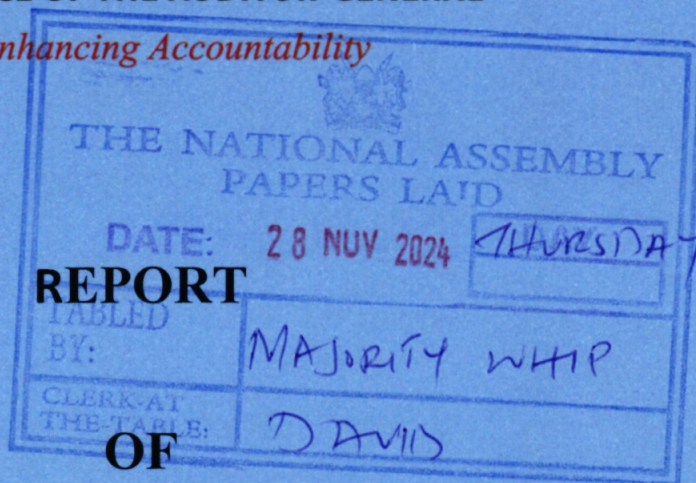


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THE AUDITOR-GENERAL

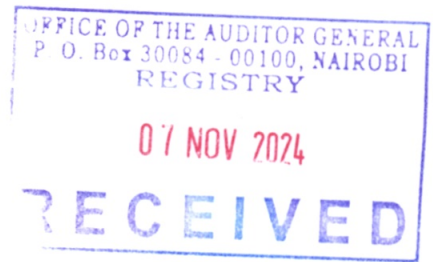
ON

**SAMATAR-WAJIR ROAD PROJECT (LOAN
NO.13451P, 13/779 AND 995)**

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

KENYA NATIONAL HIGHWAYS AUTHORITY





MINISTRY OF ROADS & TRANSPORT



PROJECT NAME: SAMATAR-WAJIR ROAD PROJECT

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS
AUTHORITY**

PROJECT GRANT/CREDIT NUMBER: 13451P, 13/779 & 995

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

***Samatar-Wajir Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

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Samatar-Wajir Road Project

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1. Acronyms and Definition of Terms

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 and Social Management Plan
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
JKIA	Jomo Kenyatta International Airport
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
OPEC	Organization of the Petroleum Exporting Countries
PAPs	Project Affected Persons
PIU	Project Implementation Unit
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
TNT	National Treasury
USD	United States Dollar

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Samatar-Wajir Road Project.

Objective

The key objective of the project is meeting the increasing demand for transport of passengers and goods in the North Eastern Region of the country, thereby promoting trade activities with the neighbouring countries and thus contributing to the economic and social development in the region.

Address:

The project headquarters offices are in Barabara Plaza,
The address of its registered office is Jomo Kenyatta International Airport (JKIA) Off Mazao Road,
Nairobi, Kenya

Contacts: The following are the project 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

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Project Information and Overall Performance (Continued)

2.2 Project Information

Project Start Date:	7 th June 2021
Project End Date:	31 st December 2024
Project Coordinator:	Eng. Cleophus Makau
Project Sponsor:	The Saudi Fund for Development, The Arab Bank for Economic Development, Kuwait Fund for Arab Economic Development, the OPEC Fund for International Development and the Government of Kenya.

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads on behalf of Ministry of Roads & Transport.
Project number	13451P, 13/779 & 995
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none">(i) Connecting Kenya and Ethiopia(ii) Improving the living standards of communities bordering the project. <p>The specific objectives of the project are as follows:</p> <ul style="list-style-type: none">(i) Reduce travel times and costs(ii) Increase road safety to reduce death and serious injury to all road users
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none">(i) Realisation of the regional road improvements, implementation of effective transit operations on the corridor.(ii) Scaling up the quantity and quality of road infrastructure, which carry very significant proportion of

