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| REPORT | |
| NATIONAL ASSEMBLY PADDOS I AD | |
| DATE: 20 APR 2023 | DAY: Thursday |
| TABLED BY: OF | Hon Owen Baya, MP, Deputy leader, majority |
| CLERK-AT THE TABLE: | Moses Lemuna |

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2022**

KENYA NATIONAL HIGHWAYS AUTHORITY



OFFICE OF THE AUDITOR
P. O. Box 30084 - 00100
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**MINISTRY OF TRANSPORT, INFRASTRUCTURE,
HOUSING, URBAN DEVELOPMENT & PUBLIC WORKS**



Kenya National Highways Authority

Quality Highways, Better Connections

**NORTHERN CORRIDOR TRANSPORT IMPROVEMENT
PROJECT**

KENYA NATIONAL HIGHWAYS AUTHORITY

IDA CREDIT No. 3930-KE & 4571-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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1. Project information and overall performance

1.1 Name and registered office

Name: Northern Corridor Transport Improvement Project

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

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

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 Jomo Kenyatta International Airport (JKIA)
 Off Mazao Road
 Nairobi, Kenya

Contacts: Director General
 Kenya National Highways Authority
 P.O. Box 49712-00100
 Nairobi

Telephone: +254-20-495000

E-mail: dg@kenha.co.ke

Website: www.kenha.co.ke

1.2 Project Information

| | |
|---------------------|---|
| Project Start Date: | 25 June 2004 |
| Project End Date: | 30 December 2015 |
| Project Manager: | Eng. S. Ogege |
| Project Sponsor: | International Development Association (IDA) |

1.3 Project Overview

| | |
|---|---|
| Line Ministry/State Department of the project | Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works |
| Project number | P082615 |
| Strategic goals of the project | The strategic goals of the project are as follows: (i) Increasing the efficiency of road transport; and (ii) Promoting private sector participation in the management, financing and maintenance of road assets |

Project information and overall performance (Continued)

| | |
|--|---|
| 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) Rehabilitation of Northern Corridor and Emergency Restoration of Damaged Public Assets (ii) Private Sector Participation in Road Management and Maintenance (iii) Institutional Strengthening in Road Sector and Technical Assistance (iv) Strengthening Governance in Construction Industry |
| Current situation that the project was formed to intervene | <p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) Reduction in freight and passenger travel times from Mombasa to Malaba & Busia (ii) The un-rehabilitated road sections covered by the additional financing also experienced much greater deterioration than expected over the last few years, due partly to the heavy growth in traffic, partly due to damage resulting from unusually heavy rains and floods (iii) The post-election crisis in the country saw extensive damage to some critical infrastructure, public buildings, vehicles and equipment |
| Project duration | The project started on 25 June 2004 and ended on 30 December 2015 |

1.4 Bankers NCBA Bank Limited
NIC House Branch
P.O. Box 44599
Nairobi

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

1.6 Roles and Responsibilities

| Names | Title designation | Key qualification | Responsibilities |
|---------------|----------------------|-------------------|-------------------------------|
| Eng. C. Obuon | Director Development | Qualified | Project Technical Team Leader |
| Eng. S. Ogege | Project Director | Qualified | Project Manager |
| | | | |

**Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2022**

1.6 Roles and Responsibilities (Cont'd)

Project information and overall performance (Continued)

| Names | Title designation | Key qualification | Responsibilities |
|-------------------|--------------------------|--------------------------|---|
| Mr. W. M. Barongo | Deputy Director | Qualified | Project Safeguards Specialist |
| Eng. Erick Wambua | Deputy Director | Qualified | Project Engineer |
| Mr. R. Kilel | Assistant Director | Qualified | Project Procurement Specialist |
| CPA Chanje Kera | Assistant Director | Qualified | Project Financial Management Specialist |

1.7 Funding summary

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

Below is the funding summary:

