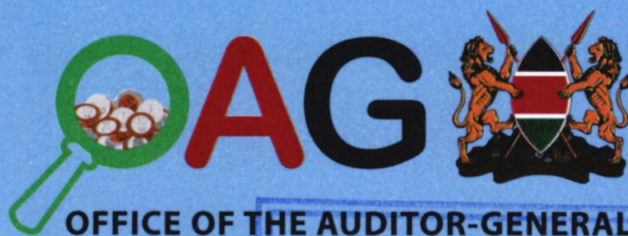


REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 05 DEC 2024

DAY.

Thursday

**REPORT**

Hon. Kimani Ichunguath  
(Leader of the Majority Party)

CLERK-AT  
THE TABLE:

Anastacia



**OF**

**THE AUDITOR-GENERAL**

**ON**

**MULTINATIONAL ARUSHA-HOLILI/TAVETA-  
VOI ROAD CORRIDOR DEVELOPMENT  
PROJECT PHASE I PROJECT LOAN  
NO.2100150028894**

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

**KENYA NATIONAL HIGHWAYS  
AUTHORITY**



OFFICE OF THE AUDITOR GENERAL  
P.O. Box 30084 - 00100, NAIROBI  
REGISTRY

07 NOV 2024

RECEIVED

MINISTRY OF ROADS AND TRANSPORT



**Kenya National Highways Authority**

Quality Highways, Better Connections

**PROJECT NAME: MULTINATIONAL: ARUSHA-HOLILI/TAVETA-VOI ROAD CORRIDOR  
DEVELOPMENT PROJECT PHASE I**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT LOAN NO: 2100150028894**

**PROJECT NO. P-ZI-DBO-075**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



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**1. Acronyms and Definition of Terms**

ADB	African Development Bank
ADF	African Development Fund
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIK	Environment Institute of Kenya
FY	Financial Year
GK	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
KISM	Kenya Institute of Supplies Management
LSK	Law Society of Kenya
MRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
PAP	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
TNT	National Treasury
UA	Unit of Account

## 2. Project Information and Overall Performance

### 2.1 Name and registered office

Project Name	Multinational Arusha-Holil/Taveta-Voi Road Corridor Development Project Phase 1: Mwatate – Taveta Road Project
Project Objectives	The objective of the Project was to develop the priority road corridor between Arusha in Tanzania and Voi, and onward to Mombasa Port in Kenya, to reduce transport costs and facilitate cross-border trade, enhance tourism and improve accessibility for the communities in the zone of influence in markets and social services. The project therefore contributed to the reduction of poverty and promote regional integration.
Project Registered Office and Physical Location:	The project headquarters office was at Barabara Plaza, Jomo Kenyatta International Airport, Nairobi, Off Mazao Road
Project Address	P.O. Box 49712-00100 Nairobi
Contacts:	Telephone: 254-20-8013842; Email dg@kenha.co.ke; Website www.kenha.co.ke

### 2.2 Project Information

Project Start Date:	15th July, 2013
Project End Date:	31st December, 2019
Project Management:	Eng. Henry Gakuru – Director, Development Eng. Cleophas Makau – Project Co-ordinator
Project Sponsor:	African Development Bank (AfDB) and the Government of Kenya

### 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-ZI-DBO-075
Strategic goals of the Project	The strategic goals of the project were as follows: - i) Increase efficiency of road transport along the Multinational Arusha-Holili Taveta-Voi Corridor to facilitate trade and regional integration.
Summary of Project Strategies for achievement of strategic goals	The project management achieved the goals by Implementing the project in timely, efficient and effective manner

**Project Information and Overall Performance (Continued)**

Other important background information of the project	<p><b>Project Components:-</b></p> <p>The Project had four components in Kenya, as described below:-</p> <p><b>Component 1: Civil Works</b> The component involves construction of Mwatate-Taveta Road (89Kms) and the Taveta Bypass (12 kms) of 7.0m carriageway with 2.0m sealed shoulders. The civil works will include bridges, drainage structures, road side amenities and environmental and social mitigation measures.</p> <p><b>Component 2: Consulting Services</b> Under the component the project will contract consultants to undertake: (i) Design Review and Supervision of the works above; (ii) road safety; (iii) sensitization and mitigation activities on HIV/AIDS, STI and gender issues; (iv) baseline data collection and monitoring of ESMP implementation (v) technical audit; and (iv) financial audit</p> <p><b>Component 3: Technical Assistants.</b> This component is to cater for technical Assistance to the project.</p> <p><b>Component 4: Compensation and Resettlement:</b> The component provides for compensation and resettlement of the Project Affected Persons (PAPs) in accordance with the Resettlement Action Plans (RAPs).</p>
---	---