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

	<p>freight transport, about 90%, has gained prominence in both countries' development plans.</p>
<p>Other important background information of the project</p>	<p>The project entails upgrading of the existing "Samatar-Wajir" road (90km) to a first-degree bitumen standard (Category A), that connects "Samatar" town to "Wajir" town, that is wholly situated in Wajir County in the North Eastern Region.</p> <p>The project will enhance regional integration, trade, tourism, blue economy and socio-economic development in the coastal corridor of the two Countries and by extension to the EAC Region and Horn of Africa.</p> <p>The Project is comprised of the following components: -</p> <ol style="list-style-type: none">a. Civil Works and Ancillaries-Including the construction of (Category A) paved road of 90 km length, 7.0 m width carriageway, two shoulders of 2.0m width of each at both sides, with improvements of the longitudinal and transversal section according to design speed of 50-100 kilometre per hour.b. Consultancy Services- including review of detailed design, finalization of tender documents, assistance with evaluation of proposals, award of contracts, and supervision of civil works.c. The project launch workshop-before implementation commences to familiarize staff Project Implementation Team (PIU) and other relevant government staff with the financiers' rules and procedures in order to facilitate Project Implementation.d. Audit -comprise of annual and final audits and reports by an external auditor.

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Contribution to increased regional and international trade between Kenya and Ethiopia using the Samatar-Wajir border. (ii) Reduction of cost of travel.
Project duration	The project started at the end of 2021 and is expected to run up to the end of 2024

2.4 Bankers

The following are the bankers of the project:

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

2.5 Independent Auditor

The project is audited by:

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

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities

List of the people who are working on the project

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

2.7 Funding summary

The project is a for a duration of 4yrs from 2021 to 2024 with an approved budget of USD 78,800,000 equivalent to Kshs 8,497,650,160 as highlighted in the table below:

Below is the funding summary:

A. Sources of Funds

Source of funds	Donor Commitments		Amount received to date (30.06.2024)		Undrawn balance to date (30.06.2024)	
	USD (A)	Kshs (A')	USD (B)	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
(i) Loan						
Kuwait Fund	23,800,000	2,566,549,160	-	-	23,800,000	2,566,549,160
BADEA	15,000,000	1,617,573,000	-	-	15,000,000	1,617,573,000
OPEC Fund	20,000,000	2,156,764,000			20,000,000	2,156,764,000
Saudi Fund	20,000,000	2,156,764,000			20,000,000	2,156,764,000
(ii) Counterpart Funds						
Government of Kenya	4,200,000	452,920,440	115,914	12,500,000	4,084,086	440,420,440
Total	83,000,000	8,950,570,600	115,914	12,500,000	82,884,086	8,938,070,600

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Project Information and Overall Performance (Continued)

B. Application of Funds

Application of funds	Amount received to date- (30th June 2024)		Cumulative Amount paid to date-(30th June 2024)		Unutilised balance to date	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') – (B')
	USD	Kshs	USD	Kshs	USD	Kshs
(i) Loan						
Kuwait Fund	-	-	-	-	-	-
BADEA	-	-	-	-	-	-
OPEC Fund	-	-	-	-	-	-
Saudi Fund	-	-	-	-	-	-
(iii) Counterpart Funds						
Government of Kenya	115,914	12,500,000	-	-	115,914	12,500,000
Total	115,914	12,500,000	-	-	115,914	12,500,000

2.8 Summary of Overall Project Performance:

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

BUDGET	2023/2024			Cumulative		
	Budget	Actual	%	Budget	Actual	%
Counterpart Funds - Gok	10,057,540	-	0%	22,557,540	-	0%
Grant from External Development Partners	100,000,000	-		180,000,000	-	0%
Total	110,057,540	-	0%	202,557,540	-	0%

- ii. Physical progress based on outputs, outcome and impacts since project commencement: -
As at 30th June, 2024 the project was still under procurement process

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Project Information and Overall Performance (Continued)

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

FY	Budget	Actual	%
2023/2024	110,057,540		0%
2022/2023	92,500,000		0%
TOTAL	202,557,540	-	0%

Comment on value for money achievements.

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

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

3. Statement of Performance Against Project's Predetermined Objectives

Introduction

Section 81(2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the Samatar-Wajir Road Project performance against predetermined objectives at the end of each financial year.

The key development objectives of the project are to:

- i. Improve the trading environment in the Region through the provision of improved transport infrastructure and addressing soft barriers to the free movement of goods, services and people along the corridor.
- ii. Fully exploit the benefits of regional integration, complementary 'soft' components aimed at tackling key constraints to trade and improving transit time and overall corridor efficiency have been integrated in the Project. In particular, the Project has identified the need to operationalize coordinated border management (CBM) system at the Samatar-Wajir as a priority.