A) Source of Funds

| Source of funds | Donor Commitment- | | Amount received to date – (30.06.2022) | | Undrawn balance to date (30.06.2022) | |
|---------------------------------------|--------------------------|-----------------------|---|-----------------------|---|------------------|
| | <i>USD</i> | <i>Kshs</i> | <i>USD</i> | <i>Kshs</i> | <i>Donor currency</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 | | | | | | |
| International Development Association | 307,493,959 | 31,088,315,753 | 307,493,959 | 31,088,315,753 | - | - |
| Nordic Development Fund | 16,641,543 | 1,458,246,791 | 16,641,543 | 1,458,246,791 | - | - |
| (ii) Counterpart funds | | | | | | |
| Government of Kenya | - | 31,758,842,892 | - | 31,758,842,892 | - | - |
| Total | 324,135,502 | 64,305,405,436 | 324,135,502 | 64,951,180,109 | - | - |

1.8 Funding summary

Project information and overall performance (Continued)

B) Application of Funds

| Application of funds | Amount received to date – (30 th June 2022) | | Cumulative Amount paid to date – (30 th June 2022) | Unutilised balance to date – (30 th June 2022) | |
|---------------------------------------|---|-----------------------|---|--|-------------------|
| | <i>USD</i> | <i>Kshs</i> | <i>Kshs</i> | <i>USD</i> | <i>Kshs</i> |
| | (A) | (A') | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | | | | | |
| International Development Association | 307,493,959 | 31,088,315,753 | 31,088,315,753 | - | - |
| Nordic Development Fund | 16,641,543 | 1,458,246,791 | 1,458,246,791 | - | - |
| | - | - | - | - | - |
| (ii) Counterpart funds | | | | | |
| Government of Kenya | - | 31,758,842,892 | 31,699,489,309 | - | 59,353,586 |
| Total | 324,135,502 | 64,305,405,436 | 64,233,853,249 | - | 59,353,586 |

1.9 Summary of Overall Project Performance:

- 1) Maji ya Chumvi - Miritini (35 km and increased to 40 km)
Contract successfully completed and handed over to Employer.
- 2) Sultan Hamud-Machakos Turnoff (55 km)
Contract successfully completed and handed over to Employer.
- 3) Machakos Turn off-JKIA 33 km (including 12 km of dual carriageway)
Contract successfully completed and handed over to Employer.
- 4) Lanet-Njoro Turnoff (dual 16 km)
Contract successfully completed and handed over to Employer
- 5) Njoro Turnoff-Timboroa (84 km)
Contract successfully completed and handed over to Employer
- 6) Mau Summit-Kericho (57km)
Contract successfully completed and handed over to Employer.

Project information and overall performance (Continued)

- 7) Kericho-Nyamasaria (76 km)

Contract successfully completed and handed over to Employer.

- 8) Nyamasaria-Kisumu - Kisian including Kisumu Bypass road
Contract successfully completed and handed over to Employer.
- 9) Emergency Restoration of Public Assets
Contract successfully completed and handed over to Employer.
- 10) Rehabilitation of Kisumu Airport – Kisian Road 7km
Contract successfully completed and handed over to Employer.

1.10 Summary of Project Compliance:

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

2. Statement of Performance against Project's Objectives

The key development objectives of the project are to:

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

Progress on attainment of Strategic development objectives

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-bound (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:

| Project | Objective | Outcome | Indicator | Performance |
|---|--|--|---|--|
| Northern Corridor Transport Improvement | <p>Increasing the efficiency of road transport along the Northern corridor to facilitate trade and regional integration</p> <p>Promoting private sector participation in the management, financing and maintenance of road assets</p> <p>Restore vital infrastructure and public assets damaged as a result of the 2007 post-election crisis</p> | <p>Savings in vehicle operating costs, passenger travel time costs and road crash related costs.</p> <p>Kenyan products will be more competitive in regional and international markets</p> <p>Consolidate the achievements made so far, enhance the efficiency and effectiveness of service delivery, and promote good governance and professional integrity in the roads sector</p> | <p>Reduction in freight and passenger travel times from Mombasa to Malaba</p> <p>Award of one long term performance-based road maintenance and management contract to the private sector.</p> | <p>Current travel and freight movement time between Mombasa to Malaba has reduced from 14.5 hrs to under 11 hrs</p> <p>Already a section of the corridor (Nairobi Expressway Project) has been awarded to a private sector player under the Public Private Partnership framework..</p> |

3. Environmental and Sustainability reporting

Northern Corridor Transport Improvement 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.

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices

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

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

5. Community Engagements

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

The Contractor has been involved in various CSR activities geared towards providing the local residents through construction of water kiosks along the project road, improvement of access roads and enhancing learning and playing environment in schools along the project road. To enhance social safeguards in projects, the Authority 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.

