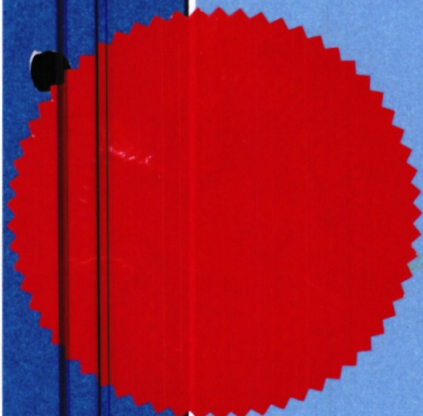


REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 03 DEC 2024	DAY: Tuesday
TABLED BY: Hon Kimani Ichong'wah (Leader of the Majority Party)	
OF: Anastacia	

**REPORT**

**THE AUDITOR-GENERAL**

**ON**

**NORTHERN CORRIDOR TRANSPORT  
IMPROVEMENT PROJECT-IDA CREDIT  
NO. 3930-KE AND NO. 4571-KE**

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

**KENYA NATIONAL HIGHWAYS AUTHORITY**



MINISTRY OF ROADS AND TRANSPORT



**Kenya National Highways Authority**

Quality Highways, Better Connections

**PROJECT NAME: NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**CREDIT: IDA CREDIT No. 3930-KE & 4571-KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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



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**1. Acronyms and Definition of Terms**

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
ICPAK	Institute of Certified Public Accountants of Kenya
FY	Financial year.
IDA	International development Association
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
KISM	Kenya Institute of Supplies Management
KM/S	Kilometer/s
MRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
NT	National Treasury
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
UA	Unit of Account

## 2. Project information and overall performance

### 2.1 Name and registered office

**Name:** Northern Corridor Transport Improvement Project

**Objective:** The objective of the project was to enhance the efficiency and effectiveness of the borrower's transport sector through:

- (a) Increasing the efficiency of road transport; and
- (b) Promoting private sector participation in the management, financing and maintenance of road assets.

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

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P.O. Box 49712-00100  
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Telephone: +254-20-495000

E-mail: [dg@kenha.co.ke](mailto:dg@kenha.co.ke)

Website: [www.kenha.co.ke](http://www.kenha.co.ke)

### 2.2 Project Information

Project Start Date:	25 <sup>th</sup> June 2004
Project End Date:	30 <sup>th</sup> December 2015
Project Coordinators:	Eng. H. Gakuru – Director Development
	Eng. S. Ogege - Deputy Director Special Projects
Project Sponsor:	International Development Association (IDA) and the Government of Kenya

### 2.3 Project Overview

Line Ministry/State Department of the project	The project was under the supervision of the State Department of Roads under the Ministry of Roads and Transport (MRT).
Project number	P082615
Strategic goals of the project	The strategic goals of the project were as follows: (i) Increasing the efficiency of road transport; and (ii) Promoting private sector participation in the management, financing and maintenance of road assets.

**Project information and overall performance (Continued)**

<p>Summary of Project Strategies for achievement of strategic goals</p>	<p>The project management aimed to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) Rehabilitation of Northern Corridor and Emergency Restoration of Damaged Public Assets</li> <li>(ii) Private Sector Participation in Road Management and Maintenance</li> <li>(iii) Institutional Strengthening in Road Sector and Technical Assistance</li> <li>(iv) Strengthening Governance in Construction Industry</li> </ul>
<p>Other important background information of the project</p>	<p>The objective of the Project was to enhance the efficiency and effectiveness of the country's transport sector through:</p> <ul style="list-style-type: none"> <li>(a) Increasing the efficiency of road transport;</li> <li>(b) Promoting private sector participation in the management, financing, and maintenance of road assets.</li> <li>(c) Improving sound economic status of the country at large</li> </ul>
<p>Areas that the project was formed to achieve</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>(i) Reduction in freight and passenger travel times from Mombasa to Malaba &amp; Busia</li> <li>(ii) The un-rehabilitated road sections covered by the additional financing also experienced much greater deterioration than expected over the last few years, due to partly, the heavy growth in traffic as well as due to damage resulting from unusually heavy rains and floods</li> <li>(iii) The post-election crisis in the country that saw extensive damage to some critical infrastructure, public buildings and equipment</li> </ul>
<p>Project duration</p>	<p>The project started on 25<sup>th</sup> June 2004 and ended on 30<sup>th</sup> December 2015</p>

**2.4 Bankers**

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

**2.5 Independent Auditor**

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

**Project information and overall performance (Continued)**

**2.6 Roles and Responsibilities**

	Names	Title designation	Key qualification	Responsibilities
1.	Eng. H. Gakuru	Director Development	Registered Engineer	Project Implementation Team Leader
2.	Eng. Samuel Ogege	Deputy Director - Special Projects	Registered Engineer	Project activities Co-ordinator
3.	Mr. W. M. Barongo	Deputy Director Environment & Social Safeguards	NEMA Lead Expert	Project Environmental Specialist
4.	CPA Chanje Kera	Deputy Director Finance and Accounts	Certified Public Accountant	Project Financial Specialist
5.	Mr. R. Kilel	Assistant Director Supply Chain Management	Registered KISM & CIPS Member	Project Procurement Specialist

