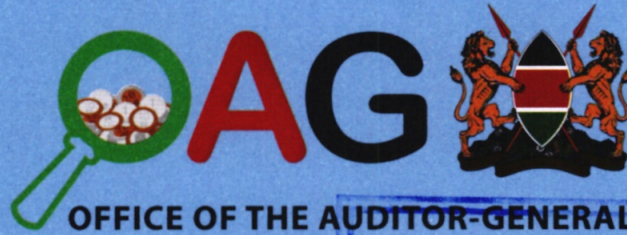


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 28 NOV 2024

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REPORT

TABLED
BY:

Hon. Naomi Wago, MP
Deputy Chief Whip - Maj. Party

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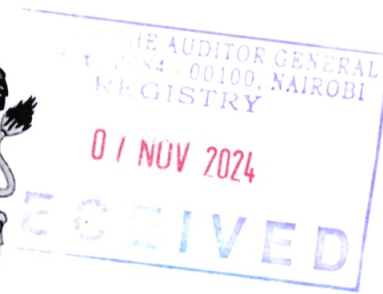
THE AUDITOR-GENERAL

ON

**NUNO - MODOGASHE ROAD PROJECT
(CREDIT NO.KUWAIT-813; SFD-N/A; OF ID-
1331P; BADEA-N/A; ADFD-N/A)**

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

KENYA NATIONAL HIGHWAYS AUTHORITY



MINISTRY OF ROADS AND TRANSPORT



PROJECT NAME: NUNO-MODOGASHE ROAD PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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
EIA	Environmental Impact Assessment
ESIA	Environmental Social Impact Assessment
ESMP	Environment & Social Management Plan
FY	Financial Year
GoK	Government of Kenya
HIV	Human Immunodeficiency Virus
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
ICB	International Competitive Bidding
KeNHA	Kenya National Highways Authority
KISM	Kenya Institute of Supplies and Management
Kshs.	Kenya Shillings
MDAs	Ministries Departments & Agencies
MoR&T	Ministry of Roads and Transport
M&E	Monitoring & Evaluation
NEMA	National Environment Management Authority
TNT	National Treasury
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
PWDs	Persons Living with Disabilities
RAP	Resettlement Action Plan
SIA	Social Impact Assessments
SDG	Sustainable Development Goals
SMART	Specific, Measurable, Achievable, Realistic & Time Bound
USD	United States Dollar

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Nuno – Modogashe Road Project

Objective:

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

Registered Office Address

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

Contacts:

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

2.2 Project Information

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

2.3 Project Overview

Line Ministry/State Department of the project	The project was under the supervision of the Ministry of Roads and Transport
Project number	KUWAIT-813; SFD-N/A; OFID-1331P; BADEA-N/A; ADFD-N/A
Strategic goals of the project	The strategic goals of the project were as follows: (i) Increase efficiency of road transport along the Mombasa-Nairobi-Addis Ababa Road Corridor to facilitate trade and regional

