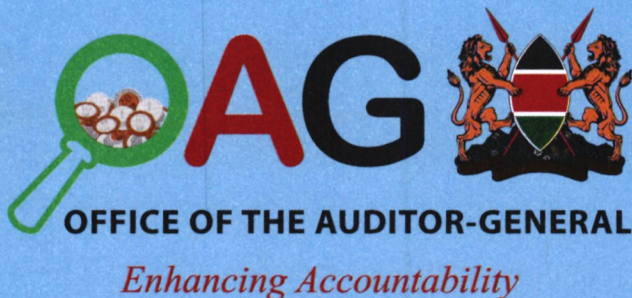


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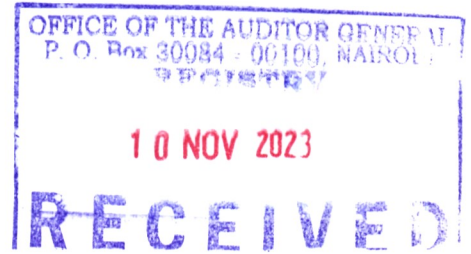
REPORT	
THE NATIONAL ASSEMBLY PAPERS AND	
DATE:	22 NOV 2023
OF	DAY: Wednesday
TABLED BY:	Hon Owen Baya, MP Deputy Majority Leader
CLERK AT THE TABLE:	Miriam modo

THE AUDITOR-GENERAL

ON

**NUNO-MODOGASHE ROAD
PROJECT**

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



MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: NUNO-MODOGASHE ROAD PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT CREDIT NUMBER: KUWAIT-813; SFD-N/A; OFID-1331P; BADEA-N/A; ADFD-N/A

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

Nuno – Modogashe Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

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1. Acronyms and Glossary of Terms

ADFD	Abu Dhabi Fund for Development
BADEA	Arab Bank for Economic Development in Africa
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIA	Environmental Impact Assessment
ESIA	Environmental Social Impact Assessment
ESMP	Environment & Social Management Plan
FY	Financial Year
GoK	Government of Kenya
HIV	Human Immunodeficiency Virus
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
ICB	International Competitive Bidding
KeNHA	Kenya National Highways Authority
KFAED	Kuwait Fund for Arab Economic Development
KISM	Kenya Institute of Supplies and Management
Kshs.	Kenya Shillings
MDAs	Ministries Departments & Agencies
MoR&T	Ministry of Roads and Transport
M&E	Monitoring & Evaluation
NEMA	National Environment Management Authority
OFID	OPEC Fund for International Development
SDF	Saudi Fund for Development
TNT	National Treasury
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
PWDs	Persons Living with Disabilities
RAP	Resettlement Action Plan
SIA	Social Impact Assessments

Nuno – Modogashe Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

SDG	Sustainable Development Goals
SMART	Specific, Measurable, Achievable, Realistic & Time Bound
USD	United States Dollar

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Nuno – Modogashe Road Project

Objective:

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

Registered Office Address

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

Contacts:

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

2.2 Project Information

Project Start Date:	20 th November, 2015
Project End Date:	31 st March, 2020
Project Engineer	Eng. Cleophas Makau
Project Sponsor:	1. Kuwait Fund for Arab Economic Development (KFAED) 2. Saudi Fund for Development (SDF) 3. OPEC Fund for International Development (OFID) 4. Arab Bank for Economic Development in Africa (BADEA) 5. Abu Dhabi Fund for Development (ADFD) 6. Government of Kenya (GoK)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Roads and Transport
Project number	KUWAIT-813; SFD-N/A; OFID-1331P; BADEA-N/A; ADFD-N/A

Nuno – Modogashe Road Project

Annual Report and Financial Statements for the financial year ended June 30,2023

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

Nuno – Modogashe Road Project

Annual Report and Financial Statements for the financial year ended June 30,2023

List of Goods: 3. OPEC Fund for International Development	No.	Item	Allocation Proceeds Expressed in USD	Percentage of Total Cost of Item
	1	Civil Works	1,672,800.00	13.94%
	2	Unallocated	10,327,200.00	86.06%
	Total		12,000,000.00	
	Twelve Million United States Dollars			
List of Goods: 4. Arab Bank for Economic Development in Africa	No.	Item	Allocation Proceeds Expressed in USD	Percentage of Total Cost of Item
	1	Civil Engineering Works & Ancillaries	6,850,000.00	9.18%
	2	Consultancy Services	1,850,000.00	50%
	3	Unallocated	1,300,000.00	
	Total		10,000,000.00	
Ten Million United States Dollars				
List of Goods: 5. Abu Dhabi Fund for Development	The fund agrees to lend the Borrower an amount equivalent to Thirty-Six Million, Seven Hundred Thirty Thousand Only (36,730,000) Emirates Dirhams			
Current situation that the project was formed to intervene.	The Project was formed to enhance social economic development of the people of North Eastern part of the country, reduce the vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries.			
Project duration	20 th November 2015 to 31 st March 2020			