**2.7 Funding summary**

The Project was for a duration of 11 years from 2004 to 2015 with an approved budget of SDR 278,940,000 equivalent to USD 307,493,959 which is equivalent to Kshs 31,088,315,753 by International Development Association and USD 16,641,543 equivalent to Kshs 1,458,246,791 by Nordic Development fund as highlighted in the table below:

**A) Source of Funds**

Source of funds	Donor Commitment		Amount received to date – (30th June 2024)		Undrawn balance to date (30.06.2024)	
	Donor Currency	Kshs	Donor Currency	Kshs	Donor Currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>	USD	Kshs	USD	Kshs	USD	Kshs
International Development Association	307,493,959	31,088,315,753	307,493,959	31,088,315,753	-	-
Nordic Development Fund	16,641,543	1,458,246,791	16,641,543	1,458,246,791	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	31,771,414,058	-	31,771,414,058	-	-
<b>Total</b>	<b>324,135,502</b>	<b>64,317,976,602</b>	<b>324,135,502</b>	<b>64,317,976,602</b>	<b>-</b>	<b>-</b>

Project information and overall performance (Continued)

B) Application of Funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2024)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2024)		Unutilised balance to date – (30 <sup>th</sup> June 2024)	
	<i>Donor Currency</i>	<i>Kshs</i>	<i>Donor Currency</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>
International Development Association	307,493,959	31,088,315,753	307,493,959	31,088,315,753	-	-
Nordic Development Fund	16,641,543	1,458,246,791	16,641,543	1,458,246,791	-	-
(ii) Counterpart funds						
GoK		31,771,414,058		31,771,414,058	-	-
<b>Total</b>	<b>324,135,502</b>	<b>64,317,976,602</b>	<b>324,135,502</b>	<b>64,317,976,602</b>	<b>-</b>	<b>-</b>

2.8 Summary of Overall Project Performance:

i) Budget performance against actual amounts for current year

	2023/2024		
	Actual	Budget	%
Counterpart Funds - Gok	-	5,028,770	0%
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>0%</b>

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

The following contracts were successfully completed and handed over to Employer

- 1) Maji ya Chumvi - Miritini (35 km and increased to 40 km)
- 2) Sultan Hamud-Machakos Turnoff (55 km)
- 3) Machakos Turn off-JKIA 33 km (including 12 km of dual carriageway)
- 4) Lanet - Njoro Turnoff (dual 16 km)
- 5) Njoro Turnoff-Timboroa (84 km)
- 6) Mau Summit-Kericho (57km)
- 7) Kericho-Nyamasaria (76 km)
- 8) Nyamasaria-Kisumu - Kisian including Kisumu Bypass road
- 9) Emergency Restoration of Public Assets
- 10) Rehabilitation of Kisumu Airport – Kisian Road 7km

**Project information and overall performance (Continued)**

**iii) Implementation challenges and mitigation measures taken to alleviate challenges**

<b>Item No.</b>	<b>Implementation Challenges</b>	<b>Mitigation Measures taken to resolve observed challenges</b>
1	Problems with space availability in the road reserve	KeNHA surveyors were incorporated to undertake survey works to facilitate the commencement of compulsory land acquisition to provide the right of way.
2	Delay in receipt of funds by the GoK.	Budget provisions to be made to facilitate settlement of Project pending bills.

**2.9 Summary of Project Compliance:**

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

### 3. Statement of Performance against Project's Predetermined Objectives

#### Introduction

Section 81(2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of Northern Corridor Transport Improvement Project performance against predetermined objectives at the end of each financial year. The key development objectives of the project's agreement/ plan were to:

- (i) Increase the efficiency of road transport along the Northern corridor to facilitate trade and regional integration
- (ii) Promote private sector participation in the management, financing and maintenance of road assets
- (iii) Restore vital infrastructure and public assets damaged as a result of the 2007 post-election crisis

#### 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
Northern Corridor Transport Improvement	To increase efficiency of road transport along the Northern corridor.	Reduction in vehicle operating costs and passenger travel time.	Reduction in freight and passenger travel times from Mombasa to Malaba	Current travel and freight movement time between Mombasa to Malaba has reduced by 25%.
	To facilitate trade and regional integration.	Kenyan products will be more competitive in regional and international markets	Variety of Kenyan products available across the border.	Increased variety of Kenyan made goods internationally.
	To promote private sector participation in the management, financing and maintenance of road assets	Enhanced efficiency and effectiveness of service delivery in the roads sector.  Good governance and professional integrity in the roads sector.	Award of one long term performance-based road maintenance and management contract to the private sector.	A section of the corridor (Nairobi Expressway Project) has been completed under Public Private Partnership and a toll opened.
	To restore public buildings damaged as a result of the 2007 post-election crisis.	Restoration of public buildings damaged.	Works carried out on public buildings identified as having been affected	Buildings were refurbished in the FY 2022-2023

