, studies, project preparation, design & supervision	16,051,525	113,408,947	129,460,472	166,651,904	919,694,656
Rehabilitation of Roads	79,062,338	1,021,192,885	1,100,255,223	1,889,716,375	8,529,918,809
Acquisition of land	16,058,817.00	-	16,058,817	-	3,776,811,808
Total	111,172,680	1,134,601,832	1,245,774,512	2,056,368,279	13,226,425,273