2.4 Bankers Co-operative Bank of Kenya
Upper Hill Branch
Po Box
Nairobi

2.5 Independent Auditor

The project is audited by the Office of the Auditor-General

Nuno – Modogashe Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Project information and overall performance (Continued)

2.6 Roles and Responsibilities

List of the people who are working on the project

Names	Title designation	Key qualification	Responsibilities
Eng. Henry Gakuru	Director-Development	Registered Civil Engineer	Project Implementing Team Leader
Eng. Cleophas Makau	Deputy Director-Special Projects	Registered Civil Engineer	Project Engineer
Mr Chanje Kera	Deputy Director-Finance & Accounts	Member-ICPAK	Project Financial Specialist
Ms Levina Wanyoyi	Deputy Director-Supply Chain Management	Member-KISM	Project Procurement Specialist

2.7 Funding summary

The Project is for duration of 4 years from 20th November 2015 to 31st March 2020 with an approved budget of USD 100,472,680 equivalent to Kshs. 10,158,008,949 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30.06.2023)		Undrawn balance to date - (30.06.2023)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i)Loan						
Kuwait Fund for Arab Economic Development (KFAED)	20,000,000	2,022,044,000	13,651,243	1,380,170,717	-	-
Saudi Fund for Development (SFD)	15,000,000	1,516,533,000	8,984,138	908,316,119	-	-
OPEC Fund for International Development (OFID)	12,000,000	1,213,226,400	7,160,599	723,952,353	-	-
Arab Bank for Economic Development in Africa (BADEA)	10,000,000	1,011,022,000	4,715,517	476,749,112	-	-
Abu Dhabi Fund for Development (ADFD)	10,000,000	1,011,022,000	7,566,401	764,979,786	-	-
Total	67,000,000	6,773,847,400	42,077,898	4,254,168,087	-	-
(ii)Counterpart Funds						
Government of Kenya (GoK)	33,472,680	3,384,161,549	33,472,680	3,384,161,549	-	-
Total	100,472,680	10,158,008,949	75,550,578	7,638,329,936	-	-

Nuno – Modogashe Road Project

Annual Report and Financial Statements for the financial year ended June 30,2023

Project information and overall performance (Continued)

B. Application of Funds

Application of funds	Amount received to date - (30.06.2023)		Cumulative Amount paid to date - (30.06.2023)		Unutilised balance to date - (30.06.2023)	
	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Kuwait Fund for Arab Economic Development (KFAED)	13,651,243	1,380,170,717	13,651,243	1,380,170,717	-	-
Saudi Fund for Development (SFD)	8,984,138	908,316,119	8,984,138	908,316,119	-	-
OPC Fund for International Development (OFID)	7,160,599	723,952,353	7,160,599	723,952,353	-	-
Arab Bank for Economic Development in Africa (BADEA)	4,715,517	476,749,112	4,715,517	476,749,112	-	-
Abu Dhabi Fund for Development (ADFD)	7,566,401	764,979,786	7,566,401	764,979,786	-	-
(ii) Counterpart funds						
Government of Kenya (GoK)	33,472,680	3,384,161,549	33,225,402	3,359,161,249	247,278	25,000,300
Total	75,550,578	7,638,329,936	75,303,300	7,613,329,336	247,278	25,000,300

Nuno – Modogashe Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

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	FY 2022/2023			Cumulative		
	Actual	Budget	%	Actual	Budget	%
GoK	149,999,700	175,000,000	86%	3,359,161,249	3,320,006,459	101%
Loan from Development Partners						
KFAED	-	-	-	1,380,170,717	1,698,000,000	81%
SFD	-	-	-	908,316,119	1,159,000,000	78%
OFID	-	-	-	723,952,353	1,023,000,000	71%
BADEA	-	-	-	476,749,112	838,500,000	57%
ADFD	-	-	-	764,979,786	959,000,000	80%
Total	149,999,700	175,000,000	86%	7,613,329,336	8,997,506,459	85%

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

The physical progress as at 30th June, 2023 is 100%.