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

Northern Corridor Transport Improvement Project main focus is improving transportation infrastructure to enhance connectivity and efficiency. In terms of environmental and sustainability reporting, the strategy involved rigorous assessment and mitigation of environmental impacts throughout the project lifecycle. Below is a brief highlight of the activities that drove 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 were addressed through the following initiatives;

- a) Good health and well-being (SDG 3): The Authority strove to undertake Road Safety Audits to identify accident black spots, implemented intervention measures and provided road safety education to reduce accidents;
- b) Gender Equality (SDG 5): The Authority encouraged 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 developed 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 endeavoured 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 endeavoured 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 worked towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implemented road beautification programs, enforced reinstatement of quarries and borrow pits after construction works, undertook regular Environmental Impact Assessment (EIA) Audits, carried out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

**Environmental and Sustainability Reporting (Continued)**

**iii. Employee welfare**

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

**iv. Marketplace practices**

**a) Responsible Supply chain and supplier relations**

The Authority strived to ensure responsible competition practices through undertaking annual governance audits in projects, monitored the implementation of policies and further promoted ethical conduct in projects.

**b) Responsible ethical practices**

The Authority equally sensitized staff on corruption and integrity.

**c) Regulatory impact assessment**

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

**v. Community Engagements**

During the implementation of the Project, the Authority was 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 was to ensure that the projects fostered long-term relationships with stakeholders and communities around the project. The aim was not just to build roads that foster development but to ensure collaboration with the local communities to achieve sustainable development. The project staff were also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

The Contractor was involved in various CSR activities geared towards providing the local residents water access through construction of water kiosks along the project road, improvement of access roads and enhancing learning and playing environment in schools along the project road.

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

**5. Statement of Project Management Responsibilities**

The Director General, KeNHA and the Project Implementation Team Leader are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the project for the financial year ended on June 30, 2024.

This responsibility includes (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

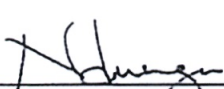
The Director General, KeNHA and the Project Implementation Team Leader accept responsibility for the project's financial Statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting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


The Director General, KeNHA and the Project Implementation Team Leader are of the opinion that the Project financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June, 30, 2024 and the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial Statements and 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 the Project Implementation Team Leader on 19 JUL 2024 and signed by:

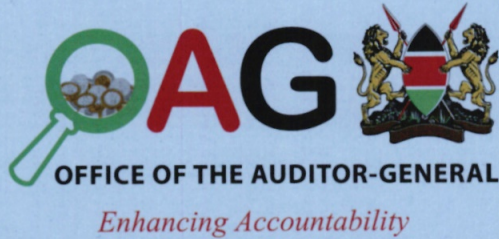
  
\_\_\_\_\_  
Eng. Kungu Ndungu, MBS  
Director General

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

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

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

## **REPORT OF THE AUDITOR-GENERAL ON NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT-IDA CREDIT NO. 3930-KE & NO. 4571-KE FOR THE YEAR ENDED 30 JUNE, 2024 – KENYA NATIONAL HIGHWAYS AUTHORITY**

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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 Northern Corridor Transport Improvement Project set out on pages 1 to 21, which comprise of the statement of

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*Report of the Auditor-General on Northern Corridor Transport Improvement Project-Ida Credit No.3930-KE &4571-KE for the year ended 30 June, 2024 – Kenya National Highways Authority*

financial assets 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 Northern Corridor Transport Improvement 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 comply with the Financing Agreement IDA Credit No.3930-KE and No.4571-KE between the International Development Association (IDA) and the Republic of Kenya dated 08 May, 2009 and the Public Finance Management Act, 2012.

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

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **1. Long Outstanding Pending Bills**

Note 11 to the financial statements and as analyzed in Annex 4 reflects pending bills of Kshs.3,597,877,130 relating to construction of civil works as at 30 June, 2024. The amount was in respect of an award by Dispute Board Arbitration which resolved that the amount was payable on 4 June, 2021. However, the amount remained unsettled for three years after the resolution. Failure to settle the pending bills on time may lead to loss of public funds through accrued penalties, interest costs and other administrative costs.

#### **2. Failure to Close the Project**

Note 2.2 on Project information showed that the Project closure date was 30 December, 2015. However, the Project had not been closed as at the time of the audit, eight (8) years after Project completion.

In the circumstances, the Project may continue to attract administrative costs which could otherwise been avoided.

My opinion is not modified in respect 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 Report on Lawfulness and Effectiveness in Use of Public Resource, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2024.

