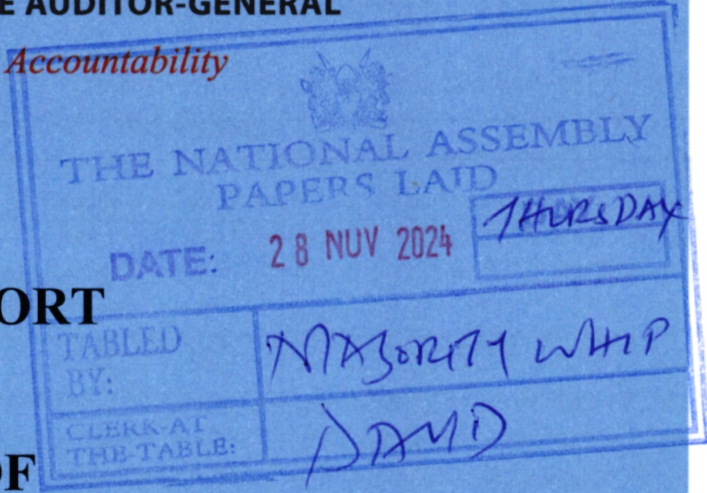


REPUBLIC OF KENYA



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REPORT

OF

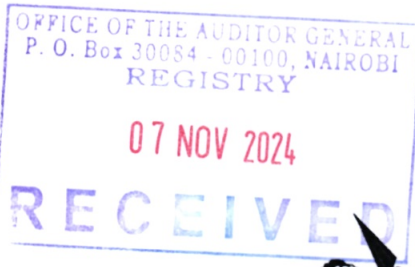
THE AUDITOR-GENERAL

ON

**KENYA - SOUTH SUDAN LINK ROAD PROJECT
(REF. NO. 2020 62 065 AND BMZ NO.2020 83 939)**

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

KENYA NATIONAL HIGHWAYS AUTHORITY



MINISTRY OF ROADS & TRANSPORT



PROJECT NAME: KENYA SOUTH SUDAN LINK (KITALE MORPUS) ROAD PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT GRANT/CREDIT NUMBER:
KfW FRANKFURT AM MAIN ("KfW")**

PROJECT REF NO 202062065/202083939

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

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

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

Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

***Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

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*Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIA	Environmental Impact Assessment
ESIA	Environmental Social Impact Assessment
ESMP	Environment and Social Management Plan
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
KfW	Kreditanstalt für Wiederaufbau
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
TNT	National Treasury
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
SIA	Social Impact Assessment
SMART	Specific, Measurable, Achievable, Realistic and Time

***Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

2. Project Information and Overall Performance

2.1 Name and registered office

Kenya South Sudan Link (Kitale Morpus) Road Project

Objective:

The KfW FRANKFURT AM MAIN (“KfW”) approved Euro 113.5 million of loans and Grants to the Governments of Kenya the Government of the Republic of Kenya (GOK) for Rehabilitating / Upgrading of the, Kitale - Morpus Road Section (75 km). The road forms part of the Kenya - South Sudan international corridor.

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:	24 th April 2017
Project End Date:	31 st December 2021 revised to 31 st December, 2027
Project Engineer	Eng. Clarence Karot
Project Sponsor:	Kfw Frankfurt Am Main (“Kfw”)/ GoK

2.3 Project Overview

Line Ministry/State Department	The project is under the supervision of the State Department of Roads on behalf of Ministry of Roads & Transport.
Project Ref number	202062065/202083939
Strategic goals of the project	<ul style="list-style-type: none"> The road is critical to promote and facilitate regional economic integration of South Sudan by providing access to the Mombasa Port, facilitate relief and reconstruction efforts in South Sudan and improve integration of Turkana district in the Kenyan economy.
Achievement of strategic goals	Implementation of the project in timely, efficient and effective manner.

**Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

Current situation 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 Kenya and South Sudan • Improvement of economic and living standard of people in towns along the corridor
Project duration	

2.4 Bankers

Cooperative Bank of Kenya Ltd
Upper Hill Branch, Nairobi

National Bank of Kenya Ltd
Hill Branch, Nairobi

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.

No.	Names	Title designation	Key qualification	Responsibilities
1	Eng Henry Gakuru	Director Development	Registered Eng.	Oversight
2	Eng. Clarence Karot	Deputy Director, Development	Registered Eng.	Project Co-Ordinator
3	Mr W Nyatwanga	Deputy Director, Environment & Social	Environmental & Social Specialist	Safeguard Specialist
4	Mr Chanje Kera	Deputy Director, Finance & Accounts	CPA (K)	Financial Specialist
5	Mr R Kilel	Assistant Director, Supply Chain Services	Procurement Specialist	Procurement Specialist

Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

Project information and overall performance (continued)

2.7 Funding summary

The Project has an approved budget of Euro 113,500,000 equivalent to Kshs 12,604,345,250 by the donor component and an amount of Kshs. 3,401,886,724 by GoK as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitments		Amount received to date (30th June 2024)		Undrawn balance to date (30th June 2024)	
	Euros	Kshs	Euros	Kshs	Euros	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Kfw Frankfurt Am Main ("Kfw") (Grant)	23,500,000	2,609,710,250	1,400,361	155,512,176	22,099,639	2,454,198,074
(ii) Loan						
Kfw Frankfurt Am Main ("Kfw") (Loan)	90,000,000	9,994,635,000	13,889,467	1,542,446,109	76,110,533	8,452,188,891
(iii) Counterpart Funds						
Government of Kenya	-	3,401,886,724	-	7,390,121	-	3,394,496,603
Total	113,500,000	16,006,231,974	15,289,828	1,705,348,406	98,210,172	14,300,883,568

B. Application of Funds

Application of funds	Amount received to date- (30th June 2024)		Cumulative Amount paid to date-(30th June 2024)		Unutilised balance to date	
	Euros	Kshs	Euros	Kshs	Euros	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Kfw Frankfurt Am Main ("Kfw") (Grant)	1,400,361	155,512,176	1,400,361	155,512,176	-	-
(ii) Loan						
Kfw Frankfurt Am Main ("Kfw") (Loan)	13,889,467	1,542,446,109	13,889,467	1,542,446,109	-	-
(iii) Counterpart Funds						
Government of Kenya	-	7,390,121	-	7,390,121	-	-
Total	15,289,828	1,705,348,406	15,289,828	1,705,348,406	-	-

*Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

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

BUDGET	2023/2024			Cumulative		
	Budget	Actual	%	Budget	Actual	%
Counterpart Funds - Gok	5,028,770	-	0%	174,035,271	7,390,121	4%
Grant from External Development Partners	1,640,000,000	1,571,031,273	96%	2,606,000,000	1,697,958,285	65%
Total	1,645,028,770	1,571,031,273	96%	2,780,035,271	1,705,348,406	61%

- ii. Physical progress based on outputs, outcome and impacts since project commencement.

The works contractor has been secured and advance payment made to the contractor in the FY 2023/24. We expect lots of progress in the current FY.

- iii. Absorption rate for each year since the commencement of the project.

FY	Budget	Actual	%
2023/24	1,645,028,770	1,571,031,273	96%
2022/23	302,500,000	52,684,840	17%
2021/22	574,000,000	53,746,716	9%
2020/21	103,506,501	26,774,857	26%
2019/20	500,000	417,950	84%
2018/19	154,500,000	692,770	0%
TOTAL	2,780,035,271	1,705,348,406	61%

2.9 Summary of Project Compliance:

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

Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

3. Statement of Performance against Project’s Predetermined Objectives

Introduction

Section 81 (2) (f)/ Section 164 (2)(f) of the Public Finance Management Act, 2012 requires that 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 /plan are to:

- a) Improve road condition, safety and increase efficiency along the Sudan link corridor.
- b) Facilitate trade and transport both locally and internationally.