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

Financial Year	Budget Kshs	Actual Kshs	Percentage (%)
FY 2022/23	175,000,000	149,999,700	86%
FY 2021/22	148,642,215	135,946,814	91%
FY 2020/21	100,000,000	1,492,600	1%
FY 2019/20	2,476,155,636	1,363,977,031	55%
FY 2018/19	2,380,225,058	3,608,448,125	152%
FY 2017/18	935,312,500	1,047,171,209	112%
FY 2016/17	1,680,000,000	773,744,774	46%
FY 2015/16	827,171,050	509,379,196	62%
FY 2014/15	254,000,000	4,086,037	2%
FY 2013/14	21,000,000	19,083,851	91%
Total	8,997,506,459	7,613,329,336	85%

(iv) Comment on value for money achievements.

- The project procurement process is conducted through International Competitive Bidding (ICB) which results in excellent value for money.

Nuno – Modogashe Road Project

Annual Report and Financial Statements for the financial year ended June 30,2023

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

2.9 Summary of Project Compliance:

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

3. Statement of Performance Against Project’s Predetermined Objectives

Introduction

The key development objectives of the project are to:

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

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bund (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

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

4. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

Environmental & Sustainability Reporting (Continued)

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

3. Employee welfare

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

4. Market place practices

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

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

5. Community Engagements

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

Environmental & Sustainability Reporting (Continued)

achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

During the project execution, the Contractor continued to offer employment opportunities to the locals as casuals. The Contractor also carried out awareness and education on HIV and protection against the disease and other sexually transmitted diseases. To improve relationship with the local communities, the contractor shared water with the local communities.

To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross-cutting issues.

Nuno – Modogashe Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

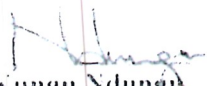
The Director General, KeNHA and the Project Implementation Team Leader for Nuno-Modogashe Road Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International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

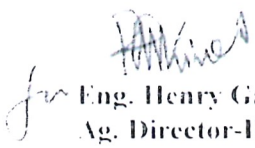
The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the Project financial statements

The Project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project on 29/06/23 and signed by them.

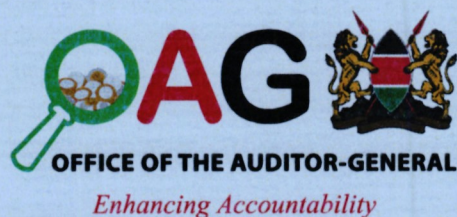

Eng. Kungu Ndungu
Director General


for Eng. Henry Gakuru
Ag. Director-Development


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

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NUNO-MODOGASHE ROAD PROJECT FOR THE YEAR ENDED 30 JUNE, 2023

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 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 Nuno-Modogashe Road Project set out on pages 1 to 17, which comprise of the statement of financial assets as at 30 June, 2023, 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 Nuno-Modogashe Road Project as at 30 June, 2023 and 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 Agreements between the Republic of Kenya and OPEC Fund for International Development dated 20 September, 2010, Abu Dhabi Fund for Development dated 25 November, 2010 and Saudi Fund for Development dated 9 January, 2012.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Payment of Approved Land Compensation

Review of the contract agreement and letter from the National Land Commission to the Authority revealed that the Authority had approved payment of land compensation amounting to Kshs.147,594,798 to the Project Affected Persons (PAPs). It was, however, noted that as at 30 June, 2023, an amount of Kshs.125,891,795 was still outstanding as

disclosed under Annex 4 of the financial statements. The Management did not provide plans put in place to settle the outstanding debt.

In the circumstances, the delay in payment of the compensation dues may lead to loss of public funds in case of litigations instituted by the Project Affected Persons.

2. Irregular Payment of Interest on Delayed Payments

As previously reported, the Authority paid the contractor for the project an amount totalling to Kshs.82,966,925 as interest on late payments. The Management did not provide plausible reason for the late payment which resulted in payment of huge interest and thus leading to loss of public funds.

In the circumstances, the value for money amounting to Kshs.82,966,925 could not be confirmed.