## **Other Information**

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 International Development Agency (IDA), I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and those Charged with Governance**

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

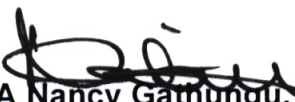
### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gatungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

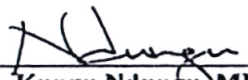
**12 November, 2024**


*Northern Corridor Transport Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

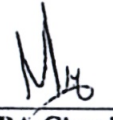
**7. Statement of Receipts and Payments for the Year Ended 30th June 2024**

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
		2023/2024			2022/2023			
<b>Receipts</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Transfer from Government entities	1	-	-	-	10,283,971	-	10,283,971	31,697,866,006
Loan from external development partners	2	-	-	-	-	-	-	32,546,562,544
Miscellaneous receipts	3	-	-	-	2,287,195	-	2,287,195	73,548,052
<b>Total receipts</b>		-	-	-	12,571,166	-	12,571,166	64,317,976,602
<b>Payments</b>								
Compensation of employees	4	-	-	-	-	-	-	52,959,675
Purchase of goods and services	5	-	-	-	-	-	-	185,456,726
Acquisition of non-financial assets	6	-	-	-	10,283,971	-	10,283,971	64,017,919,420
Other grants and transfers /payments	7	-	-	-	61,640,781	-	61,640,781	61,640,781
<b>Total payments</b>		-	-	-	71,924,752	-	71,924,752	64,317,976,602
<b>Deficit/(Surplus)</b>		-	-	-	(59,353,586)	-	(59,353,586)	-

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

  
Eng. Kungu Ndungu, MBS  
Director General

  
Eng. Henry Gakuru  
Director Development

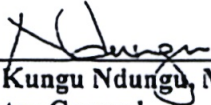
  
CPA Chanje Kera  
Deputy Director (F&A)  
ICPAK Member No. 8279

*Northern Corridor Transport Improvement Project  
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**8. Statement of Financial Assets and Liabilities as at 30<sup>th</sup> June 2024**

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Financial Assets</b>			
Cash and Cash equivalents	8	-	-
<b>Total Financial Assets (A)</b>		-	-
<b>Financial Liabilities</b>			
Third party Deposits and Retention		-	-
<b>Total Financial Liabilities (B)</b>			
<b>Net Financial Assets (A-B)</b>		-	-
<b>Represented By</b>			
Fund Balance B/fwd.	9	-	59,353,586
Prior Year adjustments		-	-
Surplus/(Deficit) for the Year		-	(59,353,586)
<b>Net Financial Assets</b>		-	-

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

  
Eng. Kungu Ndungu, MBS  
Director General

  
Eng. Henry Gakuru  
Director Development

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

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

Description	Notes	2023/2024	2022/2023
<b>Cashflow from operating activities</b>		<b>Kshs</b>	<b>Kshs</b>
<b>Receipts</b>			
Transfer from government entities	1	-	10,283,971
Miscellaneous receipts	3	-	2,287,195
<b>Total receipts</b>		-	12,571,166
<b>Payments</b>			
Other grants and transfers /payments	7	-	(61,640,781)
<b>Total Payments</b>		-	(61,640,781)
<b>Adjustments during the year</b>			
<b>Net cash flow from operating activities</b>		-	12,571,166
<b>Cashflow from investing activities</b>		-	-
Acquisition of non-financial assets	6	-	(10,283,971)
<b>Net cash flows from investing activities</b>		-	(10,283,971)
<b>Cash flow from financing activities</b>			
Proceeds from foreign borrowings		-	-
<b>Net cash flow from financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		-	(59,353,586)
<b>Cash &amp; cash equivalent at beginning of the year</b>		-	59,353,586
<b>Cash and cash equivalent at end of the year</b>		-	-

**Northern Corridor Transport Improvement Project  
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**10. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30<sup>th</sup> 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 %
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Receipts</b>						
Transfer from Government entities	-	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-	-
<b>Total Receipts</b>	-	-	-	-	-	-
<b>Payments</b>						
Acquisition of non-financial assets	-	-	-	-	-	-
Other grants and transfers /advancements	-	-	-	-	-	-
<b>Total Payments</b>	-	-	-	-	-	-
<b>Deficit</b>	-	-	-	-	-	-

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

## **11. Significant Accounting Policies**

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

### **a) Statement of compliance and basis of preparation**

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

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

### **b) Reporting entity**

The financial statements are for the Northern Corridor Transport Improvement Project under Kenya National Highways Authority.

The financial statements are for Northern Corridor Transport Improvement Project as required by Section 81 of the PFM Act, 2012.

### **c) Reporting currency**

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

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

The Northern Corridor Transport Improvement Project recognizes all receipts from various sources when an event occurs, and the related cash is received.