Nuno – Modogashe Road Project

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

	<p>integration</p> <p>(ii) Enhance social economic development of the people of North Eastern of the country</p> <p>(iii) Reduce the vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries.</p>																								
Achievement of strategic goals	Implementation of the project in timely, efficient and effective manner.																								
Other important background information of the project	<p>There were two components under this project that were being implemented by Kenya National Highways Authority (KeNHA).</p> <ol style="list-style-type: none"> 1. Civil Engineering works for the construction of approximately 147 kilometres of trunk road. The work involves site preliminary works, earth work, pavement layers, drainage structures and road safety works. 2. Consultancy services for review of project design and for supervision of construction. 																								
List of Goods: 1. Kuwait Fund for Arab Economic Development	<table border="1"> <thead> <tr> <th>No.</th> <th>Item</th> <th>Allocation Proceeds Expressed in KD</th> <th>Percentage of Total Cost of Item</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Civil Engineering Works</td> <td>4,950,000.00</td> <td>20%</td> </tr> <tr> <td>2</td> <td>Consultancy Services</td> <td>550,000.00</td> <td>100%</td> </tr> <tr> <td>3</td> <td>Contingencies</td> <td>400,000.00</td> <td></td> </tr> <tr> <td></td> <td>Total</td> <td>5,900,000.00</td> <td></td> </tr> <tr> <td colspan="4">Five Million Nine Hundred Thousand Kuwait Dinars</td> </tr> </tbody> </table>	No.	Item	Allocation Proceeds Expressed in KD	Percentage of Total Cost of Item	1	Civil Engineering Works	4,950,000.00	20%	2	Consultancy Services	550,000.00	100%	3	Contingencies	400,000.00			Total	5,900,000.00		Five Million Nine Hundred Thousand Kuwait Dinars			
	No.	Item	Allocation Proceeds Expressed in KD	Percentage of Total Cost of Item																					
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	No.	Item	Allocation Proceeds Expressed in Saudi Riyals	Percentage of Total Cost of Item																					
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	2	Unallocated	7,250,000.00																						
	Total	56,250,000.00																							
Fifty-Six Million Two Hundred Fifty Thousand Saudi Riyals																									
List of Goods: 3. OPEC Fund for International Development	<table border="1"> <thead> <tr> <th>No.</th> <th>Item</th> <th>Allocation Proceeds Expressed in USD</th> <th>Percentage of Total Cost of Item</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Civil Works</td> <td>1,672,800.00</td> <td>13.94%</td> </tr> </tbody> </table>	No.	Item	Allocation Proceeds Expressed in USD	Percentage of Total Cost of Item	1	Civil Works	1,672,800.00	13.94%																
	No.	Item	Allocation Proceeds Expressed in USD	Percentage of Total Cost of Item																					
1	Civil Works	1,672,800.00	13.94%																						

Nuno – Modogashe Road Project

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

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

2.4 Bankers

The following are the bankers for the project:

- (i) Cooperative Bank of Kenya Ltd
Upper Hill Branch, Nairobi
Po Box 48400-0100
Nairobi

2.5 Independent Auditor

The project is audited by the Office of Auditor General of P.O Box 30084-0100 Nairobi

Project information and overall performance (Continued)

2.6 Roles and Responsibilities

List of the people who are working on the project

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

2.7 Funding summary

The Project was for a duration of 4 years from 20th November 2015 to 31st March 2020 with an approved donor budget of USD 67,000,000 equivalent to Kshs. 6,773,847,400 and GoK budget of Kshs 10,168,008,949 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 - (30th June 2024)	
	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i)Loan						
Kuwait Fund for Arab Economic Development	20,000,000	2,022,044,000	13,651,243	1,380,170,717	-	-
Saudi Fund for Development	15,000,000	1,516,533,000	8,984,138	908,316,119	-	-
OPEC Fund for International Development	12,000,000	1,213,226,400	7,160,599	723,952,353	-	-
Arab Bank for Economic Development in Africa	10,000,000	1,011,022,000	4,715,517	476,749,112	-	-
Abu Dhabi Fund for Development	10,000,000	1,011,022,000	7,566,401	764,979,786	-	-
Total	67,000,000	6,773,847,400	42,077,898	4,254,168,087	-	-
(ii)Counterpart Funds						
Government of Kenya (GoK)	33,571,589	3,394,161,549	33,571,589	3,394,161,549	-	-
Total	100,571,589	10,168,008,949	75,649,487	7,648,329,636	-	-

Project information and overall performance (Continued)

B. Application of Funds

Application of funds	Amount received to date - (30 th June 2024)		Cumulative Amount paid to date - (30 th June 2024)		Unutilised balance to date - (30 th June 2024)	
	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Kuwait Fund for Arab Economic Development	13,651,243	1,380,170,717	13,651,243	1,380,170,717	-	-
Saudi Fund for Development	8,984,138	908,316,119	8,984,138	908,316,119	-	-
OPC Fund for International Development	7,160,599	723,952,353	7,160,599	723,952,353	-	-
Arab Bank for Economic Development in Africa	4,715,517	476,749,112	4,715,517	476,749,112	-	-
Abu Dhabi Fund for Development	7,566,401	764,979,786	7,566,401	764,979,786	-	-
(ii) Counterpart funds						
Government of Kenya	33,571,589	3,394,161,549	32,165,626	3,252,015,569	1,405,963	142,145,980
Total	75,649,487	7,648,329,636	74,243,524	7,506,183,656	1,405,963	142,145,980

Project information and overall performance (Continued)