3. Unsupported Payments Above the Contract Sum

The statement of receipts and payments reflects cumulative payments as at 30 June, 2023 of Kshs.7,592,117,176 in respect to acquisition of non-financial assets, which includes civil works of Kshs.7,250,615,551 as disclosed under Note 4 to the financial statements. Further, review of the financial statements revealed an outstanding balance of Kshs.484,076,683 as disclosed under Annex 4 of the financial statements leading to a cumulative project cost of Kshs.7,734,692,234. However, audit examination of the Contract Agreement between the Authority and the contractor revealed that the project contract sum was Kshs.7,209,436,067, resulting to unexplained and unsupported over expenditure of Kshs.525,256,167. In addition, evidence of submission of quarterly reports of the varied or amended procurement contract to the Public Procurement Regulatory Authority was not provided for audit review.

In the circumstances, the value for money for the expenditure over and above the contract sum could not be confirmed.

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 THE 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.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Projects ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the sustainability of services 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 the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

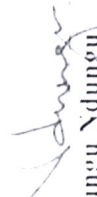
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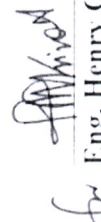
Nuno – Modogashe Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023


7. Statement of Receipts and Payments for the year ended 30th June 2023

	Note	FY 2022/23			FY 2021/22			Cumulative to Date
		Receipts & Payments Controlled by the Entity	Payments Made by Third Parties	Total	Receipts & Payments Controlled by the Entity	Payments Made by Third Parties	Total	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
RECEIPTS								
Transfer from Government entities	1	175,000,000	-	175,000,000	89,642,215	-	3,384,161,549	
Loan from external Development Partners	2	-	-	-	-	46,304,599	4,254,168,087	
TOTAL RECEIPTS		175,000,000	-	175,000,000	89,642,215	46,304,599	7,638,329,636	
PAYMENTS								
Purchase of goods and services	3	1,404,662	-	1,404,662	9,800	-	21,212,160	
Acquisition of non-financial assets	4	148,595,038	-	148,595,038	665,103,229	46,304,599	7,592,117,176	
TOTAL PAYMENTS		149,999,700	-	149,999,700	665,113,029	46,304,599	7,613,329,336	
SURPLUS/DEFICIT FOR THE YEAR		25,000,300	-	25,000,300	(575,470,814)	-	25,000,300	

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


Eng. Kungu Ndungu
Director General


for Eng. Henry Gakuru
Ag. Director-Development

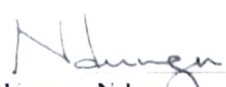

CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

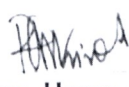
Nuno – Modogashe Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023


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

Description	Note	FY 2022/23 Kshs	FY 2021/22 Kshs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	5.A	25,000,300	-
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
Total Cash and Cash Equivalents		25,000,300	-
Accounts Receivables		-	-
Total Financial Assets		25,000,300	-
Financial Liabilities			
Payables- Deposits and Retentions	6	-	-
Net Assets		25,000,300	-
Presented By			
Fund balance b/fwd	7	-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		25,000,300	-
Net Financial Position		25,000,300	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23/09/23 and signed by:


 Eng. Kungu Ndungu
 Director General


 for Eng. Henry Gakuru CPA
 Ag. Director-Development


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

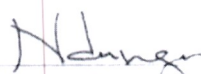
Nuno – Modogashe Road Project


Annual Report and Financial Statements for the financial year ended June 30, 2023

9. Statement of Cashflow for the Year Ended 30th June 2023

Description	Note	FY 2022/23	FY 2021/22
Cashflow from operating activities		Kshs	Kshs
Receipts			
Transfer from Government entities	1	175,000,000	89,642,215
Proceeds from domestic and foreign grants		-	-
Miscellaneous receipts		-	-
Total Receipts		175,000,000	89,642,215
Payments			
Purchase of goods and services	3	(1,404,662)	(9,800)
Total Payments		(1,404,662)	(9,800)
Net cash flow from operating activities		173,595,338	89,632,415
Cashflow from investing activities			
Acquisition of Assets	4	(148,595,038)	(711,407,828)
Net cash flows from Investing Activities		(148,595,038)	(711,407,828)
Cashflow from financing activities			
Proceeds from Foreign Borrowings	2	-	46,304,599
Net cash flow from financing activities		-	46,304,599
Net increase in cash and cash equivalents		25,000,300	(575,470,814)
Cash and cash equivalent at BEGINNING of the year		-	575,470,814
Cash and cash equivalent at END of the year		25,000,300	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 23/06/23 and signed by:


Eng. Kungu Ndungu
Director General

for 
Eng. Henry Gakuru
Ag. Director-Development


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

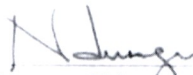
Nuno – Modogashe Road Project


Annual Report and Financial Statements for the financial year ended June 30, 2023

10. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	400,000,000	(225,000,000)	175,000,000	175,000,000	-	100%
Proceeds from borrowings-Direct Payments	-	-	-	-	-	-
Total Receipts	400,000,000	(225,000,000)	175,000,000	175,000,000	-	100%
Payments						
Purchase of goods and services	400,000,000	(225,000,000)	175,000,000	1,404,662	25,000,300	86%
Acquisition of non-financial assets				148,595,038		
Total Payments	400,000,000	(225,000,000)	175,000,000	149,999,700	25,000,300	86%
Surplus or Deficit	-	-	-	25,000,300	(25,000,300)	-

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


Eng. Kungu Ndungu
Director General


for Eng. Henry Gakuru
Ag. Director-Development


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

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 Nuno – Modogashe Road Project under the State Department of Roads. The financial statements are for the reporting entity's Nuno – Modogashe 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

Nuno – Modogashe Road 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 to be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

ii) External Assistance

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

iii) Other receipts

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

Significant Accounting Policies (Continued)

iv) Donations and grants

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

v) Proceeds from borrowing

Borrowing includes 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 on-going satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

(e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

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.

Significant Accounting Policies (Continued)

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.

(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 are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

(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

Significant Accounting Policies (Continued)

- 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.

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

(k) Contingent Assets

Nuno – Modogashe 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 the Nuno – Modogashe 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.

(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

Significant Accounting Policies (Continued)

the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

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

(n) Third party payments

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

(o) Exchange rate differences

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

transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

(p) Comparative figures

Where necessary comparative figures for the previous financial year 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, 2023.

(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 on the financial statements for the year ended June 30, 2023

*Nuno – Modogashe Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

12. Notes to the Financial Statements

1. Transfers from Government Entities

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

Description	FY 2022/23	FY 2021/22	Cumulative
	Kshs	Kshs	to-date
Counterpart funding through MoR&T			
Counterpart funds Quarter 1	100,000,000	9,800	574,850,064
Counterpart funds Quarter 2	-	68,948,012	392,377,689
Counterpart funds Quarter 3	-	-	541,706,257
Counterpart funds Quarter 4	75,000,000	20,684,403	1,875,227,539
Total (See Annex 3)	175,000,000	89,642,215	3,384,161,549

2. Loan from External Development Partner

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment	Total Amount in Kshs	Total Amount in Kshs	Cumulative to date
					FY 2022/23	FY 2021/22	
			Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Multilateral Donors							
KFAED		-	-	-	-	46,304,599	1,380,170,717
SFD		-	-	-	-	-	908,316,119
OFID		-	-	-	-	-	723,952,353
BADEA		-	-	-	-	-	476,749,112
ADFD		-	-	-	-	-	764,979,786
Total		-	-	-	-	46,304,599	4,254,168,087

Nuno – Modogashe Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to The Financial Statements (Continued)

3. Purchase of Goods and Services

Item Description	FY 2022/23			FY 2021/22	Cumulative to Date
	Payments made in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic Travel & Subsistence	1,404,662	-	1,404,662	9,800	17,314,724
Printing, Adverts & Information Supplies	-	-	-	-	3,207,496
Hospitality Supplies & Services	-	-	-	-	689,940
Total	1,404,662	-	1,404,662	9,800	21,212,160

4. Acquisition of Non-Financial Assets

Description	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Research, studies, project preparation, design & supervision	-	-	-	46,304,599	341,501,625
Civil works	148,595,038	-	148,595,038	665,103,229	7,250,615,551
	148,595,038	-	148,595,038	711,407,828	7,592,117,176

5. Cash and Cash Equivalents Carried Forward

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Bank accounts (Note 5A)	25,000,300	-
Total	25,000,300	-

5A Bank Accounts

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Local Currency Accounts		
Co-operative Bank of Kenya [A/c No. 01141160979900]	25,000,300	-
Total bank account balances	25,000,300	-