#### **i) Transfers from the Exchequer**

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

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

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

#### **iii) Other receipts**

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

**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 payment advice is received by the recipient entity or by the beneficiary. In the case of a grant/donation in kind, such grants are recorded upon receipt of the grant item and its value determined. The transaction date is the value date indicated on the payment advice.

**v) Proceeds from borrowing.**

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

**vi) Undrawn external assistance**

These are loans and grants at reporting date 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 been paid out by the Project.

**i) Compensation to employees**

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

**ii) Use of goods and services**

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

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

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

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

**Significant Accounting Policies (Continued)**

**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 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.

**Significant Accounting Policies (Continued)**

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

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

**k) Contingent Assets**

The Northern Corridor Transport Improvement 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 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 are recorded as 'memorandum' or 'off-balance.' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**m) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review if any is 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. During the year, No loan disbursements were received in the form of direct payments from third parties.

**Significant Accounting Policies (Continued)**

**o) Exchange rate differences**

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

**p) Comparative figures**

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

**q) Subsequent events**

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

**r) Prior period adjustments**

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

**12. Notes to the Financial Statements**

**1. Transfers from Government entities**

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

Description	2023/2024	2022/2023	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
<b>Counterpart funding through Ministry of Roads and Transport</b>			
Counterpart funds Quarter 1	-	-	8,038,947,304
Counterpart funds Quarter 2	-	-	9,645,069,557
Counterpart funds Quarter 3	-	-	7,129,215,712
Counterpart funds Quarter 4	-	-	6,874,349,462
<b>Total</b>			<b>31,687,582,035</b>
<b>Other transfers from government entities</b>			
Appropriations-in-Aid	-	10,283,971	10,283,971
<b>Total</b>	-	<b>10,283,971</b>	<b>31,697,866,006</b>

**2. Loan from External Development Partners**

The Financing Agreement lapsed in FY 2015/16, hence there were no funds received from Development Partners. However cumulatively an amount of Kshs 32,546,562,544 has since been received.

Description	2023/2024				2022/2023	Cumulative to date
Name of Donor	Amount in loan currency	Loans received in actual amount	Loans received as direct payment	Total amount in Kshs	Total amount in Kshs	
	USD	Kshs	Kshs	Kshs	Kshs	
<b>Multilateral Donors</b>						
Norway Development Fund	-	-	-	-	-	1,458,246,791
International Development Association	-	-	-	-	-	31,088,315,753
<b>Total</b>	-	-	-	-	-	<b>32,546,562,544</b>

Notes to the Financial Statements (Continued)

3. Miscellaneous receipts

Description	2023/2024			2022/2023	Cumulative to date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts	Total receipts	
	Kshs	Kshs	Kshs	Kshs	
Interest income*	-	-	-	2,287,195	73,548,052
<b>Total</b>	-	-	-	2,287,195	73,548,052

\*Amount relates to Net Interest income after deduction of interest expense

4. Compensation to Employees

Description	2023/2024			2022/2023	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Basic wages of temporary employees	-	-	-	-	52,959,675
<b>Total</b>	-	-	-	-	52,959,675

5. Purchase of Goods and Services

Description	2023/2024			2022/2023	Cumulative to- date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	-	-	-	-	29,464,389
Foreign travel and subsistence	-	-	-	-	18,363,089
Printing, advertising, and information supplies	-	-	-	-	29,695,880
Training payments	-	-	-	-	84,565,499
Hospitality supplies and services	-	-	-	-	7,695,073
Specialized materials and services	-	-	-	-	15,015,532
Routine maintenance – vehicles and other transport equipment	-	-	-	-	657,264
<b>Total</b>	-	-	-	-	185,456,726

Notes to the Financial Statements (Continued)

6. Acquisition of Non-Financial Assets

Description	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs	Kshs
Refurbishment of buildings	-	-	-	10,283,971	443,803,302
Construction of roads	-	-	-	-	55,175,752,520
Purchase of vehicles & other transport equipment	-	-	-	-	487,801,252
Purchase of office furniture & general equipment	-	-	-	-	392,325,104
Purchase of specialised plant, equipment and machinery	-	-	-	-	965,155,286
Research, studies, project preparation, design & supervision	-	-	-	-	3,737,308,189
Acquisition of land	-	-	-	-	2,757,806,524
Acquisition of other intangible assets	-	-	-	-	57,967,243
<b>Total</b>	-	-	-	<b>10,283,971</b>	<b>64,017,919,420</b>

7. Other grants and transfers /payments

Description	2023/2024			2022/2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Miscellaneous payments *	-	-	-	61,640,781	61,640,781
<b>Total</b>	-	-	-	<b>61,640,781</b>	<b>61,640,781</b>

\*Amount relates to a transfer of funds following closure of Project Account

8. Cash and Cash equivalents

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank accounts*	-	-
Cash in hand	-	-
<b>Total</b>	-	-

\*Account closed in FY 2022/23

Notes to the Financial Statements (Continued)