Progress on attainment of Strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement: Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kenya South Sudan Link (Kitale Morpus) Road Project	Improve road condition, safety and increase efficiency along the Sudan link corridor	Improve road condition, re-design of Kamatira hills to improve road safety due to numerous accidents reported in the area.	Improved road safety at Kamatira forest hills.	The works contractor has been secured and advance payment made to the contractor in the FY 2023/24. We expect lots of progress in the current FY.
	To facilitate trade and transport both locally and internationally.	Opening up of Northern Kenya to South Sudan and beyond to facilitated transport and trade.	Improved economic boost in the Northern Kenya.	The works contractor has been secured and advance payment made to the contractor in the FY 2023/24. We expect lots of progress in the current FY.

4. Environmental and Sustainability reporting

Kenya South Sudan Link (Kitale Morpus) Road Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

i. Sustainability strategy and profile

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

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

ii. Environmental performance

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

iii. Employee welfare

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

iv. Market place practices

a) Responsible Supply chain and supplier relations

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.

b) Responsible ethical practices

The Authority equally sensitizes staff on anticorruption and integrity issues.

c) Regulatory impact assessment

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.

Further, the Authority endeavours to honour its contractors and vendors payments through paying within the set payment timelines in the contracts and agreements.

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. 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.

The project is still under procurement phase, most of the CSR will be identified during the construction phase.

***Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Management are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2024. This responsibility includes (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

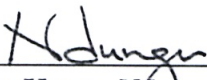
The Director General, KeNHA and the Project Management accept responsibility for the project's Financial Statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting Standards.

The Director General, KeNHA and Project Management are of the opinion that the Project financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June, 30, 2024 and the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation 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 as well as on the adequacy of the systems of internal financial control.

The Director General, KeNHA and the Project Implementation Team Leader confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit 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 Project Implementation Team Leader 10 SEP 2024 and signed by:



Eng. Kungu Ndungu, MBS
Director General

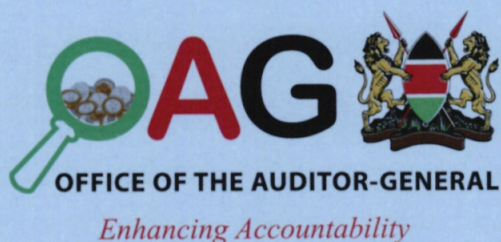


Eng. Henry Gakuru
Director -Development



CPA Chanje Kera
Deputy Director (F&A)
ICPAK 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 KENYA - SOUTH SUDAN LINK ROAD PROJECT (REF. NO. 2020 62 065 AND BMZ NO.2020 83 939) FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya - South Sudan Link Road Project - Kenya National Highways Authority, set out on pages 1 to 16 which comprise of the statement of financial assets and liabilities as at 30 June, 2024, and the statement of

receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya - South Sudan Link Road Project 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 complies with the Financing Agreements (Ref. No. 202062065 and BMZ No.202083939) between KfW, Frankfurt am Main ("KfW") and the Republic of Kenya, dated 24 April, 2017, and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya - South Sudan Link Road Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final budget and actual on comparable basis of Kshs.1,645,028,770 and Kshs.1,571,031,273 respectively resulting to an under-funding of Kshs.73,997,497 or 4% of the budget. Further, the project spent Kshs.1,571,031,273 against actual receipts of Kshs.1,571,031,273 resulting to 100% utilization of budgeted expenditure.

The underfunding affected the planned activities of the Project and negatively impacted on service delivery to the public.

2. Failure to Settle Pending Bills

Note 1 of other important disclosures and Annex 4 to the financial statements reflect pending accounts payable balance of Kshs.78,131,434 as at 30 June, 2024. Review of the financial statements and other records revealed the following observations:

- i. Included in the movement of the accounts payable are additions for the year of Kshs.93,728,055 for consultancy services which is above the approved supplementary budget of Kshs.40,000,000 leading to unbudgeted/unfunded expenditure of Kshs.53,728,055. Failure to adhere to the budget may lead delayed payments and interest and penalties from the suppliers.