2.8 Summary of Overall Project Performance:

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

Budget	FY 2022/2023			Cumulative (Restated)		
	Actual	Budget	%	Actual	Budget	%
GoK	33,752,649	100,995,093	33%	3,252,015,569	5,431,083,328	60%
Loan from Development Partners						
KFAED	-	-	-	1,380,170,717	1,698,000,000	81%
SFD	-	-	-	908,316,119	1,159,000,000	78%
OFID	-	-	-	723,952,353	1,023,000,000	71%
BADEA	-	-	-	476,749,112	838,500,000	57%
ADFD	-	-	-	764,979,786	959,000,000	80%
Total	33,752,649	100,995,093	33%	7,506,183,656	10,438,583,328	72%

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

The physical progress as at 30th June, 2024 is 100%. The project is complete and taken over by the Authority.

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

Financial Year	Budget (Restated)	Actual (Restated)	Percentage (%)
	Kshs	Kshs	
FY 2023/24	100,995,093	33,752,649	33%
FY 2022/23	175,000,000	149,999,700	86%
FY 2021/22	148,642,215	135,946,814	91%
FY 2020/21	100,000,000	1,492,600	1%
FY 2019/20	2,476,155,636	1,223,078,702	55%
FY 2018/19	3,608,448,125	3,608,448,125	100%
FY 2017/18	1,047,171,209	1,047,171,209	100%
FY 2016/17	1,680,000,000	773,744,774	46%
FY 2015/16	827,171,050	509,379,196	62%
FY 2014/15	254,000,000	4,086,037	2%
FY 2013/14	21,000,000	19,083,851	91%
Total	10,438,583,328	7,506,183,656	72%

(iv) Implementation challenges and recommended next steps.

The project experienced implementation challenges as highlighted below which the Authority was able to mitigate through and completed the project.

- a) The project experienced insecurity challenges. The Authority in conjunction with the internal security was however able to mitigate through this challenge by deploying security officers to the project.

Project information and overall performance (Continued)

- b) Inadequate aggregates for construction. The Authority and the County Government of Makueni held consultative forums whereby the contractor was allowed to source aggregates from the county.
- c) The project also had a challenge of inadequate budget provisions coupled with late release of exchequer funds. The Authority in liaison with the Parent Ministry and the National Treasury continue to work together to ensure the Project is allocated adequate GoK budget provisions subject to approved budget ceilings.

2.9 Summary of Project Compliance:

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

3. Statement of Performance Against Project’s Predetermined Objectives

Introduction

Section 81 (2) (f) / Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, the Accounting Officer include a statement of Nuno-Modogashe Road Project performance against predetermined objectives at the end of each financial year.

The key development objectives of the project are to:

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

Progress on attainment of Strategic development objectives

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

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

4. Environmental and Sustainability Reporting

i. Sustainability strategy and profile

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

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

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.

While executing works, the Contractor continued to perform air quality management such as regularly dampening of deviations and other dust-prone accesses to lay dust; Sprinkling of

Environmental & Sustainability Reporting (Continued)

stockpiles (mainly the quarry dust) at the construction camp; control of construction vehicle speed limits along the deviations and dusty accesses; regularly servicing of vehicles and other machinery to control exhaust gas emissions, maintenance of the asphalt and concrete batching plants including the dust collection systems to ensure effectiveness in dust collection.

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.

During the project execution, the Contractor continued to offer employment opportunities to the locals as casuals. The Contractor also carried out awareness and education on HIV and protection

Environmental & Sustainability Reporting (Continued)

against the disease and other sexually transmitted diseases. To improve relationship with the local communities, the contractor shared water with the local communities.

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

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Implementation Team Leader for Nuno - Modogashe Road Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for 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.