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:

Objective	Outcome	Indicator	Performance
Contribution to increased regional and international trade between Kenya and Ethiopia border	Total import export trade using the Samatar-Wajir to increase by at least 20%	Volume of Import Export trade handled at Samatar-Wajir	205.3 tons (USD 141million). average of the last five years
To enhance social economic development of the people along the project road	Improved air quality along the project road hence improved health among communities along the project road.	Reduced CO ₂ concentration along the project road as a result of reduced traffic congestion	Through technical and vocational trainings undertaken during the Financial Year, local jobs have been created.

4. Environmental and Sustainability reporting

Samatar-Wajir Road Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

(i) Sustainability strategy and profile

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

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

(ii) Environmental performance

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

Environmental and Sustainability reporting (Continued)

(iii) Employee welfare

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

(iv) Market place practices

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

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

(v) Community Engagements

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

To achieve inclusive growth among the community around the project area, the project has a component of training unemployed youth around the project area. 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.

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

5. Statement of Project Management Responsibilities

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

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

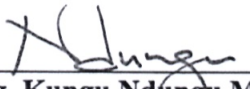
The Director General, KeNHA and the Project Management accept responsibility for the project's financial Statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting Standards.

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


The Director General, KeNHA and the Project Management 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 Management on10.SEP.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

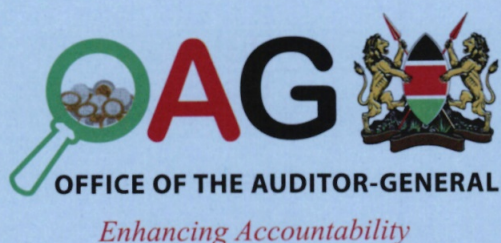
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Date 10 SEP 2024

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON SAMATAR-WAJIR ROAD PROJECT (LOAN NO.13451P, 13/779 AND 995) FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Samatar-Wajir Road Project set out on pages 1 to 15, which comprise of the statement of 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 the Samatar-Wajir Road Project as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Loan Financing Agreements Loan No.13451P, 13/779 and 995 between the Opec Fund for International Development, Saudi Fund for Development, Arab Bank for Economic Development in Africa, Kuwait Fund for Arab Economic Development and the Republic of Kenya dated 2 February, 2021, 7 June, 2021 and 15 May, 2018 respectively and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,010,057,540 and Nil respectively resulting to under-funding of Kshs.2,010,057,540 or 100% of the budget.

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

My opinion is not modified in respect of this matter.

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, one issue was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had

not resolved the issue as at 30 June, 2024.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Delayed Project Implementation

As previously reported, the project received total Government counterpart funding of Kshs.12,500,000 being budgeted amount for year 2022/2023. Records provided by the Management indicate that although the Project secured the entire requested funding for the year and the funds being received on 30 September, 2022, no Project activities were initiated. Review of the Project record in the year under review revealed that the amount of Kshs.12,500,000 was still held in the bank account and no activity has been implemented.

Further, the project implementation timeline was expected to be for a duration of four (4) years from 2021 to 2024 with an approved budget of USD 83,000,000 equivalent to Kshs.8,950,570,600 from development partners. However, as at 30 June, 2024, the Project was still in the procurement process stage, despite the fact that the implementation window is scheduled to conclude within six (6) months.

In the circumstances, delayed Project implementation has negatively affected service delivery to the public.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain 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/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

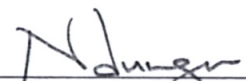
11 November, 2024

Samatar-Wajir Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

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


	Note	2023/24			2022/23			Cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	
		Kshs.	Kshs.		Kshs.	Kshs.		
Receipts								
Transfer from Government entities	1				12,500,000		12,500,000	
Loan from external Development Partners	2							
Total Receipts					12,500,000		12,500,000	
Payments								
Purchase of Goods & Services								
Acquisition of non-financial assets	4	-	-	-	-	-	-	
Total Payments								
Surplus/Deficit					12,500,000	12,500,000	12,500,000	

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


Eng. Kungu Ndungu, MBS
Director General

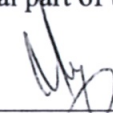
10 SEP 2024

 Date


Eng. Henry Gakuru
Director -Development

10 SEP 2024

 Date


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

10 SEP 2024

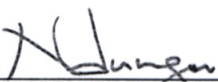
 Date

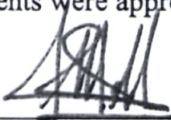
*Samatar-Wajir Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*