- ii. Included in the trade payables is an amount of Kshs.12,988,543 for consultancy services that has been outstanding for more than a year.

Management attributed this situation to inadequate Government budget allocations in the year ender review and prior financial years.

Failure to clear pending bills in the year to which they relate distorts the budget of the following year as they constitute a first charge on that budget.

My opinion is not modified on the effect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, although the issues had been discussed in the Public Accounts Committee of the National Assembly, they remained unresolved as at the time of the audit in October, 2024.

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 matter 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

Delay in Project Implementation

The funding summary information in the financial statements under paragraph 2.7A - source of funds, reflects an amount of Kshs.16,006,231,974 in respect of as the projected total funding for the project. Further, the amount received to date totaled Kshs.1,705,348,406 resulting to an undrawn balance to date of Kshs.14,300,883,568.

The details are as shown in the table below: -

Source of funds	Donor Commitments	Amount received to date (30 June, 2024)	Undrawn balance to date
	Kshs	Kshs	Kshs
	(A')	(B')	(A') – (B')
i) Grant			
Kfw Frankfurt Am Main ("Kfw") (Grant)	2,609,710,250	155,512,176	2,454,198,074
(ii) Loan			
Kfw Frankfurt Am Main ("Kfw") (Loan)	9,994,635,000	1,542,446,109	8,452,188,891
(iii) Counterpart Funds			
Government of Kenya	3,401,886,724	7,390,121	3,394,496,603
Total	16,006,231,974	1,705,348,406	14,300,883,568

The project commenced on 24, April, 2017 and was initially expected to end on 31 December, 2021 which was later revised to 31 December, 2027 and has therefore been in existence for more than seven (7) years while having received a total of Kshs.1,705,348,406 or 11% of the expected receipts.

Further, the amount of Kshs.1,705,348,406 includes a balance of Kshs.1,542,446,109 which was paid to the road contractor as advance payment as per the contract agreement for mobilization. The contract for the road works was signed on 21 February, 2024 between the Kenya National Highways Authority and the Contractor. The contract sum was agreed at Kshs.15,424,461,082 and the contract period was expected to run for eighty-four (84) months. The contract period comprised of thirty-six (36) months improvement works period, twelve (12) months defects notification period and thirty-six (36) months of maintenance starting from the defect's notification period. From the foregoing the road works and maintenance project are expected to take seven (7) years to complete as agreed.

However, there is a risk that it may not be possible for the Project to receive the undisbursed amount of Kshs.14,300,883,568 which represents 89% of the expected total funding within the remaining three (3) years project duration.

Further, paragraph 4.1 of the loan agreement dated 24 April, 2024 states that the borrower will pay a non-refundable commitment fee of 0.25% on undisbursed loan amounts. The commitment fee is due for payment in arrears on 30 March and 30 September of each year, for the first time on 30 September, 2017. The Project is at risk of incurring additional and avoidable penalties on the undisbursed loan amounts due to delay in the implementation of the Project.

In the circumstances, the overall objectives of the Project may not be met and this may affect service delivery to the public.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by KfW Frankfurt am Main ("KfW"), 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 the Management and those Charged with Governance

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

The 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, the Management is also responsible for ensuring that the activities, financial transactions, and information reflected in the financial statements comply 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

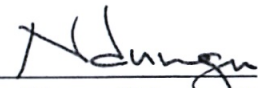
14 November, 2024

Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

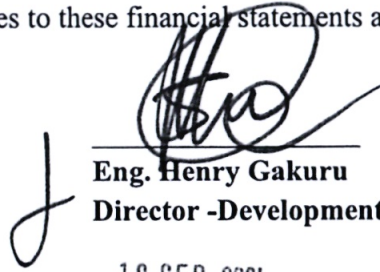
7. Statement of Receipts and Payments for the year ended 30th June 2024