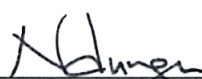
The Director General, KeNHA and the Project Implementation Team Leader accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting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

The Director General, KeNHA and the Project Implementation Team Leader are of the opinion that the Project's 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 of 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 were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements


The Project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader on 10 SEP 2024 and signed by:



Eng. Kungu Ndungu, MBS
Director General



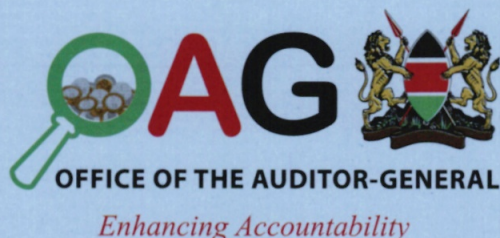
Eng. Henry Gakuru
Director -Development



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

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NUNO - MODOGASHE ROAD PROJECT (CREDIT NO.KUWAIT-813; SFD-N/A; OF ID-1331P; BADEA-N/A; ADFD-N/A) 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nuno - Modogashe Road Project set out on pages 1 to 20, which comprise of the statement of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows

Report of the Auditor-General on Nuno - Modogashe Road Project (Credit No.KUWAIT-813; SFD-N/A; OFID-1331P; BADEA-N/A; ADFD-N/A) for the year ended 30 June, 2024 - Kenya National Highways Authority

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nuno - Modogashe Road Project as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreement (Credit No. KUWAIT-813; SFD-N/A; OFID-1331P; BADEA-N/A; ADFD-N/A) between the Republic of Kenya and OPEC Fund for International Development dated 20 September, 2010, Abu Dhabi Fund for Development dated 25 November, 2010 and Saudi Fund for Development dated January, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nuno - Modogashe Road 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

Annex 4 to the financial statements and Note 1 on other important disclosures to the financial statements reflects pending accounts payables balance of Kshs.576,215,829. The balance is made up of previous years pending accounts payable in respect of unsettled land compensation and construction of civil works balances of Kshs.117,139,146 and Kshs.459,076,683, respectively. However, Management did not provide plans put in place to settle the outstanding debt.

In the circumstances, the Project is at risk of incurring additional cost in form of interest and penalties for failure to settle project related costs as and when they fall due.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects receipts final budget and actual on a comparable basis of Kshs.100,995,093 and Kshs.10,000,000 respectively resulting to under-funding of Kshs.90,995,093 or 90% of the budget. The under-funding affected the planned activities and may have impacted negatively on project objectives.

3. Project Closure Report

Paragraph 2.7 on Funding Summary indicates that the Project was for a duration of four (4) years starting from 20 November, 2015 and end on 31 March, 2020 with an approved

budget of USD 67,000,000, equivalent to Kshs.6,773,847,400 financed by the Donor component while an amount of Kshs.10,168,008,949 was to be financed by the Government of Kenya (GoK) as counterpart funds. The statement on Application of Funds reflects that as at 30 June, 2024, there was an unutilized balance of Kshs.142,145,980 being counterpart funds by GoK.

Further, Paragraph 2.8 on Summary of Overall Project Performance indicates that the Project was 100% completed and taken over by the Authority. However, the Project closure report was not provided for audit. Management did not provide an explanation for the failure to close the Project.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2024.

Other Information

Conclusion

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

Basis for Conclusion

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with the ISSAI 3000 and ISSAI 4000. The standards requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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


Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

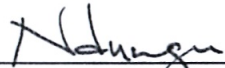
Nairobi


15 November, 2024


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

	Note	Receipts & Payments Controlled by the Entity	Payments Made by Third Parties	Total	Receipts & Payments Controlled by the Entity	Payments Made by Third Parties	Total	Cumulative to- date (From inception)
		2023-2024			2022-2023			Restated
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Receipts								
Transfer from Government entities	1	10,000,000	-	10,000,000	175,000,000	-	175,000,000	3,394,161,549
Loan from external Development Partners	2	-	-	-	-	-	-	4,254,168,087
Total Receipts		10,000,000	-	10,000,000	175,000,000	-	175,000,000	7,648,329,636
Payments								
Purchase of goods and services	3	-	-	-	1,404,662	-	1,404,662	21,212,160
Acquisition of non-financial assets	4	33,752,649	-	33,752,649	148,595,038	-	148,595,038	7,484,971,496
Total Payments		33,752,649	-	33,752,649	149,999,700	-	149,999,700	7,506,183,656
Surplus/ (deficit)		(23,752,649)	-	(23,752,649)	25,000,300	-	25,000,300	142,145,980