Nuno – Modogashe Road Project

Annual Report and Financial Statements for the financial year ended June 30,2023

Notes to The Financial Statements (Continued)

6. Accounts Payables

Description	2022/23	2021/22
	Kshs	Kshs
Retention	-	-
Total	-	-

7. Fund Balance Brought Forward

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Bank accounts	25,000,300	-
Total	25,000,300	-

8. Changes in Accounts Payable - Retentions

Description	2022/23	2021/22
	Kshs	Kshs
Retentions as at 1 st July	-	575,470,814
Closing Retention as at 30 th June	-	-
Change in Retention	-	(575,470,814)

*Nuno – Modogashe Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Other Important Disclosures

1. Pending Accounts Payable (See Annex 4)

Description	Balance b/f FY 2021/2022	Additions for the year	Paid during the year	Balance c/f FY 2022/23
	Kshs	Kshs	Kshs	Kshs
Construction of civil works	-	622,671,721	138,595,038	484,076,683
Lands Compensation	135,891,795	-	10,000,000	125,891,795
Supply of services	-	-	-	-
Total	135,891,795	622,671,721	148,595,038	609,968,478

2. External Assistance

a) External assistance relating to loans and grants

Description	2022/2023	2021/2022
	Kshs	Kshs
External assistance received as loans	-	46,304,599
Total	-	46,304,599

b) Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	2022/2023	2021/2022
		Kshs	Kshs
Undrawn external assistance - loans	Road works & consultancy services	-	-
Total		-	-

Unutilized loan balances cancelled

c) Classes of providers of external assistance

Description	2022/2023	2021/2022
	Kshs	Kshs
Multilateral donors	-	46,304,599
Total	-	46,304,599

External assistance for road rehabilitation works & supervision consultancy services.

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Other Important Disclosures (Continued)

d) Purpose and use of external assistance

	2022/2023	2021/2022
Description	Kshs	Kshs
Acquisition of Assets	-	46,304,599
Total	-	46,304,599

e) 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

	2022/2023	2021/2022
Description	Kshs	Kshs
Multilateral donors	-	46,304,599
Total	-	46,304,599

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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

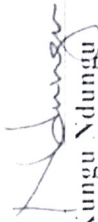
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
1	<p>Basis for Qualified Opinion</p> <p>Presentation and Disclosure of the Financial Statements</p> <p>The financial Statements did not include other important project background information and key qualification of the officials involved in the implementation of the project as required by Annual Financial Reporting Template for the project (Revised 30 June, 2022). Further, prior year auditor recommendations were not appended to the financial statements under progress on follow-up of prior year auditor's recommendations as required by the Financial Reporting Template.</p>	<p>The financial statements were amended and submitted with responses for the Draft Audit Report.</p>	Resolved	Resolved
2	<p>Cash and Cash Equivalents</p> <p>The statement of Financial assets reflects nil Cash and Cash Equivalents balance. However, Management did not provide bank statements, bank balance certificate and board of survey certificate to support the balance.</p>	<p>The Authority maintains one bank account for operation of all exchequer funds for the projects which is in line with the National Treasury's circular on rationalization of bank accounts. Further total receipts from the Parent Ministry are equally confirmed at the end of each financial year. The Kshs</p>	Resolved	Resolved


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		89,642 215 received during the year was fully expended hence nil cash balance	
	<p><u>Basis for Conclusion</u> Payment of Approved Land Compensation Review of the Contract agreement and a Letter Ref. No. NLC/VAL 1534/Vol. (15) dated 14 October, 2019 from the National Land Compensation to the Management of Kenya National Highways Authority had approved payment of Land compensation amounting to Kshs. 147,594,798 to Project Affected Persons (PAPs). It was, however, noted that as at 30 June, 2022 a balance of Kshs. 135,891,795 was outstanding as disclosed under Other Important Disclosures at paragraph 12 of the annual Reports. The Management did not provide plans put in place to settle the outstanding debt.</p>	<p>Pending bills accumulate due to inadequate GK budgetary provisions coupled with delayed Exchequer releases to facilitate prompt contractual payments. In FY 2022/23 the Authority managed to secure a GK budgetary provision for the project amounting to Kshs 175,000,000 which has been utilized towards clearing part of the pending bills. The project is however complete and the road is open for public use. The Authority will endeavour to allocate adequate budget, subject to provided ceilings in subsequent Financial Years to facilitate settlement of the balance of pending bills.</p>	<p>Continuous</p>
2	<p>Interest on Delayed Payments Review of Summarized payment certificates revealed that the Authority paid a contractor an amount of Kshs. 604,563,073 as interest charged on delayed payments. The Management did not provide plausible reason for the late payment which resulted in</p>	<p>The contractor had billed a cumulative amount of Kshs 604,563,073 as interest on delayed payment. However, upon reconciliation by the Authority, it was determined that only Kshs 82,966,925 was payable as per the reconciliation availed to the auditor during the audit</p>	<p>Resolved</p>