	Note	2023/24			2022/23			Cumulative to date
		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	
		Kshs.	Kshs.		Kshs.	Kshs.	Kshs.	
RECEIPTS								
Transfer from Government entities	1	-	-	-	2,500,000	-	2,500,000	7,390,121
Proceeds from Domestic and Foreign Grants	2	-	28,585,164	28,585,164	-	50,184,840	50,184,840	155,512,176
Loan from External Development Partners	3	-	1,542,446,109	1,542,446,109	-	-	-	1,542,446,109
TOTAL RECEIPTS		-	1,571,031,273	1,571,031,273	2,500,000	50,184,840	52,684,840	1,705,348,406
PAYMENTS								
Purchase of Goods & Services	4	-	-	-	-	-	-	3,383,620
Acquisition of non-financial assets	5	-	1,571,031,273	1,571,031,273	2,500,000	50,184,840	52,684,840	1,701,964,786
TOTAL PAYMENTS		-	1,571,031,273	1,571,031,273	2,500,000	50,184,840	52,684,840	1,705,348,406
SURPLUS/DEFICIT		-	-	-	-	-	-	-

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


Eng. Kungu Ndungu, MBS
Director General
 10 SEP 2024

Date


Eng. Henry Gakuru
Director -Development
 10 SEP 2024

Date


CPA Chanje Kera
Deputy Director (F&A)
ICPAK No.8279
 10 SEP 2024

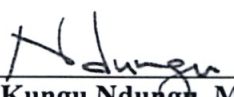
Date

*Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*


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

Description	Note	FY 2023/24	FY 2022/23
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents		-	-
Total Financial Assets (A)		-	-
Financial Liabilities			
Third party Deposits and Retention		-	-
Total Financial Liabilities (B)		-	-
Net Financial Assets (A-B)		-	-
Represented By			
Fund Balance B/fwd.		-	-
Prior Year adjustments		-	-
Surplus/(Deficit) for the Year		-	-
Net Financial Assets		-	-

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


Eng. Kungu Ndungu, MBS
Director General
(F&A)


Eng. Henry Gakuru
Director -Development


CPA Chanje Kera
Deputy Director
ICPAK No.8279

*Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

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

	Notes	2023/24	2022/23
		Kshs.	Kshs.
RECEIPTS			
Transfers from Government entities	1	-	2,500,000
Proceeds from domestic & foreign grants	2	28,585,164	50,184,840
Net Receipts for operating income		28,585,164	52,684,840
Purchase of Goods and Services		-	-
Net Payments for operating expenses		-	-
Net cash flow from operating activities		28,585,164	52,684,840
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of road assets	5	(1,571,031,273)	(52,684,840)
Net cash flows from Investing Activities		(1,571,031,273)	(52,684,840)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	1,542,446,109	-
Net cash flow from financing activities		1,542,446,109	-
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at Beginning of the year		-	-
Cash and cash equivalent at End of the year		-	-

*Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfers from Government entities	10,000,000	(4,971,230)	5,028,770	-	5,028,770	0%
Proceeds from Loan-KfW	2,100,000,000	(500,000,000)	1,600,000,000	1,542,446,109	57,553,891	96%
Proceeds from Grant-KfW	1,400,000,000	(1,360,000,000)	40,000,000	28,585,164	11,414,836	71%
Total Receipts	3,510,000,000	(1,864,971,230)	1,645,028,770	1,571,031,273	73,997,497	96%
Payments						
Purchase of goods and services	3,510,000,000	(1,864,971,230)	1,645,028,770	-	73,997,497	96%
Acquisition of non-financial assets				1,571,031,273		
Total Payments	3,510,000,000	(1,864,971,230)	1,645,028,770	1,571,031,273	73,997,497	96%
	-	-	-	-	-	

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

*Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

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 Kenya South Sudan Link (Kitale Morpus) Road Project under Kenya National Highways Authority. The financial statements are for the reporting entity the Kenya South Sudan Link (Kitale Morpus) Road Project as required by Section 81 of the PFM Act, 2012.

c) Reporting currency

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

d) Recognition of receipts

The 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

Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (Continued)

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 recognised in the financial statements the time associated cash is received.

iv. Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In 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 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 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 were incurred and paid for.

Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

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.

*Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

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) 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.

k) Contingent Assets

Kenya South Sudan Link (Kitale Morpus) Road 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 Kenya South Sudan Link (Kitale Morpus) Road 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.

Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

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 party's 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 end with a significant impact on the financial statements for the year ended June 30, 2024.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in note 12.5 of the financial statements.

*Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

12. Notes to the Financial Statements

1. Transfers from Government Entities

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

Description	2023/24	2022/23	Cumulative to-date
	Kshs	Kshs	Kshs
Counterpart funds Quarter 1	-	-	862,300
Counterpart funds Quarter 2	-	2,500,000	4,378,731
Counterpart funds Quarter 3	-	-	1,645,900
Counterpart funds Quarter 4	-	-	503,190
TOTAL (See Annex 3)	-	2,500,000	7,390,121
<i>Other Transfer from government entities</i>			
Road Maintenance Levy Fund	-	-	-
Annuity Fund	-	-	-
Total	-	-	-
Appropriation -in-Aid	-	-	-
Total	-	2,500,000	7,390,121

2. Proceeds from Domestic and Foreign Grants

Name of Donor	Date Received	Amount received in donor Currency	Total amounts in Kshs.		Cumulative to-date
			FY 2023/24	FY 2022/23	
			Euro	Kshs	
Kfw Frankfurt Am Main	11/09/2023	22,424	2,490,219	52,684,816	155,512,176
	25/10/2023	8,952	994,092		
	25/10/2023	226,029	25,100,853		
Total		22,424	28,585,164	52,684,816	155,512,176

3. Loan from External Development Partners

Name of Donor	Date Received	Amount received in donor Currency	Total amounts in Kshs.		Cumulative to-date
			FY 2023/24	FY 2022/23	
			Euro	Kshs	
Kfw Frankfurt Am Main	25/04/2024	13,889,467	1,542,446,109	-	1,542,446,109
Total		13,889,467	1,542,446,109	-	1,542,446,109

Notes to the Financial Statements (Continued)

4. Purchase of Goods & Services

	FY 2023/24			FY 2022/23	Cumulative
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	-	-	-	-	3,098,660
Hospitality Supplies	-	-	-	-	284,960
Total	-	-	-	-	3,383,620

5. Acquisitions of Non-Financial Assets

	FY 2023/24			FY 2022/23	Cumulative
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	-	1,542,446,109	1,542,446,109	-	1,542,446,109
Consultancy Services	-	28,585,164	28,585,164	52,684,840	159,518,677
Total	-	1,571,031,273	1,571,031,273	52,684,840	1,701,964,786

6. Prior year adjustments

In the year 2023/24 there were no prior year adjustments.

Other Important Disclosures

1. Pending Accounts Payable (Annex 4)

	Balance b/f FY 2023/2024	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
Description	Kshs	Kshs	Kshs	Kshs
Construction of Roads	-	1,542,446,109	1,542,446,109	-
Consultancy Services	12,988,543	93,728,055	28,585,164	78,131,434
Total	12,988,543	1,636,174,164	1,571,031,273	78,131,434

2. External Assistance

a) External assistance relating to loans and grants

	FY 2023/2024	2022/2023
Description	Kshs	Kshs
External assistance received as grants	1,571,031,273	50,184,840
Total	1,571,031,273	50,184,840