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account as at 30<sup>th</sup> June 2024 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

**Special Deposit Accounts Movement Schedule**

Description	2023-2024	2022-2023
	USD	USD
A/C NCTIP KeNHA [A/c No 0810297087613]		
Opening balance	42,172	42,172
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b>42,172</b>	<b>42,172</b>

This amount represents USD 42,172 held in the Special deposit account presented in United States Dollars(USD)

**9. Fund Balance Brought Forward**

There is a NIL brought forward balance in the current financial year (FY 2022/23 Ksh 59,353,586)

**10. Changes in Accounts Payable (Deposit and Retention)**

Description	2023/2024	2022/2023
	Kshs	Kshs
Deposit and Retentions as at 1 <sup>st</sup> July	-	-
Closing accounts payables as at 30 <sup>th</sup> June	-	-
Change in payables	-	-

\*There is a NIL balance in respect to deposits and retentions

**Other Important Disclosures**

**11. Pending Accounts Payable (See Annex 4)**

	Balance b/f FY 2023/2024	Additions for the year	Paid during the year	Balance c/f FY 2023/2024
Description	Kshs	Kshs	Kshs	Kshs
Construction of civil works	3,597,877,130	-	-	3,597,877,130
<b>Total</b>	<b>3,597,877,130</b>	<b>-</b>	<b>-</b>	<b>3,597,877,130</b>

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	<b>Basis for Qualified Opinion</b>			
1.	<p><b>Inaccuracies in the Financial Statements</b></p> <p><b>Presentation of the financial statements</b></p> <p>The financial statements prepared and presented for audit had the following anomalies:</p> <p>i. The statement of receipts and payments reflects comparative balance of Kshs.9,702,270 in respect of deficit for the year. However, review of the statement of assets reflects comparative balance of Kshs.2,496,331 in respect of the surplus for the year resulting to unexplained and unreconciled variance of Kshs. 7,205,939.</p>	<p>The two matters were neither raised during the audit nor the exit meeting held virtually on 25th October, 2023</p> <p>We agree with the audit observation that the comparative statement of receipts and payments reflects a deficit of Kshs. 9,702,270 and the statement of financial assets reflects a surplus of Kshs. 2,496,331.</p> <p>This is attributed to interest earned of Kshs. 2,496,331 during the FY 2021/2022 and retention withheld of Kshs. 12,198,601 that was paid back to the contactor upon attainment of contractual milestones after being withheld in the prior financial years as reported in the statement of Financial Assets for the FY 2020/2021.</p> <p>The Financial Liability of Kshs. 12,198,601 in the prior year is therefore a cash balance available but the Statement of Receipts and Payments reporting template does not include a cash balance brought</p>	Not Resolved	Ongoing

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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	<p>ii. The statement of financial assets reflects nil balances of comparative balances in respect of deposits and retention monies. However, review of Note 10 to the financial statements reflects comparative balance of Kshs 12,198,601 in respect of deposit and retention monies not reported. Further, the decrease in deposits and retention monies was not reported in the statement of cash flows.</p> <p>In the circumstances, the accuracy and completeness of the balances in the financial statements could not be confirmed.</p>	<p>forward which is a likely scenario in a project being implemented over a number of years.</p> <p>We agree with the audit observation that there was a nil balance in Note 10 in respect of deposit and retentions. This amount relates to refund of retentions in the FY 2021/2022.</p> <p>This was reported under Note 9 in the previous year where the closing balance was reported as nil closing balance.</p> <p>The payment vouchers amounting to Kshs 12,198,601 were available for review.</p>		
2.	<p><b>Unsupported Miscellaneous Receipts</b></p> <p>The statement of receipts and payments reflects miscellaneous receipts of an amount of Kshs.2,287,195 in respect of interest income as disclosed in Note 3 to the financial statements. However, review of the supporting schedule provided for audit revealed an amount of Kshs. 2,690,817 in respect of interest income including unsupported interest expenses of an amount of Kshs. 403,622. Further, bank statements confirming the receipts and expenses were not provided for audit review.</p>	<p>We disagree with the audit observation that the miscellaneous income balance has been understated by Kshs. 403,622.</p> <p>As explained during the audit and the exit meeting, the amount reported in the statement of receipts and payments is the net of bank interest of Kshs.2,690,817 less charges and interest expenses amounting to Kshs. 403,622 resulting to a net amount reported of Kshs. 2,287,195.</p> <p>The Miscellaneous interest schedule was shared with the audit team and therefore the accuracy and</p>	Not Resolved	Ongoing