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

Description	Note	2023/24	2022/23
		Kshs	Kshs
Financial Assets			
Cash and Cash Equivalents	6	12,500,000	12,500,000
Total Financial Assets (A)		12,500,000	12,500,000
Financial Liabilities			
Third party Deposits and Retention		-	-
Total Financial Liabilities (B)		-	-
Net Financial Assets (A-B)		12,500,000	12,500,000
Represented By:			
Fund Balance B/fwd.		12,500,000	-
Surplus/(Deficit) for the year		-	12,500,000
Net Financial Assets		12,500,000	12,500,000

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


Eng. Kungu Ndungu, MBS
Director General


Eng. Henry Gakuru
Director -Development


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

Date 10 SEP 2024

Date 10 SEP 2024

Date 10 SEP 2024

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

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

Description	Notes	2023/24	2022/23
		Kshs.	Kshs.
Cashflow from operating activities			
Receipts			
Transfers from Government entities	1	-	12,500,000
Proceeds from domestic & foreign grants			-
Total receipts		-	12,500,000
Payments			
Purchase of Goods and Services		-	-
Total Payments		-	-
Net receipts/(payments)		-	12,500,000
Net cash flow from operating activities			
Cashflow from investing activities			
Acquisition of road assets		-	-
Net cash flows from Investing Activities		-	-
Cash flow from financing activities			
Proceeds from Foreign Borrowings		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		-	12,500,000
Cash & cash equivalent at Beginning of the year		12,500,000	-
Cash and cash equivalent at end of the year		12,500,000	12,500,000

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% Var
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfers from Government entities	110,057,540	(100,000,000)	10,057,540	-	10,057,540	0%
Proceeds from Loan	2,000,000,000	-	2,000,000,000	-	2,000,000,000	
Total Receipts	2,110,057,540	(100,000,000)	2,010,057,540	-	2,010,057,540	0%
Payments						
Purchase of goods and services	2,110,057,540		2,010,057,540	-	2,010,057,540	-
Acquisition of non-financial assets				-		
Total Payments	2,110,057,540	(100,000,000)	2,010,057,540	-	2,010,057,540	0%
Surplus or Deficit	-	-	-	-	-	

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

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for Samatar-Wajir Road Project under the Kenya National Highways Authority. The financial statements are for the reporting for Samatar-Wajir Road 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

Samatar-Wajir Road 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.

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (Continued)

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

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

e) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually 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 are incurred and paid for.

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (Continued)

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

f) In-kind donations

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

g) Cash and cash equivalents

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

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized 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

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (Continued)

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

j) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

There were no contingent liabilities in the year.

k) Contingent Assets

Samatar-Wajir 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 Samatar-Wajir 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

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (Continued)

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 recognized 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. During the year, Kshs Nil billion being loan disbursements were received in form of direct payments from third parties.

o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates (Kenya Shillings). Transactions in foreign currencies during the year/period are converted into functional currency using the exchange rates prevailing at the dates of the

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (Continued)

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/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 adjustments in the current financial year.

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

12. Notes to the Financial Statements

1. Transfer from Government entities

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

Description	FY 2023/24	FY 2022/23	Cumulative
	Kshs	Kshs	to-date
Counterpart funding through MoR&T			
Counterpart funds Quarter 1	-	12,500,000	12,500,000
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
Total (See Annex 3)	-	12,500,000	12,500,000
Other Transfers from government entities			
Appropriations-in-Aid	-	-	-
Total	-	12,500,000	12,500,000

2. Proceeds From Domestic and Foreign Grants

During the financial year ended 30 June 2024, we did not receive any grants from donors (FY 2022/2023 Nil)

3. Purchase Of Goods And Services

During the financial ended 30 June 2024, there were no Purchase of Goods and Services (FY 2022/2023 Nil)
Nil)

4. Acquisition Of Non-Financial Assets

During the financial ended 30 June 2024,there were no acquisition of Non-Financial Assets (FY 2022/2023 Nil)

5. Accounts Payables

During the financial period ended 30 June 2024,there were no Accounts Payables (FY 2022/2023 Nil)

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

6. Cash and Cash Equivalents

Description	2023/24	2022/23
	Kshs	Kshs
Bank accounts (Note 6A)	12,500,000	12,500,000
Total	12,500,000	12,500,000

6A. Bank Accounts

Description	FY 2023/24	FY 2022/23
	Kshs	Kshs
Co-operative Bank of Kenya [A/c No 01141160979900]	12,500,000	12,500,000
Total	12,500,000	12,500,000