4. Statement of Project Management Responsibilities

The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

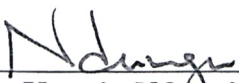
The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2022, and of the Project's financial position as at that date. The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period 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 of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project on _____ and signed by them.



Eng. Kung'u Ndung'u
Director General

30 AUG 2022


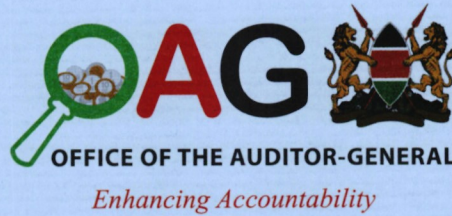
Charles Obuon
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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT IDA CREDIT NO.3930-KE & No.4571-KE FOR THE YEAR ENDED 30 JUNE, 2022 - 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 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

Qualified Opinion

I have audited the accompanying financial statements of Northern Corridor Transport Improvement Project set out on pages 1 to 19, which comprise the statement of financial assets and liabilities as at 30 June, 2022 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Northern Corridor Transport Improvement Project as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.3930-KE and 4571-KE dated 8 May, 2009 between International Development Association and the Government of the Republic of Kenya.

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

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of receipts and payments reflects a deficit of Kshs.9,702,270 for the year ended 30 June, 2022. However, the statement of financial assets reflects a surplus of Kshs.2,496,331 for the same period resulting in unexplained difference of Kshs.12,198,601.

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Unsupported Bank Balances

The statement of financial assets reflects bank balance of Kshs.59,353,586 as at 30 June, 2022. However, and as reported in 2020/2021, the opening balance of Kshs.69,055,856 was not supported with bank reconciliation statement and bank confirmation certificate.

In the circumstances, the accuracy of bank balance of Kshs.59,353,586 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Northern Corridor Transport Improvement Project 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections, I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Unsupported Pending Bills

Note 12.1 and Annex 2 to the financial statements reflects pending accounts payable in respect of road contractors totalling Kshs.3,597,877,130 as at 30 June, 2022. Annex 2 of the financial statements clearly shows that a total of Kshs.3,589,974,572 were contracted on 28 and 30 June, 2022 which was six and a half years after the project timelines. Further the financial statements for the year ended 30 June 2021 did not disclose any pending bills at that point even though a pending bill of Kshs.7,902,558 is reflected as the opening balance as at 1 July, 2021. No documentation have been provided in support of the above pending bills. Review of the project's records indicate that no bill was settled during the year.

In the circumstances, the project runs the risk of incurring significant unquantified interest costs and penalties with the continued delay in settling invoiced bills.

2. Project Closure Report

The Project information at Section 1.2 of the annual report and financial statements reflects the project end date of 30 December, 2015. However, the project closure report was not provided for audit, being almost seven (7) years after the expiry of the closure period.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association, I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of the Project to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention 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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

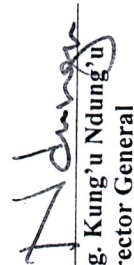
Nairobi

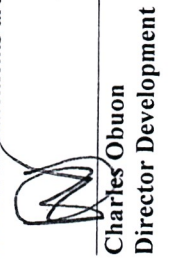
14 November, 2022

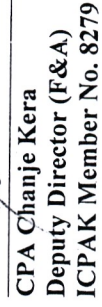
Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2022
6. Statement of Receipts and Payments for the year ended 30th June 2022

| Receipts | Note | 2021-2022 | | 2020-2021 | | Total | Cumulative to-date (From inception) |
|---|------|---|---|--|---|----------------------|-------------------------------------|
| | | Receipts and payments controlled by the entity Kshs. | Payments made by third parties Kshs. | Receipts and payment controlled by the entity Kshs. | Payments made by third parties Kshs. | | |
| Transfer from Government entities | 1 | - | - | 30,069,765 | - | 30,069,765 | 31,687,582,035 |
| Loan from external development partners | 2 | - | - | - | - | - | 32,546,562,544 |
| Miscellaneous receipts | 3 | 2,496,331 | - | 2,386,815 | - | 2,386,815 | 71,260,857 |
| Total receipts | | 2,496,331 | - | 32,456,580 | - | 32,456,580 | 64,305,405,436 |
| Payments | | | | | | | |
| Compensation of employees | 4 | - | - | - | - | - | 52,959,675 |
| Purchase of goods and services | 5 | - | - | 63,000 | - | 63,000 | 185,456,726 |
| Acquisition of non-financial assets | 6 | 12,198,601 | - | 189,393,143 | - | 189,393,143 | 64,007,635,449 |
| Total payments | | 12,198,601 | - | 189,456,143 | - | 189,456,143 | 64,246,051,850 |
| Deficit/(Surplus) | | (9,702,270) | (9,702,270) | (156,999,563) | (156,999,563) | (156,999,563) | 59,353,586 |