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


 Eng. Kungu Ndungu, MBS
 Director General

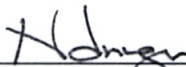

 Eng. Henry Gakuru
 Director-Development


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

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

Description	Note	2023-2024	2022-2023(Restated)
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents	5	142,145,980	165,898,629
Total Cash and Cash Equivalents		142,145,980	165,898,629
Accounts Receivables		-	-
Total Financial Assets (A)		142,145,980	165,898,629
Financial Liabilities			
Third Party Deposits and Retention	6	140,898,329	140,898,329
Total Financial Liabilities (B)		140,898,329	140,898,329
Net Financial Assets (A-B)		1,247,651	25,000,300
Presented By			
Fund Balance B/fwd.	7	25,000,300	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		(23,752,649)	25,000,300
Net Financial Position		1,247,651	25,000,300

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


 Eng. Kungu Ndungu, MBS
 Director General


 Eng. Henry Gakuru CPA
 Director-Development


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

9. Statement of Cashflows for the Year Ended 30th June 2024

Description	Note	2023-2024	2022-2023 (Restated)
Cashflow from operating activities		Kshs	Kshs
Receipts			
Transfer from Government entities	1	10,000,000	175,000,000
Proceeds from domestic and foreign grants		-	-
Miscellaneous receipts		-	-
Total Receipts		10,000,000	175,000,000
Payments			
Purchase of goods and services	3	-	(1,404,662)
Total Payments		-	(1,404,662)
Net cash flow from operating activities		10,000,000	173,595,338
Cashflow from investing activities			
Acquisition of Assets	4	(33,752,649)	(148,595,038)
Net cash flows from Investing Activities		(33,752,649)	(148,595,038)
Cashflow from financing activities			
Proceeds from Foreign Borrowings	2	-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		(23,752,649)	25,000,300
Cash & cash equivalent at beginning of the year	5	165,898,629	140,898,329
Cash and cash equivalent at end of the year	5	142,145,980	165,898,629

10. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	190,891,795	(89,896,702)	100,995,093	10,000,000	90,995,093	10%
Proceeds from borrowings-Direct Payments	-	-	-	-	-	-
Total Receipts	190,891,795	(89,896,702)	100,995,093	10,000,000	90,995,093	10%
Payments						
Purchase of goods and services	190,891,795	(89,896,702)	100,995,093	-	67,242,444	33%
Acquisition of non-financial assets				33,752,649		
Total Payments	190,891,795	(89,896,702)	100,995,093	33,752,649	67,242,444	33%
Surplus or Deficit	-	-	-	(23,752,649)	23,752,649	-

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

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

b) Reporting entity

The financial statements are for Nuno - Modogashe Road Project under Kenya National Highways Authority as required by Section 81/ Section 164 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

Nuno - Modogashe 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.

Significant Accounting Policies (continued)

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.

iv) Donations and grants

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

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

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

e) Recognition of payments

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

Significant Accounting Policies (continued)

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.

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

Significant Accounting Policies (Continued)

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:

Significant Accounting Policies (Continued)

- 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 during the year.

k) Contingent Assets

Nuno-Modogashe Road Project does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Nuno-Modogashe 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.

Significant Accounting Policies (Continued)

m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been *included in an annex to these financial statements*.

n) Third-party payments

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

o) Exchange rate differences

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

p) Comparative figures

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

Significant Accounting Policies (Continued)

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 on the financial statements for the year ended June 30, 2024

12. Notes to the Financial Statements

1. Transfers from Government Entities

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

Description	2023-2024	2022-2023	Cumulative
	Kshs	Kshs	to-date
Counterpart funding through MoR&T			
Counterpart funds Quarter 1	-	100,000,000	574,850,064
Counterpart funds Quarter 2	-	-	392,377,689
Counterpart funds Quarter 3	-	-	541,706,257
Counterpart funds Quarter 4	-	75,000,000	1,875,227,539
Total (See Annex 3)	-	175,000,000	3,384,161,549
<i>Other Transfers from government entities</i>			
Appropriations-in-Aid	10,000,000	-	10,000,000
Total	10,000,000	175,000,000	3,394,161,549

2. Loan from External Development Partner

During the financial period to 30 June 2024, we did not receive funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment	Total Amount in Kshs		Cumulative to date
					2023-2024	2022-2023	
			Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Multilateral Donors							
KFAED		-	-	-	-	-	1,380,170,717
SFD		-	-	-	-	-	908,316,119
OFID		-	-	-	-	-	723,952,353
BADEA		-	-	-	-	-	476,749,112
ADFD		-	-	-	-	-	764,979,786
Total		-	-	-	-	-	4,254,168,087

Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

Item Description	2023-2024			2022-2023	Cumulative to Date
	Payments made in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic Travel & Subsistence	-	-	-	1,404,662	17,314,724
Printing, Adverts & Information Supplies	-	-	-	-	3,207,496
Hospitality Supplies & Services	-	-	-	-	689,940
Total	-	-	-	1,404,662	21,212,160

4. Acquisition of Non-Financial Assets

Description	2023-2024			2022-2023	Cumulative to- date (Restated)
	Payments made in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Research, studies, project preparation, design & supervision	-	-	-	-	341,501,625
Civil works	33,752,649	-	33,752,649	138,595,038	6,677,643,079
Acquisition of land	-	-	-	10,000,000	465,826,792
Total	33,752,649	-	33,752,649	148,595,038	7,484,971,496

5. Cash and Cash Equivalents

Description	2023-2024	2022-2023 (Restated)
	Kshs	Kshs
Bank accounts (Note 5A)	142,145,980	165,898,629
Total	142,145,980	165,898,629

5A Bank Accounts

Description	2023-2024	2022-2023 (Restated)
	Kshs	Kshs
Local Currency Accounts		
National Bank of Kenya Ltd. [A/c No. 0100132733200]	140,898,329	140,898,329
Co-operative Bank of Kenya [A/c No. 01141160979900]	1,247,651	25,000,300
Total bank account balances	142,145,980	165,898,629

Notes to the Financial Statements (Continued)

6. Third-Party Deposits & Retention

Description	2023-2024		2022-2023(Restated)	
	Kshs		Kshs	
Retention	140,898,329		140,898,329	
Total	140,898,329		140,898,329	
Ageing analysis:	2023-2024	% of the Total	2022-2023	% of the Total
Under one year	-	0%	-	0%
1-2 years	-	0%	-	0%
2-3 years	140,898,329	100%	140,898,329	100%
Over 3 years	-	0%	-	0%
Total	140,898,329	100%	140,898,329	100%

7. Fund Balance Brought Forward

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank accounts	142,145,980	165,898,629
Deposits and retention	(140,898,329)	(140,898,329)
Total	1,247,651	25,000,300

8. Changes in Accounts Payable (Deposits and Retention)

Description	2023-2024	2022-2023 (Restated)
	Kshs	Kshs
Retentions as at 1 st July 2023	140,898,329	140,898,329
Closing Retention as at 30 th June 2024	140,898,329	140,898,329
Changes in Retention	-	-

9. Prior Year Adjustment

Description	Balance b/f 2022-2023 as per Financial statements	Adjustments	Adjusted Balance b/f 2022-2023
	Kshs	Kshs	Kshs
Acquisition of non-financial assets	7,592,117,176	(140,898,329)	7,451,218,847
Cash and cash equivalents	25,000,300	140,898,329	165,898,629
Third Party Deposits and Retention	-	140,898,329	140,898,329
Total	7,617,117,476	140,898,329	7,758,015,805

Prior year adjustment relates to error noted in FY 2021/22 which resulted in an overstatement in civil works amount by Kshs 140,898,329 arising from accounting for release of retention as Kshs 644,417,826 instead of Kshs 503,519,497.

Other Important Disclosures

1. Pending Accounts Payable (See Annex 4)

Description	Balance b/f 2022-2023	Additions for the year	Paid during the year	Balance c/f 2023-2024
	Kshs	Kshs	Kshs	Kshs
Construction of civil works	484,076,683	-	25,000,000	459,076,683
Lands Compensation	125,891,795	-	8,752,649	117,139,146
Supply of services	-	-	-	-
Total	609,968,478	-	33,752,649	576,215,829

2. External Assistance

a) External assistance relating to loans and grants

	2023-2024	2022-2023
Description	Kshs	Kshs
External assistance received as loans	-	-
Total	-	-

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	2023-2024	2022-2023
Description		Kshs	Kshs
Undrawn external assistance - loans	Road works & consultancy services	-	-
Total		-	-

Unutilized loan balances cancelled

c) Classes of providers of external assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
Multilateral donors	-	-
Total	-	-

External assistance for road rehabilitation works & supervision consultancy services.