Other Important Disclosures

7. Pending Accounts Payable (Annex 4)

During the financial period ended 30 June 2024, there were no pending Accounts Payable (FY 2022/2023 Nil)

8. External Assistance

During the financial period ended 30 June 2024, there was no external Assistance (FY 2022/2023 Nil)

a) Undrawn External Assistance relating to loans and grants

During the financial period ended 30 June 2024, there was no undrawn external Assistance relating to loans and grants (FY 2022/2023 Nil)

b) Classes of providers of external assistance

During the financial period ended 30 June 2024, there was no classes of providers of external assistance (FY 2022/2023 Nil)

c) Purpose and use of external assistance

During the financial period ended 30 June 2024, there was no purpose and use of external assistance (FY 2022/2023 Nil)

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Other Important Disclosures (Continued)

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

During the financial period ended 30 June 2024, there was no external Assistance paid by Third Parties on behalf of the Entity by Source (FY 2022/2023 Nil)

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
1	<p>Emphasis of Matter Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.92,500,000 and Kshs.12,500,000 respectively resulting to an underfunding of Kshs.80,000,000 or 86% of the budget. Similarly, the Project had Nil expenditure against an approved budget of Kshs.92,500,000 resulting to an under-expenditure of Kshs.92,500,000 or 100% of the budget. The underfunding and failure to undertake the planned activities of the Project may have impacted negatively on service delivery to the public.</p>	<p>We agree with Auditors observation that there was Nil expenditure in the Financial Year under Audit.</p> <p>This is because the works contract procurement is not yet complete</p>	Not Resolved	Ongoing
2	<p>Basis for Conclusion Delayed Implementation of the Project</p> <p>During the year under review, the Project received a total Government counterpart funding of Kshs.12,500,000 which matched the originally budgeted amount of Kshs. 12,500,000. Records provided by the Management indicate that although the project secured the entire requested funding for the year and the funds were received by 30 September, 2022, no project activities were initiated. The funds were deposited into a current account and remained there for nine months, without accruing any</p>	<p>We agree with Auditors observation that there was Nil expenditure in the Financial Year under Audit. This is attributable to delayed commencement of works.</p> <p>The consultant has now been procured and the works contract is still under procurement</p>	Not Resolved	Ongoing

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	<p>interest, as no interest income has been reflected in the financial statements.</p> <p>Further, the project implementation timeline was expected to be for a duration of four (4) years from 2021 to 2024 with an approved budget of USD 83,000,000 equivalent to Kshs.8,950,570,600. However, as at 30 June, 2023, the project was still in the procurement process, despite the fact that the implementation window is scheduled to conclude in eighteen (18) months</p> <p>In the circumstances, the delay in Project implementation will affect service delivery to the public.</p>			

Samatar-Wajir Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2024

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

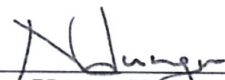
	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Government of Kenya	10,057,540	-	10,057,540	0%	
External financing	2,000,000,000	-	2,000,000,000		
Total receipts	2,010,057,540	-	2,010,057,540	0%	
Payments					
Purchase of goods and services	2,010,057,540	-	2,010,057,540	0%	
Acquisition of non-financial assets		-			
Total Payments	2,010,057,540	-	2,010,057,540	-	

Samatar-Wajir Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

Annex 3: Reconciliation of Inter-Entity Transfers


Samatar-Wajir Road Project			
Break down of transfers from the State Department of Roads			
a. Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	FY 2023/2024
	Total	-	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	FY 2023/2024
	Total	-	
C. Others			
	Bank Statement Date	Amount (Kshs)	FY 2023/2024
	Total	-	
	Total (A+B+C)	-	

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


Eng. Kungu Ndungu, MBS
Director General

13 SEP 2024

Date


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

13 SEP 2024

Date

*Samatar-Wajir Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Annex 4 – Analysis of Pending Bills

There were no pending bills as at 30th June, 2024 (June,2023, Nil)

Annex 5 – Summary of Fixed Assets Register

Asset class		Purchases/Additions in the Year	Disposals in the Year	
	Opening Cost			Closing Cost
	(KShs)	(KShs)	(KShs)	(KShs)
	2023/24	2023/24	2023/24	2023/24
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Consultancy Services	-	-	-	-
Total	-	-	-	-