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<p>payment of huge interest and thus leading to loss of public funds.</p>	<p>We however agree with the audit observation on late payment of certificates. This mainly arise due to inadequate GK budgetary provisions coupled with late release of Exchequer funds to facilitate prompt payment of certificates.</p>	
<p>Payment of Value Added Tax Review of summarized payment certificates revealed that the Authority paid contractor a cumulative amount of Kshs. 7,362,43,084 for the certified works which included an amount of Kshs. 918,294,823 charged as Value Added Tax (VAT) by the contractor for works which were not vat-able. However, as at 30 June, 2022, the Authority had recovered Kshs. 148,474,743 from the retentions account of the contractor leaving outstanding balance of Kshs. 769,820,080. The Management did not provide details of measures instituted to ensure full recovery of the outstanding balance.</p>	<p>The contractor issued a credit note for the total billed VAT in IPC 26. The credit note issued was fully recovered from the contractors pending bills which had accumulated to Kshs 920,751,678 at the time of issuance of the credit note. Recovery of Kshs 148,474,743 from the withheld retention was meant to settle the overbilling on interest on delayed payment as per the reconciliation availed to the auditors during the audit exercise.</p>	<p>Resolved Resolved</p>


Eng. Kungu Ndungu
 Director General
 26/06/23
 Date


Eng. Henry Gakuru
 Ag. Director-Development
 26/06/23
 Date

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Annex 2: Variance Explanations - Comparative Budget and Actual Amounts for FY 2022-2023

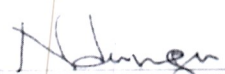
	Final Budget a	Actual on Comparable Basis b	Budget Utilisation Difference c=a-b	% of Utilisation d=b/a %	Comments on Variance
Receipts					
Government of Kenya	175,000,000	175,000,000	-	100%	
External financing	-	-	-	-	
Total Receipts	175,000,000	175,000,000	-	100%	
Payments					
Purchase of goods and services	175,000,000	1,404,662	25,000,300	86%	Further reconciliation of the final statement before payment
Acquisition of non-financial assets		148,595,038			
Total Payments	175,000,000	149,999,700	25,000,300	86%	

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Annex 3: Reconciliation of Inter-Entity Transfers

Project Name:	Nuno - Modogashe Road Project		
Break down of Transfers from the State Department of Roads			
A	Government Counterpart Funding		
	Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
	30-Sep-22	100,000,000	FY 2022/23
	25-May-23	50,000,000	FY 2022/23
	27-Jun-23	25,000,000	FY 2022/23
	Total	175,000,000	
B	Direct Payments		
	Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
		-	
	Total	-	
C	Others		
	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		-	
	Total	-	
	Total (A+B+C)	175,000,000	


Eng. Kungu Ndungu
Director General

26/09/23
Date


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

26/09/23
Date

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Annex 4: Analysis of Pending Bills

Supplier of Goods/Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				FY 2023	FY 2022	
		a	b	c=a-b		
Sub-Total						
Consultancy Services						
Sub-Total				-	-	
Civil Works						
Zhongmei Engineering Group	04.10.2022	622,671,721	138,595,038	484,076,683	-	Final Payment Certificate
Sub-Total		622,671,721	138,595,038	484,076,683	-	
Land Compensation		602,478,955	476,587,160	125,891,795	135,891,795	
Grand-Total		1,225,150,676	615,182,198	609,968,478	135,891,795	

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Annex 5: Summary of Fixed Asset Register

Asset class	Opening Cost	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(KSh)	(KSh)	(KSh)	(KSh)
	FY 2022/23	FY 2022/23	FY 2022/23	FY 2023
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	7,443,522,138	148,595,038	-	7,592,117,176
Total	7,443,522,138	148,595,038	-	7,592,117,176