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


Eng. Kung'u Nding'u
Director General


Charles Obuon
Director Development

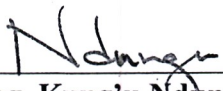

CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

7. Statement of Financial Assets as at 30th June 2022

| Description | Note | 2021-2022 | 2020-2021 |
|--|------|-------------------|-------------------|
| | | Kshs | Kshs |
| Financial Assets | | | |
| Cash and Cash equivalents | | | |
| Bank Balances | 7 | 59,353,586 | 69,055,856 |
| Total Cash and Cash equivalents | | 59,353,586 | 69,055,856 |
| Total Financial Assets | | 59,353,586 | 69,055,856 |
| Financial Liabilities | | | |
| Deposits and Retention monies | 9 | - | 12,198,601 |
| Net Assets | | 59,353,586 | 56,857,255 |
| Represented By | | | |
| Fund Balance B/fwd. | 8 | 56,857,255 | 54,470,440 |
| Surplus/(Deficit) for the Year | | 2,496,331 | 2,386,815 |
| Net Financial Position | | 59,353,586 | 56,857,255 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 AUG 2022


and signed by:



Eng. Kung'u Ndung'u
Director General



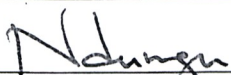
f Charles Obuon
Director Development




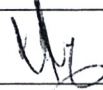
CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

8. Statement of Cashflow for the year ended 30th June 2022

| Description | Notes | 2021-2022 | 2020-2021 |
|--|-------|---------------------|----------------------|
| | | Kshs | Kshs |
| Cashflow from operating activities | | | |
| Receipts | | | |
| Transfer from government entities | 1 | - | 30,069,765 |
| Miscellaneous receipts | 3 | 2,496,331 | 2,386,815 |
| Total receipts | | 2,496,331 | 32,456,580 |
| Payments | | | |
| Purchase of goods and services | | - | 63,000 |
| Total Payments | | - | 63,000 |
| Adjustments during the year | | - | - |
| Net cash flow from operating activities | | 2,496,331 | 32,456,580 |
| Cashflow from investing activities | | - | - |
| Acquisition of non-financial assets | 6 | (12,198,601) | (189,393,143) |
| Net cash flows from investing activities | | (12,198,601) | (189,393,143) |
| Cash flow from financing activities | | | |
| Proceeds from foreign borrowings | | - | - |
| Net cash flow from financing activities | | - | - |
| Net increase in cash and cash equivalents | | (9,702,270) | (156,999,563) |
| Cash and cash equivalent at beginning of the year | | 69,055,856 | 226,055,419 |
| Cash and cash equivalent at end of the year | | 59,353,586 | 69,055,856 |


Eng. Kung'u Ndung'u
Director General


Charles Obuon
Director Development


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

Northern Corridor Transport Improvement Project

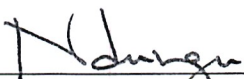
Annual Report and Financial Statements for the financial year ended June 30, 2022

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


2022

| 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 | - | - | - | - | - | - |
| Miscellaneous receipts | - | - | - | 2,496,331 | (2,496,331) | 0% |
| Total Receipts | - | - | - | 2,496,331 | (2,496,331) | 0% |
| Payments | | | | | | |
| Acquisition of non-financial assets | - | - | - | 12,198,601 | (12,198,601) | 0% |
| Total Payments | - | - | - | 12,198,601 | (12,198,601) | 0% |
| Surplus or Deficit | - | - | - | (9,702,270) | (9,702,270) | - |

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.