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2023/2024	FY 2022/2023
Description		Kshs	Kshs
Undrawn external assistance - loans	Road works & consultancy services	8,452,188,891	9,994,635,000
Undrawn external assistance - grants	Road works & consultancy services	2,454,198,074	2,482,784,238
Total		10,906,386,965	12,477,419,238

c) Classes of providers of external assistance

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Multilateral donors	1,571,031,273	50,184,840
Total	1,571,031,273	50,184,840

External assistance for road rehabilitation works, studies, design & supervision consultancy services.

d) Non-monetary external assistance

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

*Kenya South Sudan Link (Kitale Morpus) Road Project
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Other Important Disclosures (Continued)

e) Purpose and use of external assistance

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Acquisition of Assets	1,571,031,273	50,184,840
Total	1,571,031,273	50,184,840

f) External Assistance paid by Third Parties on behalf of the Entity by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Multilateral donors	1,571,031,273	50,184,840
Total	1,571,031,273	50,184,840

Kenya South Sudan Link (Kitale Morphus) Road Project
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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.

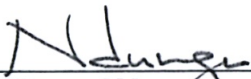
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
			(Resolved / Not Resolved)	(Put a date when you expect the issue to be resolved)
1	<p style="text-align: center;"><u>Basis for Opinion</u> <u>Emphasis of Matter</u></p> <p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.302,500,000 and Kshs.52,684,840, respectively resulting in an under-funding of Kshs.249,815,160 or (83%) of the budget. Similarly, the project spent Kshs.52,684,840 against an approved budget of Kshs.302,500,000 resulting to under-expenditure of Kshs.249,815,160 (83%) of the budget. The underfunding and under expenditure affected the planned activities of the project and impacted negatively on service delivery to the public.</p>	<p>We agree with Auditors observation that the actual expenditure was below the availed budget within the Financial Year under Audit.</p> <p>However, this has changed in the current year of audit where the budgetary performance is at 96%. This is because the contractor to carry out the works has been secured and a lot of milestones is expected in the current financial year.</p>	unresolved	Continuous

Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

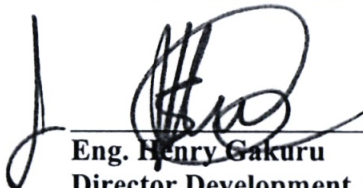
2	<p>Pending Bills Note 1 of other important disclosures and Annex 4 to the financial statements reflects pending accounts payables balance of Kshs.12,988,543 as at 30th June, 2023. The project therefore runs the risk of incurring significant unqualified interest costs and penalties with the continued delay in settling invoiced bills. Failure to clear pending bills in the year to which they relate distorts the budget of the following year as the constitute a first charge of budget. My opinion is not modified in respect of these matters.</p>	<p>We agree with the observation that the pending bills increased by Kshs. 6,964,338. The Pending bills are as a result of inadequate GoK budgetary allocations in the current and prior financial years.</p> <p>The Authority shall endeavour to allocate adequate budget to the project, subject to the provided ceiling, in the subsequent years until the pending bills are fully settled.</p>	Unresolved	Continuous
	<p><u>Other Matters</u> Unresolved Prior Year Matters In the Audit report of the previous year, several issues were raised under the report on Financial Statements and Report on Lawfulness and Effectiveness in use of Public Resources. However, the Management has not provided an explanation on how the issues were resolved</p>	<p>We have noted the auditor’s observation on unresolved prior year matters. The Authority is working closely with the Parent Ministry and Office of the Auditor General with an aim of resolving all prior year audit matters.</p>	unresolved	Continuous
	<p>Delay in Project Implementation The Project information at paragraph 2.2 of the financial statements indicates that the Project started on 24th April, 2017 and was expected to end on the 31st December ,2021 which was revised to 31st December ,2027. Further, the funding summary at paragraph 2.7 of the financial statements reflects total donor and GOK commitments amount of</p>	<p>We agree with the Auditors’ observations that the project was delayed in implementation. The delay was caused by the COVID -19 pandemic.</p>	Unresolved	Continuous