**PROJECT COMPONENTS AND COSTS - LOAN**

**Components under Kenya National Highways Authority (KeNHA)**

The following components of the project were being implemented by the Kenya National Highways Authority

Category of Expenditure	Categories of Expenditure (In Million UA)		
	F.C	L.C	Total
Works	42.83	28.35	71.18
Services	2.07	1.75	3.82
<b>TOTAL</b>	<b>44.90</b>	<b>30.10</b>	<b>75.00</b>

The project was financed by African Development Bank at 91 % on Civil Works Construction while 9% is financed by the Government of Kenya.

Areas that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>i) Poor transport infrastructure along the project road.</li> <li>ii) Excessive travel time and high vehicle operating costs along the Corridor</li> <li>iii) Expand project funds including Donor/GK towards attainment of the project objective.</li> </ul>
Project duration	The project started on 15 <sup>th</sup> July 2013 and ended on 31 <sup>st</sup> December 2019.

**Project Information and Overall Performance (Continued)**

**2.4 Bankers**

The following are the bankers of the project:

Co-operative Bank of Kenya Ltd  
Upper Hill Branch, Nairobi  
Account Number: '01141160979900

**2.5 Independent Auditor**

The project is audited by:

The 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	Project Implementing Team Leader
2	Eng. Cleophas Makau	Deputy Director, Special Projects	Registered Engineer	Project Co-Ordinator
3	CPA Chanje Kera	Deputy Director, Finance & Accounts	Certified Public Accountant	Project Financial Management Specialist
4	Eng. Anthony Omach	Engineer	Registered Engineer	Assistant Project Co-ordinator
5	Mr. Walter Nyatwanga	Deputy Director, (Environmental & Social)	Member EIK, NEMA Lead Expert	Safeguard Specialist
6	Mr. Richard Kilel	Assistant Director, Supply Chain Services	Registered Member KISM	Project Procurement Specialist

**2.7 Funding summary**

The project was for duration of Five years from 15th July 2013 to 31<sup>st</sup> December, 2019 with an approved loan budget of UA 75,000,000 equivalent to Kshs 10,660,050,000 by ADB and Kshs 3,104,597,761 by GK as highlighted in the table below:

**Project Information and Overall Performance (Continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitments (30.06.2024)		Amount received to date (30.06.2024)		Undrawn balance to date (30.06.2024)*	
	Donor Currency	Kshs	Donor Currency	Kshs	Donor Currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') – (B')
<b>(i) Loan</b>	UA	Kshs	UA	Kshs	UA	Kshs
African Development Bank (ADB)	75,000,000	10,660,050,000	54,457,650	7,740,283,636	20,542,350	2,919,766,364
<b>(ii) Counterpart Funds</b>	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	3,104,597,761	3,104,597,761	3,104,597,761	3,104,597,761	-	-
<b>Total</b>		<b>13,764,647,761</b>		<b>10,844,881,397</b>		<b>2,919,766,364</b>

\*The undrawn balance from the Development Partner was not utilized since the Project was completed in FY 2019/2020.

**B. Application of Funds**

Application of funds	Amount received to 30th June 2024		Cumulative Amount paid to 30th June 2024		Unutilised balance to 30th June 2024	
	Donor Currency	Kshs	Donor Currency	Kshs	Donor Currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') – (B')
<b>(i) Loan</b>	UA	Kshs	UA	Kshs	UA	Kshs
African Development Bank (ADB)	54,457,650	7,740,283,636	54,457,650	7,740,283,636	-	-
<b>(ii) Counterpart Funds</b>	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	3,104,597,761	3,104,597,761	3,101,839,972	3,101,839,972	2,757,789	2,757,789
<b>Total</b>		<b>10,844,881,397</b>		<b>10,842,123,608</b>		<b>2,757,789</b>