Other Important Disclosures (Continued)

d) Purpose and use of external assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
Acquisition of Assets	-	-
Total	-	-

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

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

	2023-2024	2022-2023
Description	Kshs	Kshs
Multilateral donors	-	-
Total	-	-

13. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status	Timeframe
1	<p><u>Basis for Conclusion</u></p> <p>Payment of Approved Land Compensation</p> <p>Review of the contract agreement and letter from the National Land Commission to the Authority revealed that the Authority had approved payment of land compensation amounting to Kshs.147,594,798 to the Project Affected Persons (PAPs). It was, however, noted that as at 30 June, 2023, an amount of Kshs.125,891,795 was still outstanding as disclosed under Annex 4 of the financial statements. The Management did not provide plans put in place to settle the outstanding debt.</p> <p>In the circumstances, the delay in payment of the compensation dues may lead to loss of public funds in case of litigations instituted by the</p>	<p>We agree with the Auditor’s observation that an amount of Kshs 125,891,795 was still outstanding as at the end of FY 2022/23. This was due to inadequate GoK budget provisions and delayed release of exchequer funds.</p> <p>The Authority continues to work closely with the Parent Ministry and the National Treasury with the aim of allocating adequate budget to clear the outstanding pending bills.</p> <p>In FY 2023/24, the Authority managed to secure a budgetary allocation of Kshs 100,995,093 but only received cash amount of Kshs 10,000,000 which partly paid PAPs of Kshs 8,752,649. Therefore, there is progression in reducing pending bills as and when funds are allocated and disbursed to the Authority. The Authority to continue</p>	Resolved	Continuous

Nuno – Modogashe Road Project

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	Project Affected Persons.	liaising with the Parent Ministry and the National Treasury for adequate budgetary allocation to the project subject to approved budgetary ceilings.		
2	<p>Irregular payment Interest on Delayed payments</p> <p>As previously reported, the Authority paid the contractor for the project an amount totalling Kshs. 82,966,925 as interest on late payments. The Management did not provide plausible reason for the late payment which resulted in payment of huge interest and thus loss of public funds. In the circumstances, the value for money amounting Kshs 82,966,925 could not be confirmed.</p>	<p>We agree with the Auditor’s observation that the Authority paid Kshs 82,966,925 as interest on late payments.</p> <p>We wish to clarify that claims on interest on delayed payment is a contractual obligation which arose due to inadequate GoK budgetary provisions coupled with late release of Exchequer funds.</p> <p>The Authority will continue working closely with the Parent Ministry and the National Treasury with an aim of securing adequate GoK budgetary provision for the project and timely release of Exchequer funds to enable prompt payment</p>	Resolved	Resolved
3	<p>Unsupported Payments Above the Contract Sum</p> <p>The statement of receipts and payments reflects cumulative payments as at 30 June, 2023 of Kshs 7,592,117,176 for acquisition of non-financial assets, which includes civil works of Kshs 7,250,615,551 as disclosed under note 4 to the financial statements.</p>	<p>We agree with the Auditor’s observation that statement of receipts and payments reflects cumulative payments as at 30 June, 2023 of Kshs 7,592,117,176 for acquisition of non-financial assets.</p> <p>We further agree that this amount includes Kshs 7,250,615,551 indicated as civil works in the financial statements. We however wish to clarify that included in the civil works amount of Kshs 7,250,615,551 is payments</p>	Resolved	Resolved

Further, a review of the financial statements revealed an outstanding balance of Kshs 484,076,683 as disclosed under Annex 4 of the financial statements leading to a cumulative project cost of Kshs 7,734,692,234.

However, audit examination of the contract agreement between the Authority and the contractor revealed that the project contract sum was Kshs 7,209,436,067, resulting to unexplained and unsupported over expenditure of Kshs 525,256,167.

In addition, evidence of submission of the varied or amended procurement contract to the Public Procurement Regulatory Authority was not provided for audit review.

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

with respect to land compensation since project inception to 30th June 2023 totaling Kshs 465,826,792

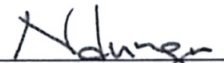
We have however noted an error in FY 2021/22 which resulted in an overstatement in civil works amount by Kshs 140,898,329 arising from accounting for release of retention as Kshs 644,417,826 instead of Kshs 503,519,497. The Financial Statements have therefore been adjusted to reflect the correct amount of Kshs 503,519,497.