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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	In the circumstance, accuracy and completeness of the miscellaneous receipts of an amount of Kshs. 2,287,195 in respect of interest income could not be confirmed.	completeness of the miscellaneous receipts of Kshs 2,287,195 can be confirmed.		
3.	<p><b>Unsupported Expenditure on Refurbishment of Offices</b></p> <p>The statements of receipts and payments reflects acquisition of non-financial assets of an amount of Kshs 10,283,971 in respect of refurbishment of buildings and as disclosed in Note 6 to the financial statements.</p> <p>Further, review of supporting documents including payment vouchers, bills of quantities, notification of tender award, acceptance of tender and contract agreement revealed that the repair and renovation of the Ministry of Public Works offices in Homabay and Oyugis was procured and implemented between September and October 2015. Further the payment voucher provided for audit review confirms payments was made on 22 February, 2022 which relates to the previous financial 2021/2022.</p> <p>In the circumstance, regularity, accuracy and completeness of the expenditure of an amount of Kshs.</p>	<p>We agree with the audit observation that the amount spent of Kshs.10,283,971 was not for construction of roads but on Refurbishment and restoration of buildings. This typographical error has since been corrected in the amended financial statements.</p> <p>We disagree that the regularity, accuracy and completeness of the expenditure of Kshs. 10,283,971 in respect of acquisition of non-financial assets could not be confirmed. This payment is capital in nature as it relates to restoration of buildings to a habitable state after substantial destruction during the post elections violence of 2007. In addition, this was a final payment after previous payments made over the life of the project.</p> <p>The budget approval and the contract for the repairs and renovations of the offices were shared with the auditors.</p>	Not Resolved	Ongoing

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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	10,283,971 in respect of acquisition of non-financial assets could not be confirmed.	The expenditure relating to the renovation works of the Ministry of Public Works offices, the shared Financing Agreement Schedule 1 Part A: Rehabilitation of the Northern Corridor and Emergency Restoration of Damaged Public Assets item 2. Rehabilitation and repair of roads, bridges, buildings and other public infrastructure damaged or destroyed by floods or the events of December 2007 post-election crisis was the clause used to finance the rehabilitation.		
4.	<p><b>Unsupported Other Grants, Transfers and Payments</b></p> <p>The statement of receipts and payments reflects other grants, transfers and payments of an amount of Kshs.61,640,781 in respect of miscellaneous payments and as disclosed in Note 7 to the financial statements. Management indicated that the amount was paid to the operation account after the closure of the project. However, supporting documents as agreement between Management, the National Treasury and the Donor on the</p>	<p>We disagree with the audit observation that there were no supporting documents for the transfer of Kshs.61,640,781 under Miscellaneous Transfers.</p> <p>It was clarified during the audit, that this was as a result of instructions issued to the bank while closing the account to transfer all balances together with interest earned up to the date of closure of the account, it was therefore not feasible to prepare a voucher for a closed</p>	Not Resolved	Ongoing

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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	<p>closure of the project and the condition of the refund of the monies in the project account revealed the project still had a special deposit account which had a balance of USD 42,172.</p> <p>In the circumstances, the accuracy and completeness of receipts of an amount of Kshs.61,640,781 in respect of transfers from government entities could not be confirmed.</p>	<p>bank account with final amounts being uncertain before the transfer.</p> <p>The letter instructing the bank to close the account and the letter from the National Treasury authorising closure of the bank account were shared with the auditors.</p>		
5.	<p><b>Unsupported Cash and Cash Equivalents</b></p> <p>The statement of financial assets reflects Nil balance in respect of cash and cash equivalents and as disclosed in Note 8 to the financial statements. However, supporting documents including certificate of bank balance, bank statements and bank reconciliation statements as at 30 June, 2023 were not provided for audit review.</p> <p>In the circumstances, the accuracy and completeness of the Nil balance in respect of cash and cash equivalent could not be confirmed.</p>	<p>We agree that the bank reconciliation as at 30 June, 2023 was not provided for audit review.</p> <p>This is because the bank account was closed in April, 2023. The bank reconciliation for the month of April, 2023 and the closing certificate of balance were availed to the auditors.</p>	Not Resolved	Ongoing

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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
6.	<p><b>Other Matters</b> <b>Pending Bills</b></p> <p>Annex 3 to the financial statements reflects analysis of pending bills in respect of road contractors totalling Kshs.3, 597,877,130 as at 30 June, 2023. As previously reported, Annex 3 to the financial statements clearly shows that a total of Kshs.3,589,974,572 were contracted on 28 and 30 June, 2022 which was seven and a half years after the project end date of 30 December 2015. Further, review of the supporting documents including two Dispute Board Arbitration reports on Mau –Summit Kericho Rd and Kericho-Nyamasaria-Rd -0421 and Kericho Nyamasari Rd -0422 in respect to delays in settling outstanding payments in time revealed higher amounts awarded in two portions on foreign and local currencies to the contractor which are at variance and</p>	<p>We disagree with the audit observation that no documentation was provided in support of the pending bills.</p> <p>The awards amounting to Kshs.3,589,974,572, awarded in the financial year 2021/2022 and the pending bill of Kshs.7,902,558 totalling to Ksh 3,597,877,130 have remained consistent and were shared during the audit process and after the exit meeting as agreed with the audit team. We agree that no bills were settled during the year.</p>	Not Resolved	Ongoing