**2.8 Summary of Overall Project Performance:**

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

	2023/2024			Cumulative		
	Actual	Budget	%	Actual	Budget	%
Counterpart Funds – GK	-	-	-	3,101,839,972	3,310,159,869	94%
Loan from External Development Partners						
Direct Payments	-	-	-	7,740,283,637	10,691,307,461	72%
<b>Total</b>	-	-	-	<b>10,842,123,609</b>	<b>14,001,467,330</b>	<b>77%</b>

**Project Information and Overall Performance (Continued)**

- ii) **Physical progress based on outputs, outcome and impacts since project commencement.**  
The project was Completed and taken over by the employer in FY 2019/2020

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

<b>Financial Year</b>	<b>Budget</b>	<b>Actual</b>	<b>Percentage (%)</b>
FY 2023/24	-	-	-
FY 2022/23	6,255,875	3,498,086	56%
FY 2021/22	-	-	-
FY 2020/21	20,000,000	17,500,000	88%
FY 2019/20	328,845,731	284,905,603	87%
FY 2018/19	1,240,696,092	1,108,927,817	89%
FY 2017/18	1,311,342,419	588,939,936	45%
FY 2016/17	3,390,000,000	2,803,379,634	83%
FY 2015/16	3,399,000,000	3,147,607,368	93%
FY 2014/15	2,275,327,213	2,245,535,286	99%
FY 2013/14	2,030,000,000	641,829,879	32%
<b>TOTAL</b>	<b>14,001,467,330</b>	<b>10,842,123,609</b>	<b>77%</b>

iv) **Project Implementation Challenges**

During the implementation phase of the project, the project experienced inadequate funding arising from low GK counterpart budgetary provisions for timely settlement of the GK counterpart project costs. It is recommended that the Government provides adequate budgetary provisions for all projects in order to facilitate smooth projects implementation.

**2.9 Summary of Project Compliance:**

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

### 3. Statement of Performance Against Project’s Predetermined Objectives

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

The key development objectives of the project’s agreement were to:

- a) Increase efficiency of road transport along the Multinational Arusha-Holili Taveta-Voi Corridor to facilitate trade and regional integration. To support regional integration, cross border trade, tourism, socio-economic development of the zone of influence and a contribution to the reduction of poverty.

#### **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:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase I	The objective of the Project was to develop the priority road corridor between Arusha in Tanzania and Voi, and onward to Mombasa Port in Kenya, to reduce transport costs and facilitate cross-border trade, enhance tourism and improve accessibility for the communities in the zone of influence in markets and social services. The project therefore contributed to the reduction of poverty and promote regional integration.	Increased efficiency of road transport along the Multinational Arusha-Holili Taveta-Voi Corridor to facilitate trade and regional integration.	Reduced travel costs and travel time	Project Completed and opened for public use hence reducing travel time and costs

#### **4. Environmental and Sustainability reporting**

The Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase I 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 drove towards sustainability.

##### **i) Sustainability strategy and profile**

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the attainment of peace and prosperity for the people. 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.

**Environmental and Sustainability reporting (Continued)**

**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 social amenities to the local residents through drilling of boreholes and 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.

**Environmental and Sustainability reporting (Continued)**

Details of some of the CSR activities the Contractor undertook are as listed below:

<b>NO.</b>	<b>ORGANIZATION/BENEFICIARY</b>	<b>NATURE OF CSR</b>	<b>AMOUNT (KSHS)</b>
1	Malukiloriti A.C.K. Church	Construction of a Church	500,000
2	Ndilidau Sandu Community	Cash Funds and 18 water pipes	339,240
3	Taita Taveta County Government	Salaita Community War Memoria	100,000
4	Taita Taveta Njoro Community	Construction of a Secondary School	4,000,000
5	Mwakitau Police Patrol Base	Two block office	400,000
6	Taita Taveta County Government	Water Borehole to Kwa Doto Community	1,500,000
	<b>Total</b>		<b>6,839,240</b>

**5. Statement of Project Management Responsibilities**

The Director General, KeNHA and the Project Implementing Team Leader 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.

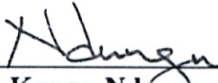
The Director General, KeNHA and the Project Implementing Team Leader accept responsibility for the project’s financial Statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting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


The Director General, KeNHA and the Project Implementing Team Leader are of the opinion that the Project financial statements give a true and fair view of the state of the Project’s transactions during the financial year ended June, 30, 2024 and the Project’s financial position as at that date. The Director General, KeNHA and the Project Implementing Team Leader further confirm that completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial Statements and the adequacy of the systems of internal financial control.