From the foregoing, the Authority had paid a total of Kshs 6,643,890,430 as at the end of FY 2022/23 with respect to civil works. This amount when added to the contractor's pending bills of Kshs 484,076,683 in FY 2022/23 results in total payments of Kshs 7,127,967,113 which translates to contract savings of Kshs 81,468,954 when compared with the civil works contract sum of Kshs 7,209,436,067.

Note 4: Acquisition of Non-Financial Assets Cumulative to date			
Reconciliation – Civil Works			
Item	Road Works	Land Compensation	Total
B/fwd. 2021/22	5,981,090,492	455,826,792	6,436,917,284
Add: Payments made in FY 2021/22	20,684,403	-	20,684,403
Add: Retentions Released	644,417,826	-	644,417,826
Total Cumulative 2021/22 FS	6,646,192,721	455,826,792	7,102,019,513
<i>Expected Cumulative 2021/22 FS</i>			
B/fwd. 2021/22	5,981,090,492	455,826,792	6,436,917,284
Add: Payments made in FY 2021/22	20,684,403	-	20,684,403

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		Add: Retentions Released	503,519,497	-	503,519,497		
		Expected Total Cumulative 2021/22 FS	6,505,294,392	455,826,792	6,961,121,184		
		Add: Payments made in FY 2022/23	138,595,038	-	138,595,038		
		Add: Land Compensation Payments in FY 2022/23	-	10,000,000	10,000,000		
		Expected Total Cumulative for Civil Works in 2022/23 FS	6,643,890,430	465,826,792	7,109,717,222		


 Eng. Kungu Ndungu, MBS
 Director General

10 SEP 2024
 Date


 Eng. Henry Gakuru
 Director-Development

10 SEP 2024
 Date

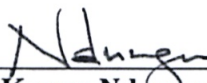
Annex 2: Variance Explanations - Comparative Budget and Actual Amounts for FY 2023-2024

	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Government of Kenya	100,995,093	10,000,000	90,995,093	10%	GoK Exchequer not received in full
External financing	-	-	-	-	
Total Receipts	100,995,093	10,000,000	90,995,093	10%	
Payments					
Purchase of goods and services	100,995,093	-	67,242,444	33%	GoK Exchequer not received in full
Acquisition of non-financial assets		33,752,649			
Total Payments	100,995,093	33,752,649	67,242,444	33%	


Nuno – Modogashe Road Project
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Annex 3: Reconciliation of Inter-Entity Transfers

	Project Name:	Nuno - Modogashe Road Project		
	Break down of Transfers from the State Department of Roads			
A	Government Counterpart Funding			
	-	Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
		Total		
B	Direct Payments			
		Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
			-	
		Total	-	
C	Others			
		Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	Operations & Administration Budget funding development works	14 th May 2024	10,000,000	FY 2023/24
		Total	-	
		Total (A+B+C)	10,000,000	


 Eng. Kungu Ndungu, MBS
 Director General

10 SEP 2024
 Date


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

10 SEP 2024
 Date

Annex 4: Analysis of Pending Bills

Supplier of Goods/Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2023-2024	2022-2023	
		a	b	c=a-b		
Consultancy Services						
Sub-Total				-	-	
Civil Works						
Zhongmei Engineering Group	04.10.2022	622,671,721	163,595,038	459,076,683	484,076,683	Final Payment Certificate
Sub-Total		622,671,721	163,595,038	459,076,683	484,076,683	
Land Compensation		602,478,955	485,339,809	117,139,146	125,891,795	
Grand-Total		1,225,150,676	648,934,847	576,215,829	609,968,478	

Annex 5: Summary of Fixed Asset Register

Asset class	Opening Cost	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(KSh)	(KSh)	(KSh)	(KSh)
	2023-2024 (Restated)	2023-2024	2023- 2024	FY 2024
	(a)	(b)	(c)	(d)= (a)+ (b)- (c)
Land	465,826,792	-	-	465,826,792
Construction of Roads	6,985,392,055	33,752,649	-	7,019,144,704
Total	7,451,218,847	33,752,649	-	7,484,971,496