 Eng. Kung'u Ndung'u
 Director General

f


 Charles Obuon
 Director Development


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

10. Significant Accounting Policies

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

10.1 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.

10.2 Reporting entity

The financial statements are for the Project Northern Corridor Transport Improvement Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.3 Reporting currency

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

10.4 Recognition of receipts

Northern Corridor Transport Improvement Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

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

ii) External Assistance

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

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

10.6 In-kind donations

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

Significant Accounting Policies (Continued)

10.7 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 imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10.8 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.

10.9 Imprests and Advances

For the purposes of these financial statements, imprest 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.

10.10 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:

Significant Accounting Policies (Continued)

- 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.

10.11 Contingent Assets

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

10.12 Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' 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)

10.13 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.

10.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year NO loan disbursements were received in form of direct payments from third parties.

10.15 Exchange rate differences

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

Significant Accounting Policies (Continued)

10.16 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.

10.17 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, 2022.

10.18 Prior period adjustments

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

11. Notes to the Financial Statements

1. Transfers from Government entities

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

| Description | KShs | | Cumulative to-date (from inception) |
|--|-----------|-------------------|-------------------------------------|
| | 2021-2022 | 2020-2021 | |
| <i>Counterpart funding through the line Ministry</i> | | | |
| Counterpart funds Quarter 1 | - | 4,255,773 | 8,038,947,304 |
| Counterpart funds Quarter 2 | - | 25,609,179 | 9,645,069,557 |
| Counterpart funds Quarter 3 | - | - | 7,129,215,712 |
| Counterpart funds Quarter 4 | - | 204,813 | 6,874,349,462 |
| Total (See Annex 2) | - | 30,069,765 | 31,687,582,035 |
| <i>Other transfers from government entities</i> | | | |
| Ministry | - | - | - |
| Project | - | - | - |
| Agency | - | - | - |
| Total | = | = | = |
| Appropriations-in-Aid | - | - | - |
| Total | = | 30,069,765 | 31,687,582,035 |

2. Loan from External Development Partners

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

3. Miscellaneous receipts

| | 2021-2022 | | | 2020/2021 | Cumulative to-date (from inception) |
|-----------------|---|--------------------------------------|------------------|------------------|-------------------------------------|
| | Receipts controlled by the entity in Cash | Receipts controlled by third parties | Total receipts | Total receipts | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Interest income | 2,496,331 | - | 2,496,331 | 2,386,815 | 71,260,857 |
| Total | 2,496,331 | - | 2,496,331 | 2,386,815 | 71,260,857 |

Notes to the Financial Statements (Continued)

4. Compensation to Employees

| | 2021/2022 | | | 2020/2021 | Cumulative to- date |
|------------------------------------|-------------------------------------|--------------------------------|----------------|----------------|---------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total payments | Total payments | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Basic wages of temporary employees | - | - | - | - | 52,959,675 |
| Total | - | - | - | - | 52,959,675 |

5. Purchase of Goods and Services

| | 2021/2022 | | | 2020/2021 | Cumulative to- date |
|--|-----------------------|--------------------------------|----------------|----------------|---------------------|
| | Payments made in Cash | Payments made by third parties | Total payments | Total payments | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Domestic travel and subsistence | - | - | - | 63,000 | 29,464,389 |
| Foreign travel and subsistence | - | - | - | - | 18,363,089 |
| Printing, advertising, and information supplies | - | - | - | - | 29,695,880 |
| Training payments | - | - | - | - | 84,565,499 |
| Hospitality supplies and services | - | - | - | - | 7,695,073 |
| Specialized materials and services | - | - | - | - | 15,015,532 |
| Routine maintenance – vehicles and other transport equipment | - | - | - | - | 657,264 |
| Total | - | - | - | - | 185,456,726 |

Notes to the Financial Statements (Continued)