The Director General, KeNHA and the Project Implementing 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 are used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by the Director General, KeNHA and the Project Implementing Team Leader on .....19. JUL. 2024.....and signed by:

  
\_\_\_\_\_  
Eng. Kungu Ndungu, MBS  
Director General

  
\_\_\_\_\_  
Eng. Henry Gakuru  
Director, Development

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

# REPUBLIC OF KENYA



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

## **REPORT OF THE AUDITOR-GENERAL ON MULTINATIONAL ARUSHA-HOLILI/TAVETA-VOI ROAD CORRIDOR DEVELOPMENT PROJECT PHASE I PROJECT LOAN NO.2100150028894 PROJECT NO.P-ZI-DBO-075 FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA NATIONAL HIGHWAYS AUTHORITY**

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### 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 Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase I set out on pages 1 to 14,

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*Report of the Auditor-General on Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase I Project Loan No.2100150028894 Project Loan No.P-ZI-DBO-075 for the year ended 30 June, 2024-Kenya National Highways Authority*

which comprise the statement 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 Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase I 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 Loan No.2100150028894 Project Loan No.P-ZI-DBO-075 dated 5 July, 2013 between the African Development Bank and the Republic of Kenya and the Public Finance Management Act, 2012.

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

### **Basis for Opinion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase I 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 4 to the financial statements and Note 6 on other important disclosures to the financial statements reflects pending accounts payables balance of Kshs.21,807,516. The balance is made up of previous years pending accounts payables in respect of unsettled acquisition of land and construction of road balances of Kshs.13,985,986 and Kshs.7,821,530, respectively. The pending bills balance of Kshs.13,985,986 in respect of acquisition of land ought to have been settled before the commencement of the Project as per the conditions set out in the Loan Agreement. Management attributed the pending bills to the outstanding Government of Kenya (GoK) counterpart funds. However, Management did not provide details of the measures put in place to settle the pending bills. 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**

According to Paragraph 2.7 on Funding Summary, the Project was for a duration of five years starting from 15 July, 2013 and end on 31 December, 2019 with an approved budget of UA 75,000,000 equivalent to Kshs.10,660,050,000 to be financed by the Donor while the Government of Kenya (GoK) counterpart funding was Kshs.3,104,597,761. The total Donor commitments received as at 30 June, 2024 amounted to UA 54,457,650 equivalent to Kshs.7,740,283,636 leading to undrawn balance of AU 20,542,350 equivalent to Kshs.2,919,766,364. However, the GoK counterpart funding had been fully received by the Project.

Further, paragraph 2.8(ii) Summary of Overall Project Performance on physical progress based on outputs, outcomes and impacts since Project commencement, the Project was completed and taken over by the employer during the financial year 2019/2020. However, the Project closure report was not provided for audit. Management did not provide an explanation for the failure to close the Project, over four (4) years after the completion date.

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.

### **Other Information**

#### **Conclusion**

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

## **Basis for Conclusion**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution 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 the ISSAIs 3000 and 4000. The Standards requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Bank, 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**

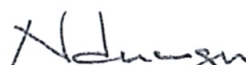
**Nairobi**

**12 November, 2024**


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

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	Cumulative to date (From Inception)
		FY 2023/24			FY 2022/23			
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Receipts</b>								
Transfer from Government entities	1	-	-	-	6,255,875	-	6,255,875	3,104,597,761
Loan from external Development Partners	2	-	-	-	-	-	-	7,740,283,636
<b>Total Receipts</b>		-	-	-	<b>6,255,875</b>	-	<b>6,255,875</b>	<b>10,844,881,397</b>
<b>Payments</b>								
Purchase of Goods & Services	3	-	-	-	-	-	-	47,801,984
Acquisition of non-financial assets	4	-	-	-	3,498,086	-	3,498,086	10,794,321,624
<b>Total Payments</b>		-	-	-	<b>3,498,086</b>	-	<b>3,498,086</b>	<b>10,842,123,608</b>
<b>Surplus/(Deficit) for the year</b>		-	-	-	<b>2,757,789</b>	-	<b>2,757,789</b>	<b>2,757,789</b>