**Kenya South Sudan Link (Kitale Morpus) Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

	<p>Kshs.12,611,735,371 out of which Kshs.12,604,345,250 was to be received from KfW Frankfurt am Main (“KfW”).</p> <p>However, as at 30th June. 2023, only Kshs. 126,927,012 or 1% had been drawn from the donor despite the project having been in existence for over six (6) years. The Project is at risk of not being implemented as scheduled due to continued delay in draw down and in a view of section 3.2 of the loan agreement and section 3.3 of the Financial Agreement which gives right to the financier to decline disbursements after 31st December, 2021.</p> <p>Further the review of the project's information and overall performance indicated that the construction works on the rehabilitation/upgrading of the Seventy-Five (75) kilometres road had not started and only the road design and prequalification of bidders was in progress.</p> <p>In the circumstances, Management was in breach of the law and the value for money may not be ascertained.</p>	<p>The Authority has however put in place steps to accelerate the implementation within the extended Credit Period with the works expected to begin in the first quarter of the 2024 Calendar Year. When the works begin, we do expect enhanced drawdown from the Loan Portfolio that bridging the glaring gap currently existing</p>			
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 Eng. Kungu Ndungu
 Director General

10 SEP 2024
 Date


 Eng. Henry Gakuru
 Director Development

10 SEP 2024
 Date

*Kenya South Sudan Link (Kitale Morpus) Road Project
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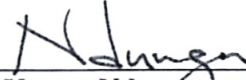
Annex 2 - Variance explanations - Comparative Budget and Actual amounts for FY 2023-2024


	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=b/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Government of Kenya	5,028,770	-	5,028,770	0%	
External financing	1,640,000,000	1,571,031,273	68,968,727	96%	
Total receipts	1,645,028,770	1,571,031,273	73,997,497	96%	
PAYMENTS DURING THE YEAR/PERIOD					
Purchase of goods and services		-		96%	
Acquisition of non-financial assets	1,645,028,770	1,571,031,273	73,997,497		
Total Payments	1,645,028,770	1,571,031,273	73,997,497	96%	

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Annex 3 - Reconciliation of inter -entity transfers

	PROJECT NAME:	Kenya South Sudan Link (Kitale Morpus) Road Project		
	Breakdown of Transfers from the State Department of Roads & Transport			
	a. Government Counterpart Funding			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Quarter 1	-	-	FY 2023/24
	Total		-	


Eng. Kungu Ndungu
Director General


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

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Annex 4 - Analysis of Pending Bills

	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2023/2024	Outstanding Balance 2022/2023	Comments
	a	b	c	d=a-c		
Consultancy Services						
LEA Associates South Asia	38,295,124	21/06/2022	34,770,918.64	3,524,205	3,524,205	4
LEA Associates South Asia	34,708,215	07/03/2023	28,684,010.41	6,024,205	6,024,205	5
LEA Associates South Asia	24,940,962	23/02/2023	21,500,829.19	3,440,133	3,440,133	6
LEA Associates South Asia	2,888,654	28/08/2023	2,490,218.85	398,435	-	7
LEA Associates South Asia	1,153,147	12/09/2023	994,091.56	159,055	-	8
LEA Associates South Asia	29,116,989	12/09/2023	25,100,853.24	4,016,136	-	9
LEA Associates South Asia	60,569,265	12/09/2023	-	60,569,265	-	1B
Grand Total	191,672,356		113,540,922	78,131,434	12,988,543	

Annex 5 – Summary of Fixed Asset Register

Asset class	Opening Cost (KShs) 2023/24	Purchases/Additions in the Year (KShs) 2023/24	Disposals in the Year (KShs) 2023/24	Closing Cost (KShs) 2023/24
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Consultancy Services	130,933,513	28,585,164		159,518,677
Construction of roads	-	1,542,446,109	-	1,542,446,109
Total	130,933,513	1,571,031,273	-	1,701,964,786