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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	<p>inconsistence with balances reflected in Annex3 of the analysis of pending bills as detailed below. In addition, supporting documents including invoices and interim payment certificates in respect to Kisumu Airport Kisian and Road Over Rail Bridge: IPC No.9 were not provided and records at Annex3 indicate that no bills were settled during the year.</p>			
7.	<p><b>Project Closure Report</b></p> <p>The Project information at Section 2.2 of the annual report and financial statements reflects the project end date of 30 December, 2015. However, the project closure report was not provided for audit, being almost seven (8) years after the expiry of the closure period.</p>	<p>We agree with the audit observation that the project closure report was not provided for audit.</p> <p>Please note that the project was administered under FIDIC Conditions of Contract. As per FIDIC conditions of Contract, a final account shall only be prepared upon both parties to the contract settling all outstanding matters.</p> <p>We confirm that the government is yet to settle all project pending bills including claims thereof.</p>	Not Resolved	Ongoing


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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
		The project bank account at NCBA Bank was closed during the FY 2022/2023		
8.	<p><b>Unresolved Prior Year Matters</b></p> <p>As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, the prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided satisfactory reasons for the delay in resolving the issues.</p>	<p>We have noted the auditor's observation on unresolved prior year matters.</p> <p>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>	Not Resolved	Ongoing

  
**Eng. Kungu Ndungu** MBS  
**Director General**

19 JUL 2024

Date

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

19 JUL 2024

Date

*Northern Corridor Transport Improvement Project  
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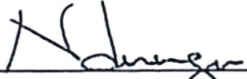
**Annex 2: Variance explanations - Comparative Budget and Actual amounts for Current FY**

	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>	<b>Comments on Variance (below 90% and over 100%)</b>
	<b>a</b>	<b>b</b>	<b>c=a-b</b>	<b>d=b/a %</b>	
<b>Receipts</b>					
Transfer from Government entities	-	-	-	-	-
Proceeds from domestic and foreign grants	-	-	-	-	-
Proceeds from borrowings	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-
<b>Total Receipts</b>	-	-	-	-	-
<b>Payments</b>	-	-	-	-	-
Purchase of goods and services	-	-	-	-	-
Acquisition of non-financial assets	-	-	-	-	-
<b>Total payments</b>	-	-	-	-	-

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 Annex 3: Reconciliation of inter-entity transfers


<b>Project Name: Northern Corridor Transport Improvement Project</b>				
<b>Break down of transfers from the State Department of Roads</b>				
<b>a.</b>	<b>Government Counterpart funding</b>			
		<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>FY to which the amounts relate</b>
		-	-	
		-	-	
		<b>Total</b>	-	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

  
 Eng. Kungu Ndungu, MBS  
 Director General

19 JUL 2024

Date

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

19 JUL 2024

Date

**Northern Corridor Transport Improvement Project  
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**Annex 4 - Analysis of Pending Bills**

Supplier of Goods or Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2023/2024	Outstanding Balance 2022/23	Comments
		a	b	c = a - b		
Construction of civil works						
H YOUNG	11-Sep-17	7,902,558	-	7,902,558	7,902,558	Road Over Rail Bridge: IPC No.9
SBI International Holdings Ag	28-Jun-22	1,391,684,274	-	1,391,684,274	1,391,684,274	Mau Summit-Kericho
SBI International Holdings Ag	28-Jun-22	1,586,806,817	-	1,586,806,817	1,586,806,817	Kericho -Nyamasaria
SBI International Holdings Ag	30-Jun-22	611,483,481	-	611,483,481	611,483,481	Ksm Airport-Kisian
<b>Total</b>		<b>3,597,877,130</b>	<b>-</b>	<b>3,597,877,130</b>	<b>3,597,877,130</b>	

**Annex 5 – Summary of Fixed Assets Register**

Asset class	Opening Cost (KShs) 2023/2024	Donations in form of assets (KShs) 2023/2024	Purchases/ Additions in the Year (KShs) 2023/2024	Disposals in the Year (KShs) 2023/2024	Transfers in/(out) Kshs 2023/2024	Closing Cost (KShs) 2023/2024
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c - (d)+(-)d
Land	2,757,806,524	-	-	-	-	2,757,806,524
Buildings and structures	443,803,302	-	-	-	-	443,803,302
Office equipment, furniture and fittings	392,325,104	-	-	-	-	392,325,104
Transport equipment	487,801,252	-	-	-	-	487,801,252
Other Machinery and Equipment	965,155,286	-	-	-	-	965,155,286
Infrastructure assets roads	58,913,060,709	-	-	-	-	58,913,060,709
Intangible assets	57,967,243	-	-	-	-	57,967,243
<b>Total</b>	<b>64,017,919,420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,017,919,420</b>