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

  
Eng. Kungu Ndungu, MBS  
Director General

19 JUL 2024  
Date

  
Eng. Henry Gakuru  
Director, Development

19 JUL 2024  
Date

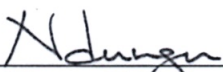
  
CPA Chanje Kera  
Deputy Director (F&A)  
ICPAK Member No: 8279


19 JUL 2024  
Date


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

	Notes:-	2023/24 Kshs.	2022/23 Kshs.
<b>Financial Assets</b>			
Cash and Cash Equivalents	5	2,757,789	2,757,789
<b>Total Financial Assets (A)</b>		<b>2,757,789</b>	<b>2,757,789</b>
<b>Financial Liabilities</b>			
Third Party Payables - Retentions		-	-
<b>Total Financial Liabilities (B)</b>		<b>-</b>	<b>-</b>
<b>Net Financial Assets (A-B)</b>		<b>2,757,789</b>	<b>2,757,789</b>
<b>Represented By: -</b>			
Fund balance b/fwd.		2,757,789	-
Surplus/(Deficit) for the year		-	2,757,789
<b>Net Financial Assets</b>		<b>2,757,789</b>	<b>2,757,789</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 19 JUL 2024 and signed by:

  
Eng. Kungu Ndungu, MBS  
Director General

  
Eng. Henry Gakuru  
Director, Development

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

9. Statement of Cash flows for the year ended 30<sup>th</sup> June 2024

	Notes	2023/24	2022/23
		Kshs.	Kshs.
<b>Cashflow from Operating Activities</b>			
<b>Receipts</b>			
Transfers from Government entities	1	-	6,255,875
<b>Total Receipts</b>		-	<b>6,255,875</b>
<b>Payments</b>			
Purchase of goods and services		-	-
<b>Total Payments</b>		-	-
<b>Net cash flow from operating activities</b>		-	<b>6,255,875</b>
<b>Cashflow from Investing Activities</b>			
Acquisition of Non-Financial Assets	4	-	(3,498,086)
<b>Net cash flows from Investing Activities</b>		-	<b>(3,498,086)</b>
<b>Cashflow from financing Activities</b>			
Proceeds from Foreign Borrowings		-	-
<b>Net Proceeds from Foreign Borrowings</b>		-	-
Net cash flow from financing activities		-	-
<b>Net Increase in Cash and Cash Equivalent</b>		-	<b>2,757,789</b>
<b>Cash &amp; cash equivalent at Beginning of the year</b>		<b>2,757,789</b>	-
<b>Cash and cash equivalent at End of the year</b>		<b>2,757,789</b>	<b>2,757,789</b>

**10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30<sup>th</sup> June 2024**

<b>Receipts/Payments</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>
<b>Receipts</b>						
Transfers from Government entities	-	-	-	-	-	-
Proceeds from foreign borrowings	-	-	-	-	-	-
<b>Total Receipts</b>	-	-	-	-	-	-
<b>Payments</b>						
Purchase of goods and services				-		
Acquisition of non-financial assets	-	-	-	-	-	-
<b>Total Payments</b>	-	-	-	-	-	
<b>Surplus or Deficit</b>	-	-	-	-	-	-

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

## **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 Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase 1 under the Kenya National Highways Authority. The financial statements are for the Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase 1 as required by Section 81 of the PFM Act, 2012.

### **c) Reporting currency**

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

### **d) Recognition of receipts**

Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase 1 recognizes all receipts from various sources when an 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 received when a payment instruction is issued to the bank and the receiving entity is notified.

#### **ii) External Assistance**

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

**Significant Accounting Policies (Continued)**

**iii) Other receipts**

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

**iv) Donations and grants**

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

**v) Proceeds from borrowing**

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

**vi) Undrawn external assistance**

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

**e) Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has 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 when the goods/services are consumed and paid for. If not paid for when 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 incur and paid for.

**Significant Accounting Policies (Continued)**

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

**f) In-kind donations**

In-kind contributions are donations 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

**Significant Accounting Policies (Continued)**

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,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There were no contingent liabilities in the year.