6. Acquisition of Non-Financial Assets

| | Payments made in Cash | Payments made by third parties | Total payments | Total payments | Cumulative to-date |
|--|-----------------------|--------------------------------|-------------------|--------------------|-----------------------|
| | 2021-2022 | | | 2020-2021 | |
| | Kshs. | Kshs. | Kshs | Kshs | Kshs |
| Refurbishment of buildings | - | - | - | 375,765 | 433,519,331 |
| Construction of roads | 12,198,601 | - | 12,198,601 | 188,407,425 | 55,175,752,520 |
| Purchase of vehicles & other transport equipment | - | - | - | - | 487,801,252 |
| Purchase of office furniture & general equipment | - | - | - | - | 392,325,104 |
| Purchase of specialised plant, equipment and machinery | - | - | - | - | 965,155,286 |
| Research, studies, project preparation, design & supervision | - | - | - | 609,953 | 3,737,308,189 |
| Acquisition of land | - | - | - | - | 2,757,806,524 |
| Acquisition of other intangible assets | - | - | - | - | 57,967,243 |
| Total | 12,198,601 | - | 12,198,601 | 189,393,143 | 64,007,635,449 |

7. Cash and Cash equivalents

| Description | 2021-2022 | 2020-2021 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Bank accounts (Note 7A) | 59,353,586 | 69,055,856 |
| Cash in hand | - | - |
| Cash equivalents (short-term deposits) | - | - |
| Total | 59,353,586 | 69,055,856 |

Notes to the Financial Statements (Continued)

7. A Bank Accounts

Project Bank Accounts

| Details | 2021-2022 | 2020-2021 |
|--------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| <u>Local Currency Accounts</u> | | |
| NCBA Bank [A/c No1000012177] | 59,353,586 | 56,857,255 |
| NBK Retention | - | 12,198,601 |
| Total bank account balances | 59,353,586 | 69,055,856 |

Special Deposit Accounts

The balances in the Project's Special Deposit Account as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

| Description | 2021-2022 | 2020-2021 |
|--|------------------|------------------|
| | Kshs | Kshs |
| (i) A/C NCTIP KeNHA [A/c No 0810297087613 | | |
| Opening balance | 4,969,127 | 4,548,250 |
| Total amount deposited in the account | - | - |
| Total amount withdrawn (as per Statement of Receipts & Payments) | - | - |
| Closing balance (as per SDA bank account reconciliation attached) | 4,969,127 | 4,548,250 |

This amount represents USD 42,172 held in the Special deposit account translated at Kshs 117.83 as at 30 June 2022

8. Fund Balance Brought Forward

| Description | 2021-2022 | 2020-2021 |
|---------------|-------------------|-------------------|
| | Kshs | Kshs |
| Bank accounts | 59,353,586 | 56,857,255 |
| Total | 59,353,586 | 56,857,255 |

Notes to the Financial Statements (Continued)

9. Changes in Accounts Payable

| Description | 2021-2022 | 2020-2021 |
|--|-------------------|--------------------|
| | Kshs | Kshs |
| Deposit and Retentions as at 1 st July 20 | 12,198,601 | 171,584,979 |
| Closing accounts payables as at 30 th June 20 | - | 12,198,601 |
| Change in payables | 12,198,601 | 159,386,378 |

12. Other Important Disclosures

1. Pending Accounts Payable (See Annex 2)

| | Balance b/f FY 2020/2021 | Additions for the period | Paid during the year | Balance c/f FY 2021/2022 |
|-----------------------------|-------------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
| Description | Kshs | Kshs | Kshs | Kshs |
| Construction of civil works | 7,902,558 | 3,589,974,572 | - | 3,597,877,130 |
| Total | 7,902,558 | 3,589,974,572 | - | 3,597,877,130 |


*Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*


13. Prior Year Auditor-General's Recommendations

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|-----------------------------------|--|
| 1 | <p>Unsupported Receipts The statement of receipts and payments reflects transfers from Government entities balance of Kshs. 30,069,765.00. The amount is however not supported by a bank balance and the receipts for the exchequer received. The accuracy of the balance in the financial statements could not therefore be confirmed.</p> | <p>As noted in our response to the management letter, we disagree with this observation. However by nature and practice, appropriation by The National Assembly to the project is on a specific line by line individual project. This is the form in which the project budgets are uploaded onto IFMIS and availed for expenditure. All exchequer funds received are all channeled to a single exchequer bank account which is in line with provisions of the PFM Act of a Treasury single Account. The bank balance certificate for this account was provided for audit and is hereby attached.</p> | Resolved | |
| 2 | <p>Unsupported Refund of Retention Money The statement of receipts and payments reflects balance of Kshs. 168,369,313.00 being retention money refunded during the year under review. The amount is however not supported by the payment vouchers relating to deductions for the retention money and bank</p> | <p>As documented in our management letter response, we disagree with this observation. The retention listing & the documents supporting payments relating to release of retention were availed for audit and are hereby attached. Further please note that the</p> | Resolved | |