**k) Contingent Assets**

The Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase 1 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

**Significant Accounting Policies (Continued)**

wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**l) Pending bills**

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

**m) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National 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 functional currency using the exchange

**Significant Accounting Policies (Continued)**

rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

**p) Comparative figures**

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

**q) Subsequent events**

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

**r) Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior year adjustments during the year under audit.

**12. Notes to the Financial Statements**

**1. Transfers from Government entities**

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

	FY 2023/24	FY 2022/23	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	-	6,255,875	794,791,885
Counterpart funds Quarter 2	-	-	806,364,597
Counterpart funds Quarter 3	-	-	740,526,401
Counterpart funds Quarter 4	-	-	762,914,878
<b>TOTAL</b>	-	<b>6,255,875</b>	<b>3,104,597,761</b>

**2. Loan from External Development Partners**

The Project's financing agreement lapsed on 31 December 2019 hence no funding from development partners was received in form of loans negotiated by the National Treasury in the current FY (FY 2022/23 Kshs Nil). A cumulative amount of Kshs 7,740,283,636 was however utilised in the project.

**3. Purchase of Goods and Services**

Description	FY 2023/24			FY 2022/23	Cumulative
	Payments made in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	-	-	-	-	19,594,727
Advertising and information supplies & services	-	-	-	-	28,207,257
<b>Total</b>	-	-	-	-	<b>47,801,984</b>

**Notes to the Financial Statements (Continued)**

**4. Acquisition of Non-Financial Assets**

Description	FY 2023/24			FY 2022/23	Cumulative  Kshs
	Payments made in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	-	-	-	3,498,086	9,967,336,332
Acquisition of land	-	-	-	-	826,985,292
<b>Total</b>	-	-	-	<b>3,498,086</b>	<b>10,794,321,624</b>

**5. Cash and Cash Equivalents**

Description	2023/2024 Kshs	2022/2023 Kshs
Bank Accounts (Note 5A)	2,757,789	2,757,789
<b>Total</b>	<b>2,757,789</b>	<b>2,757,789</b>

**5.A Bank Accounts**

Description	2023/2024 Kshs	2022/2023 Kshs
Co-operative Bank of Kenya Ltd A/C: '01141160979900	2,757,789	2,757,789
<b>Total</b>	<b>2,757,789</b>	<b>2,757,789</b>

**Other Important Disclosures**

**6. Pending Accounts Payable (Annex 4)**

Description	Balance b/f FY 2023/24	Additions for the period	Paid during the year	Balance c/f FY 2023/24
Description	Kshs	Kshs	Kshs	Kshs
Construction of Road	7,821,530	-	-	7,821,530
Acquisition of Land	13,985,986	-	-	13,985,986
<b>Total</b>	<b>21,807,516</b>	-	-	<b>21,807,516</b>

**Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase 1  
Annual Report and Financial Statements for the financial year ended June 30, 2024**


**13. Annexes**

**Annex 1 - Prior Year Auditor-General's Recommendations**


Ref :	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p><b>Other Matter</b></p> <p><b>Absorption of Project Funds</b> According to overall project performance provided in the financial statements, the actual receipts from the donor during the project life was Kshs 7,740,565,739 leaving out Kshs 2,919,484,261 undrawn. The credit thus lapsed without being fully utilized and therefore the project's planned deliverables may not have been realized. In addition, the Management did not provide the project closure report for review.</p> <p>Further, as disclosed under project information and overall performance section of the financial statements, the Project cumulative receipts from external development partners and GoK was Kshs 10,844,881,397 as at 30 June 2023, representing 73% of the total project commitment of Kshs 13,764,647,761. It was therefore not possible to confirm whether the project's goals were achieved with only 73% funds received.</p>	<p>We agree with the audit observation that the project utilized an amount of Kshs 7,740,565,739 from the development partner, leaving out an unutilized loan balance of Kshs 2,919,484,261. This was a result of:</p> <ul style="list-style-type: none"> <li>a) competitive procurement process which resulted in lower bids hence lower project costs.</li> <li>b) close project monitoring ensured smooth project implementation hence lower overall project costs</li> </ul> <p>We agree with the audit observation that the project closure report was not ready at the time of audit. The project closure report is under development.</p> <p>We disagree with the observation that it was not possible to confirm whether the project's goals were achieved. We wish to clarify that all the planned project components were successfully implemented, handed over to the employer and the road project opened for public use.</p>	<p><b>Not Resolved</b></p>	<p><b>FY 2024/25</b></p>

**Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase 1  
Annual Report and Financial Statements for the financial year ended June 30, 2024**

<p><b>Basis for Conclusion</b></p> <p><b>Long Outstanding Payables</b></p> <p>Annex 4 of the financial statements reflects pending accounts payable totaling to Kshs 21,807,516 as at 30 June 2023 in respect of construction of roads and land compensation of Kshs 7,821,530 and Kshs 13,985,986 respectively. The pending bills balance of Kshs 13,985,986 in respect of outstanding land compensation ought to have been settled before the project commenced as per the conditions set out in the loan agreement. Management attributed the pending bills to the outstanding GoK counterpart funds. However, Management did not provide details of the measures put in place to settle the pending bills.</p> <p>In the circumstances, the project is at risk of incurring significant interest costs and penalties due to continued delay in settlement of the outstanding payables.</p>	<p>We agree with the observation that the Project had outstanding bills amounting to Kshs 21,807,516 in respect of construction of roads and land compensation of Kshs 7,821,530 and Kshs 13,985,986 respectively. This was a result of Insufficient GK budgetary allocations in financial year under audit as well as prior financial years. The insufficient budgetary allocation meant that the Authority could not settle the outstanding payables.</p> <p>The Authority has and continues to closely liaise with the parent ministry and the National Treasury to ensure provision of adequate budgets to settle the outstanding bills.</p>	<p><b>Not Resolved</b></p>	<p><b>Ongoing</b></p>
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**Eng. Kungu Ndungu, MBS**  
**Director General**

19 JUL 2024  
Date

  
**Eng. Henry Gakuru**  
**Director, Development**

19 JUL 2024  
Date

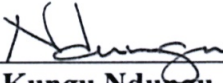
*Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase 1  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**Annex 2 - Variance Explanations - Comparative Budget and Actual Amounts for Current FY**

	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>	<b>Comments on Variance (below 90% and over 100%)</b>
	<b>a</b>	<b>b</b>	<b>c=a-b</b>	<b>d=b/a %</b>	
<b>Receipts during the year</b>					
Government of Kenya	-	-	-	-	
External financing	-	-	-	-	
<b>Total receipts</b>	-	-	-	-	
<b>Payments during the year</b>					
Purchase of goods and services	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	
<b>Total Payments</b>	-	-	-	-	


**Annex 3 - Reconciliation of Inter-Entity Transfers**

<b>Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase 1</b>			
<b>Break down of Transfers from the State Department for Roads</b>			
<b>Government Counterpart Funding</b>			
<b>No</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Indicate the FY to which the amounts relate</b>
1	-	-	
<b>Total</b>		-	

  
\_\_\_\_\_  
**Eng. Kungu Ndungu, MBS**  
**Director General**

19 JUL 2024

\_\_\_\_\_  
**Date**

  
\_\_\_\_\_  
**CPA Chanje Kera**  
**Deputy Director (F&A)**  
**ICPAK Member No: 8279**  
19 JUL 2024

\_\_\_\_\_  
**Date**

*Multinational Arusha-Holili/Taveta-Voi Road Corridor Development Project Phase 1  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**Annex 4 - Analysis of Pending Bills**

Supplier of Goods or Services	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance		IPC / FEE NOTE NO.
				FY 2023/24	FY 2022/23	
		a	b	c=a-b		
<b>Construction of roads</b>						
Joint Venture of Yooshin Eng. Corporation & Apec Consortium	02-Jan-20	7,821,530	-	7,821,530	7,821,530	9
<b>Sub-Total</b>		<b>19,535,785</b>	<b>11,714,255</b>	<b>7,821,530</b>	<b>7,821,530</b>	
<b>Acquisition of Land</b>						
Land Compensation		833,628,238	819,642,252	13,985,986	13,985,986	
<b>Sub-Total</b>		<b>833,628,238</b>	<b>819,642,252</b>	<b>13,985,986</b>	<b>13,985,986</b>	
<b>Grand Total</b>		<b>853,164,023</b>	<b>831,356,507</b>	<b>21,807,516</b>	<b>21,807,516</b>	

**Annex 5 – 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 in/(out) (KShs) 2023/24	Closing Cost (KShs) 2023/24
	(a)	(b)	(c)	(d)	(e)	(f)= (a)+ (b)+©+-(d)-(e')
Construction of Road	9,967,336,332	-	-	-	-	9,967,336,332
Land	826,985,292	-	-	-	-	826,985,292
<b>Total</b>	<b>10,794,321,624</b>	-	-	-	-	<b>10,794,321,624</b>