*Eastern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|-----------------------------------|--|
| | statement showing payments from the bank. The accuracy of the balance in the financial statements could not therefore be confirmed. | amount of retention released has since been revised to Kshs 159,386,378 as disclosed under notes 11 & 12 in the financial statements. | | |
| 3 | <p>Unsupported Bank balance</p> <p>The statement of financial assets and liabilities reflects a bank balance of Kshs. 69,055,856 as at 30 June, 2021. The balance was not supported with bank reconciliation statements, confirmation certificate and bank statements.</p> <p>In the circumstances, the accuracy and completeness of the bank balance of Kshs. 69,055,856 could not be confirmed.</p> | <p>As documented in our management letter response, we disagree with this observation. The bank balance certificate of balance and bank reconciliation statements for the accounts under the entity's control were availed during the audit.</p> | Resolved | |


Eng. Kung'u Ndung'u
 Director General


Charles Obuon
 Director Development

Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

14. Annexes

Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022

| | 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 | | | | | |
| Miscellaneous receipts | - | 2,496,331 | (2,496,331) | 0% | * |
| Total Receipts | - | 2,496,331 | (2,496,331) | 0% | |
| Payments | | | | | |
| Acquisition of non-financial assets | - | 12,198,601 | (12,198,601) | 0% | ** |
| Total payments | - | 12,198,601 | (12,198,601) | 0% | |

* The 0% realisation is due a miscellaneous receipt of Kshs. 2.5 million relating to bank interest.

**The 0% utilization is due to the release of retention being held by the Authority amounting to Kshs 12 million

Annex 2 - Analysis of Pending Bills

| Supplier of Goods or Services | Original Amount | Date Contracted | Amount Paid To-Date | Outstanding Balance 2021-2022 | Outstanding Balance 2020/21 | Comments |
|--------------------------------------|------------------------|------------------------|----------------------------|--------------------------------------|------------------------------------|-----------------------|
| | a | b | c | d=a-c | | |
| Construction of civil works | | | | | | |
| H YOUNG | 7,902,558 | 11-Sep-17 | - | 7,902,558 | 7,902,558 | Road Over Rail Bridge |
| SBI International Holdings Ag | 1,391,684,274 | 28-Jun-22 | - | 1,391,684,274 | - | Mau Summit-Kericho |
| SBI International Holdings Ag | 1,586,806,817 | 28-Jun-22 | - | 1,586,806,817 | - | Kericho - Nyamasaria |
| SBI International Holdings Ag | 611,483,481 | 30-Jun-22 | - | 611,483,481 | - | Ksm Airport-Kisian |
| Total | 3,597,877,130 | | - | 3,597,877,130 | 7,902,558 | |

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Annex 3 – Summary of Fixed Assets Register

| Asset class | Opening Cost (KShs) 2021/22 | Donations in form of assets (KShs) 2021/22 | Purchases/ Additions in the Year (KShs) 2021/22 | Disposals in the Year (KShs) 2021/22 | Transfers in/(out) Kshs 2021/22 | Closing Cost (KShs) 2021/22 |
|--|-----------------------------------|--|---|---|--|-------------------------------------|
| | (a) | (b) | (c) | (d) | (d) | (e) = (a) + (b) + (c) - (d) + (-) d |
| Land | 2,757,806,524 | - | - | - | - | 2,757,806,524 |
| Buildings and structures | 433,519,331 | - | - | - | - | 433,519,331 |
| Office equipment, furniture and fittings | 392,325,104 | - | - | - | - | 392,325,104 |
| Transport equipment | 487,801,252 | - | - | - | - | 487,801,252 |
| Other Machinery and Equipment | 965,155,286 | - | - | - | - | 965,155,286 |
| Infrastructure assets roads | 58,900,862,108 | - | 12,198,601 | - | - | 58,913,060,709 |
| Intangible assets | 57,967,243 | - | - | - | - | 57,967,243 |
| Total | 63,995,436,848 | - | 12,198,601 | - | - | 64,007,635,449 |